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Institute of International Politics and Economics
Belgrade, Makedonska 25, Phone: 3373 824,
Internet site: www.diplomacy.bg.ac.rs
e-mail: iipe@diplomacy.bg.ac.rs

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Editorial correspondence

Dragoljub TODIĆ, Editor-in-Chief, Tel: 3373 824
d.todic@diplomacy.bg.ac.rs
RIA@diplomacy.bg.ac.rs

Makedonska 25, 11000 Belgrade, P.O. Box 413
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For the Publisher
Duško Dimitrijević, Ph.D.
Director

Editor-in-Chief
Dragoljub TODIĆ, Professor, IIPE, Belgrade, Serbia

Deputy Editor-in-Chief
Marko NIKOLIĆ, Ph.D., IIPE, Belgrade, Serbia
markon@diplomacy.bg.ac.rs; ria@diplomacy.bg.ac.rs

Secretaries
Jelica Gordanic, M.A., IIPE

Language editor
Aleksandra Janošević

Layout
Snežana Vojković

For information on annual subscription please contact
BiFS doo, Books and Periodicals, Supilova 10
11000 Belgrade, Serbia,
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Contents

European Integration

International Security

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CHINESE "GOING OUT" POLICY AND ITS IMPACT ON RELATIONS WITH SERBIA

Sanja AREŽINA, PhD[1]

Abstract: Since its inception in 1949, PR China has functioned in international relations in three capacities: as a great power, a socialist country and a developing country. However, the Chinese prefer to say that China is a "Third World" country. Although the real motives of such statements were often hidden, today, studying Chinese foreign policy, we can say that they have aims to create an enabling environment for fostering good relations with developing countries in order to achieve political, economic, energy and other interests. In a globalized world, at the end of the 20th and beginning of the 21st century PR China has developed and reformed itself rapidly. It has become the second largest economic power in the world, so it is coming to a position that is increasingly applied the policy of foreign aid. The reasons for this are the desire to increase the sphere of influence compared to the U.S. and the Western powers reducing the significance of dollars in the world, securing energy resources and reducing the impact of Taiwan in international relations. Therefore, the Chinese leadership started a "going out" policy in 2001, which brings developing countries to the forefront. However, while at first it had priority countries in Africa, Latin America and Southeast Asia after the economic and financial crisis in 2008 the focus of its interest has shifted to Europe. For this reason, it created a Mechanism for cooperation between PR China and Central and Eastern European countries. Serbia, which is part of this Mechanism, in addition to the existing strategic partnership from 2009, which deepened in 2013, is a leader in the region measured by the Chinese investments and projects initiated.

Key words: PR China, developing countries, Third World, "going out" policy, Europe, Serbia.

[1] Faculty of Political Science, Belgrade, E-mail: sanja_arezina@yahoo.com.

Introduction

The People's Republic of China is a great power, a socialist country and a developing country, all at the same time. All three properties are visibly present in international relations. However, the Chinese prefer to say that China is a 'third world' country: that their historical destiny, problems, aspirations and goals are inextricably linked with the countries of Asia, Africa and Latin America, to all developing countries. Although the real motives of such statements were often hidden, we can say that they have aims to create an enabling environment for fostering good relations with developing countries in order to achieve political, economic, energy and other interests. In the 21st century, the world has changed its characteristics due to globalization that started a decade earlier. The consequences are visible in the environment in which the unipolar distribution of power has become uni-multipolar with a tendency to shift from the West to the East. Also 'hard power' (military power) that once was the most important has given way to 'soft power', and then to "smart power". In such a global system, PR China has rapidly developed and reformed becoming the focus of attention of the world public in the 21st century.

Since its inception in 1949, PR China has sought to extend its influence throughout the world. Therefore, its relationship to the 'third world' countries can be divided into the following three phases:

> The first post-war phase of the late 1940s until the end of the 1950s had its apex at the Bandung Conference in 1955, in which China played an important and constructive role and sought the establishment of friendly relations with all countries in the development of the principles of active and peaceful coexistence.
>
> The second phase, from the beginning of the 1960s till the late 1970s, in which focus was the unsuccessful action to convene the so-called Second Bandung in 1965, China sought to establish itself as a leader of the third world on a very anti-Soviet and anti-American platform through a projection of radical goals of the party and state leadership on the international stage. The country which stood in the way of achieving that its intention was SFR Yugoslavia as the founder of the Non-Aligned Movement.
>
> The third phase, from the mid-1970s to the present, in which China has renewed and developed relations with the Third World countries based on the principles of active and peaceful coexistence, and on the basis of equality and mutual benefit (Petković, 1985, p. 3).

At the beginning of the 1960s, due to the break-up with the Soviet Union and especially during the Cultural Revolution, China began to design not only its political interests in international relations, but it already started to expand its presence and influence. This was done in two ways: by ideology and by economic

aid to the third world countries. China refuted the hypothesis of the existence of one centre (Communist Party of the Soviet Union - CPSU) in the international communist movement criticizing the Soviet Union for not following the correct path of Marxism-Leninism simultaneously trying to establish another centre led by the Communist Party of China (CPC). During the Cultural Revolution, it began the creation of pro-Chinese parties, groups and fractions starting in Asia and later the number of so-called "Marxist-Leninist" parties began to grow on all continents. However, it was soon realized that the formation of the second centre, led by CPC was a mistake. Having failed to bring together developing countries under its leadership, as opposed to the Non-Aligned Movement which managed to do so, by the end of the Cultural Revolution and after the overthrow of the "Gang of Four", the government admitted that every state had the right to its own path (including Yugoslavia). At the same time, China projected its influence through financial assistance to the "Third World" countries. Of course, the socialist countries with which it had established party relations (Albania, Romania, Vietnam, North Korea, Cambodia) had primacy. By the end of the 1970s Albania was a small Chinese area of interest in Europe, giving way to Yugoslavia with hopes to establish influence in the region.

One of the reasons behind such policies was matching the Soviet influence in countries with strained relations with the Soviets. In this sense, Africa came to attention where the strong wave of decolonization led to the declaration of independence of twenty new countries in 1960. It was thought that China, with an aura acquired in Bandung, providing political and especially economic, scientific and technical assistance would be able to enforce them not only as a "true friend", but also as a "natural" leader of the Third World. In late 1982 and early 1983, the Chinese Premier Zhao Ziyang visited 11 countries of that continent in one tour in order to show the significance of this policy. China's total aid to developing countries in the period from 1956 to 1972 amounted to 2.7 billion dollars, of which 1.3 billion dollars was intended to African countries. In just one year, 1970, the Chinese foreign grants amounted to 600 million dollars. From 1979-1983 China was engaged in 160 development projects in Africa.

Nevertheless, the total economic aid to developing countries fell from 600 million dollars in 1970 to 50 million dollars in 1982. Economically weak, although with a large territory and population, China was no longer able to provide economic assistance to countries that needed it, or to invest or buy from countries that were more powerful (like the United States and Western Europe) that had an interest in entering its market. That was an indication that China stopped with the pretension to expand its ideological influence in developing countries at all costs and turned to internal development and economic reforms. In order to achieve its proclaimed goal to become economically strong world power by the beginning of the 21st century, it needed the help of SFR Yugoslavia, at that time a highly

esteemed country that successfully balanced between the West and the East with its status as one of the leaders of the Non-Aligned Movement and good relations with Euro-communist parties, to "open" the door to this world to China. Therefore, in 1977, the two countries established party relations in addition to state ones on China's initiative and thus, began stronger economic cooperation. This coincided with the formation of a more realistic course in the Chinese foreign policy which included a discontinuity with the past policies. After stabilization of the Hua Guofeng government and interruption of party relations with Albania and Vietnam, China started to pay less attention to Marxist-Leninist parties, renounced political campaigns and the Cultural Revolution and set its relationship in the international communist and international workers' movement on more realistic grounds (DASMIP, 1980). By stabilizing its status in the international environment, it made a peaceful base for internal development. Starting from the Marxist understanding that economic power was the base for other forms of power and the notion that "soft power" could not be derived from poverty, China increasingly turned to self-sufficiency and it spent less time abroad in order to direct more money at restoring the country and for the long-term projection of power. Therefore, in this period economic cooperation with Yugoslavia (although a priority for China) was not on the satisfactory level.

However, keeping with the long-term Deng Xiaoping's plan, the 1990s saw the beginning of progress, a decade before it was planned that China would become an "engine" of economic development at the beginning of the 21st century. In 1997, three years earlier than the set deadline, China reached the fulfilment of the 16 planned indicators for the achievement of the wellbeing society (*xiaokang*). Then it set a 10 new indicators that needed to be fulfilled in three steps by 2020, on the centenary of the establishment of the Communist Party of China, and this should be a step towards the creation of a comprehensive well-being society (*quianmian xiaokang*) in 2050 (the centenary of the founding of the People's Republic of China). This would be the accomplishment of the Chinese 200 year-long dream (Weibin, 2013).

Projection of Chinese economic power

Recognizing that economic power alone without political does not amount too much, China is again turning to developing countries with its foreign aid policy. Promoting "soft power" through "charm offensive" in the 1950–2009 period China gave 39.2 billion dollars in aid in total (Kurlantzik, 2007). According to the document published by the Ministry of Information, the aid consisted of 16.3 billion dollars in grants, 11.7 billion dollars in interest-free loans and 11.3 billion dollars in preferential loans. Financial assets were mainly used to help recipient countries to build hospitals, schools, low-cost housing, digging wells and building

water systems. Most of them were projects that were related to welfare issues, human resource development, technical development and humanitarian assistance. The global economic crisis served as an excuse for Chinese preferential loans, 61 per cent of which were used in construction, transportation, communications and power infrastructure, and 8.9 per cent to support the development of energy systems, oil and minerals. Based on the assessment of *The Financial Times*, in 2009 and 2010, Exim Bank and China Development Bank approved at least 110 billion dollars of loans to governments and companies in developing countries, which is more than the total loans of the World Bank in the same period. Most of the money was invested in Africa (Van Dijk, 2009, pp. 9–31; Guerrero and Manji, 2008) through 1,700 development projects in the period from 2000 to 2011 which amounted to 75 billion dollars. The United States with its 90 billion dollars in investments are still far ahead of China (*The Guardian*, June 26th 2013). "The White paper on peaceful development" from 2011 states that until 2009 China gave preferential loans for 76 countries in total that implemented 325 projects, of which 142 had already been completed (Information Office of the State Council, September 6th 2011). The Chinese investment in Europe doubled in the second quarter of 2012 compared to the same period in 2011 and reached five billion dollars. Only in 2012, 10 billion dollars was set aside for loans to 16 countries in Central and Eastern Europe, including Serbia. Drawing a parallel between the focus on the Third World countries in 1960s-1970s and developing countries that became its target group in the 21st century, it can be said that the period of two to three decades of developing took back China's policy to where it stood a few decades ago, but now with a much greater economic and financial capability.

There are three key reasons for China's foreign aid policy. The first is to increase the sphere of influence in relation to the United States and to reduce the importance of dollar as the world reserve currency. The Market-Leninist model of assistance called "Beijing Consensus" provides China with expanding commercial relations by offering a better economic model than the West, in the same time grows Chinese "soft power", and builds the base for stronger political ties. In the study "The Beijing Consensus" Joshua Cooper Ramo describes the Chinese elite that understands that its country is an attractive partner due to the rise in power and weak interference policy, especially in the context of the U.S. being seen as an arrogant hegemon. It allows China to gain support in the UN and other international organizations (Cooper Ramo, 2004, p. 39).

The second is to secure the access to energy resources. It has become an imperative for development because only economically powerful countries can project security and political power. The West is constantly showing dominance over the global South and East with its control of access to energy. This dependence is manifested at different levels, from political conditionality to waging wars and destabilizing local government. The most important goal of this foreign

policy aspect is to satisfy the needs of the internal market by providing access to vital resources and then, to secure overseas markets for domestic products. Therefore, the attention of administration was primarily on securing raw materials on a long-term basis. China is forced to diversify sources of oil imports to protect itself against potential political barriers by other countries (Daojiong and Breslin, 2010, p. 67). Because of that, it has established good relations with the countries from which it buys oil, gas and minerals. It invests in them offering them debt relief; it organizes frequent visits of their statesmen and increases its participation in the UN peacekeeping mission in the territory of these countries. In this way, China creates a favourable political climate in order to secure energy resources and their other investments. The ruling regimes in these countries are constantly faced with political demands from the West in terms of promoting democracy and human rights and are subjected to negative reports from Western-funded non-governmental organizations. China, primarily focused on economic objectives, has not set political conditions for bilateral relationship and does not interfere in international affairs of other countries. Therefore, it is a preferred trading partner for most of the ruling regimes in developing countries (particularly in Africa and Central Asia). In order to compete with the West and its financial institutions (IMF and World Bank) it adopted a diametrically opposite approach that is more favourable to these countries. The Chinese aid program is less conditional on the implementation of economic and social reforms (consolidation of the state budget, preventing human rights violations, institutional overhaul, etc.) that are characteristic for the IMF and the World Bank (Shambaugh, 2013, p. 162). The Chinese do not require political support in the UN or providing troops for peacekeeping missions. With less conditional aid, China can expect and usually gets wider support from recipient states.

The third reason is Taiwan. "The goal of all goals" of China is to reduce its footprint and impact in international relations and prevent the establishment of diplomatic relations with third countries (Medeiros, 2009). For this reason, the Chinese foreign aid policy towards developing countries to some extent prevents or buys the withdrawal of previously given recognition.

On the other hand, building a relationship with developing countries in this way has some negative effects. The first is that China's stepping into the territory of developing countries undermines the economic, political and military influence that was built by Britain, France or the United States. This could cause friction because all major powers are trying to push their own interests to the forefront and spread the notion of their own benevolence. It is notable that in most oil-rich countries where China invests economic and political crises start culminating in armed conflicts. The examples of this are Nigeria, Sudan and Libya. The second negative effect of unconditional aid may slow the overall social progress of recipient countries since it effectively maintains the cycle of bad regimes and social

tensions, where there are ones, especially in Africa (Zakarija, 2009, p. 117). China still believes that its non-interference in the internal affairs of these countries is a show of its declared neutrality. The third negative effect is that developing countries can still perceive China's trade and economic assistance as less benevolent (interested in the common good) and coercive (exploitative and interested only in its own interests). While governments of developing countries look to China with approval because of received aid, their people may have different views – similar to what they had on Western governments in previous years (Kegli Jr., Vitkof, 2004, p. 472). Now, they believe that China is a new exploiter and are suspicious of its newfound power. This is most commonly evident in labour relations where domestic workers think that Chinese workers are taking their jobs away and Beijing, being aware of this, is trying to show its good intentions (Harsch, January 2007). The fourth negative effect lies in the practice of direct negotiations with Chinese officials by local government officials, which are much faster but in most cases are completely non-transparent, being much more prone to corrupt activities of the ruling elites. The fifth effect is that following its own national interests Beijing slowly realizes that its responsibility becomes much bigger. While it still points out that it is not interfering in the internal affairs of recipient countries and rush to sign the contracts not caring where the money really ends, it should become aware of its power and inherent pressure to act as a "responsible great power" (*fuzeren de daguo*). Perhaps for this reason, China does not want to be considered a superpower. It wants to be considered a developing country that has its own internal problems in need of solving as similar countries, without a will to meddle into other countries' problems (Ahlbrandt-Kleine, November 12th 2009).

The program of simultaneous reforms in various fields has made China the second economic power in the world, the first commercial power in the world with the highest exports and imports, the country with the fastest rate of development, the largest depositor and the second military spender (Naj, 2012, p. 218). In the middle of 2009, the amount of foreign exchange reserves moved up to 2 trillion dollars surpassing Japan and reaching the first place it still holds. In 2012, its reserves rose to 3.3 trillion dollars. The vast reserves held by banks and major insurance companies are resources of the state and state companies, but the highest percentage are private savings of citizens, who prefer to keep it for the long run instead of short-term spending. The "golden age" of reserves was in the 2008-2009 period when they rose by 55 billion dollars on average per month. Spending is partly limited by the central bank, which still provides for rather high interest rates on consumer loans and limits the amount of foreign currency that companies and individuals can take out of the country. By purchasing U.S. dollars on the world market China is creating a shortage of supply and allows its renminbi to remain strong, while by purchasing bonds and holding reserves in the U.S.

banks it creates conditions for cheap loans to American citizens in order to spend and buy Chinese goods.

Such financial policies and focus on safety of domestic banks have enabled China to overcome the global economic crisis that started in 2008 and to retain a tendency of growth, because it uses the ability to encourage production for the domestic market with minimum of internal liberalization of the banking sector. Similar to China the U.S. has tried to encourage spending and raise a new production cycle, mostly by quantitative easing in several phases, which also led to the increase of its budget deficit. If we look at the securities, at the end of January 2012, Beijing invested a total of 739.6 billion dollars in U.S. Treasury securities; it owned 846.7 billion dollars of U.S. government bonds in July 2012, which is an increase of 0.4 per cent compared to June 2012. Since October 2012, that number stands at 1.160 billion dollars and creates a problem for the U.S. government, which has to finance an extremely high budget deficit.

Shortly after the outbreak of the global financial crisis, Chinese leaders began to advocate for reform of the international monetary system. The reason for that was the growing dissatisfaction with the dollar as a global reserve currency because of the continuous huge emission of new dollar quantities, primarily due to the increased spending of the U.S. government, which causes fear of losing its purchasing power for all who keep it in reserve. In March 2009, the governor of the Chinese central bank Zhou Xiaochuan had announced that it might be time to move away from the dollar as a global reserve currency to the development of a super - sovereign currency. Later that month at the G20 summit, the Chinese President Hu Jintao called for a change in the global financial system. It was decided to create new special drawing rights in the amount of 250 billion dollars to extend international liquidity. Since then, the Chinese have continued to present the idea that the U.S. dollar is no longer efficiently serving as a global reserve currency and is increasingly pushing for reform of the International Monetary Fund, which reflects the voice of China and other developing countries as well (American Quarterly, June 26th 2013). Also, although its currency is tied to the dollar, China's central bank still allows fluctuations up to 1 per cent per day.

On the other hand, China has been gradually releasing its foreign currency reserves by active purchasing abroad. In many countries, especially in Africa, it buys large deposits of oil and other natural resources. In addition, it increasingly buys modern technology from developed countries. For example, China has recently purchased a large number of aircraft from Airbus using a very interesting scheme. The planes were bought on credit and as a means of securing payment, it used dollar securities that it had in its portfolio. In similar ways, in the past few years China has succeeded to diversify its reserves and to transfer almost half of its reserves from dollars into gold or other currencies (Chen, 2009, p. 8).

To create a real multilateralism of the reserve currency area the global market needs a strong third currency, and that position probably belongs to renminbi. China increasingly pushes forward renminbi as a regional and in the future, a broader international currency in order to further weaken the dollar's position. The statement by officials of the National Bank of China in November 2013 that "the acquisition of foreign currency does not suit the interests of China" and that it "no longer believes it is important to increase foreign exchange reserves" is in line with this push. China signed contracts on currency swaps with several countries (Russia, Japan, Brazil, Australia, Chile, the United Arab Emirates, a number of African countries, etc.). It was agreed to establish of a joint development bank among the BRICS countries, but without specifying the details of its size and structure (Business insider, June 26th 2013; News business, June 26th 2013; B92, June 26th 2013). This bank should enhance mutual trade, and most of all, it should favour a wider acceptance of renminbi. The goal is to reduce dependence on the dollar and euro, but significant progress is expected in around 10 years. The use of local currencies will reduce the cost of trade exchange for participants in an estimated amount of 4 per cent. A study by Subramanian & Kessler claims that in effect, the dollar is in decline in East Asia and that the region now heavily relies on renminbi, in contrast to previous decades. Seven currencies in the region follow the renminbi to a greater extent than the dollar. When the dollar fluctuates 1 per cent, East Asian currencies are moving in the same direction - 0.38 per cent on average. If the renminbi fluctuates by 1 per cent, they are moved by 0.53 per cent (Economist, June 28th 2013).

"Going out" policy

In the late 1970s, the People's Republic of China began to build its strategy of economic modernization through the Foreign Direct Investment (FDI) approach. It operates in two different, but interconnected stages. The first one, called "welcoming in" (*yin jinlai*) has facilitated the accumulation of domestic capital, market reform and technological development and was followed by the second phase – "going out" policy (*zou chuqu*) through capital outflow in order to deepen access to foreign markets, natural resources and advanced technology bringing additional growth and stabilization. These two phases work on the Yin and Yang principle in order to create balance in the natural world according to Taoism dualistic cosmology. In 1978, Deng Xiaoping began to prepare the ground for such a global strategy. He initiated extensive market reforms that followed agriculture decollectivisation, the experiment with free markets and the inflow of foreign capital. "The glorious is to be rich", Deng Xiaoping encouraged China's citizens (Kenedi, 1997, p. 200).

At that time, foreign direct investments entered China mainly through Hong Kong, which was still under the British rule. Only state-owned enterprises (SOE) and other provincial and municipal bodies were able to invest abroad, which they did, but on a very modest scale. In the mid-1990s, SOEs were transformed into joint stock companies. The 1997-98 Asian financial crisis forced China to help its multinational companies establish overseas production bases, so that they could be integrated into new markets and adopt Western technology, managerial control and foreign currency operations. China began offering tax incentives for exports and financial assistance to all Chinese companies abroad that would use Chinese materials, parts and equipment.

The beginning of the 21st century brought changes in international relations. Fast Chinese growth had for its consequence a birth of the "China threat" theory in the West (Baković, 2004, p. 2), which in turn resulted in changes in the Chinese foreign policy. Hu Jintao promoted the theory of the "peaceful rise" that defined the Chinese rise as a legitimate goal that required peace, seen as a precondition but also as a goal. According to Jintao, the rise was not supposed to be the challenger to the existing balance of powers, but contrary to that assumption, to be useful to the neighbours and the world community. The first step was supposed to be a positive perception of China in its own region, a necessary step in the bid for wider acceptance. However, the term "peaceful rise" was seen as a sort of threat and was replaced by the term "peaceful development". In this doctrine, similar to doctrine of the "harmonic development" we can observe the essential influence of Deng Xiaoping (Bergsten, Lardi, Mitchell, 2012, p. 281). China joined the World Trade Organization (WTO) in 2001, and officially launched a "going out" strategy that consolidates and formalizes one of the "four modernizations" and the primary goal of economic development, which is officially referred when these policies are included in the tenth five-year plan (2001-2005). It encouraged companies that were owned by the state to enter WTO market and offered concrete assistance for state business ventures abroad. Chinese embassies and consulates were given a directive to intensify commercial services to help their companies seek foreign investment and the provision of legal environment as well as to help them understand their strengths and weaknesses in such an environment. Thus, this policy helps broader diplomatic goals.

In order to invest impressive foreign exchange reserves companies are given legal and administrative resources, preferential access to finance and diplomatic support necessary to break into foreign markets. The main goal is to continue the development, increase production, employment and other economic programs in order to reduce inflationary pressure and prevent decrease in value of its dollar assets. Acquisition of property and investing abroad is cheaper and companies are more interested in investing in the real economy overseas instead of speculative investments in the financial sector. In this way, China was increasing foreign direct

investment in order to become a major global investor, transforming itself from a large exporter of goods to the big exporters of capital. In its eleventh five-year plan (2006-2010) the government encouraged companies to "go further outwards" (*jinyibu zouchuqu*) to streamline the surplus capital from speculative investments in real estate to the stock market and to facilitate greater pressure on the renminbi. The National Development and Reform Commission (NDRC) has made a list of natural resources and technology that China's direct investment should target. According to the Chinese Ministry of Commerce, by the end of 2010, the foreign direct investment rose to 317.21 billion dollars (compared to 4.840 billion of U.S). It is expected that China will reach a trillion dollars of foreign direct investment abroad in 2020, (Diplomatic Courier, June 26th 2013).

Mechanism for cooperation with Central and Eastern European countries and the position of Serbia

For the past few years, China could be considered one of the biggest investors in the world, which coincides with the results of its "going out" policy. Based on the assessment of "The Financial Times", in 2009 and 2010, Exim Bank and China Development Bank have approved at least 110 billion dollars of loans to governments and companies in developing countries, which is more than total loans of the World Bank in the same period and this amount has increased in last few years. According to the investment company "Dragon Capital", Chinese investments in the second quarter of 2012 reached record levels. Their growth was around 67 per cent on a year-over-year basis. On the one hand, an interesting area for Chinese investment are Africa, Asia and Latin America, while on the other hand, key markets are increasingly found in the European Union, where the investment doubled (Americas Quarterly, June 26th 2013). Statements by Chinese officials suggest that Europe became more significant for China and that especially strengthening of cooperation with the countries of Central, Eastern and Southeastern Europe is an important component of its economic policy (Chinese Defence, June 26th 2013).

Since 2009, when the economic and financial crisis gripped the European Union, more Chinese capital has been going to European countries. In order to counter China's trade and economic offensive, the U.S. offered the project of forming a single trans-pacific economic zone to this supranational international organization. However, China's financial support to the European Union provides a solid trading and financial partner. There is an active Chinese support to Eurozone through the European Financial Stability Fund and the European stabilization mechanism. China has provided assistance to the tune of 43 billion dollars through the IMF. Billions of Chinese foreign exchange reserves are invested in European bonds, especially of those countries whose indebtedness is

threatening the survival of Euro - Greece, Ireland, Portugal, Spain. Also, China has increased imports from Europe making contracts in Germany, Britain and Spain worth more than 15 billion euros. Trade with the EU reached 560 billion dollars, which is a four-fold increase compared with the situation ten years ago (Politika, June 26th 2013). In this way, it tries to appease the European Union to loosen restrictions on trade sensitive high-tech products which are, among other things, necessary for the Chinese national weapons program. Also, it hopes to lift the arms embargo which has been in force for almost 25 years, since the riots in Tiananmen Square.

The primary European region in which China wants to expand its influence through "Beijing consensus" by applying the "going out" policy is Central and Eastern Europe and the Republic of Serbia within the framework of the region. In Warsaw, in April 2012, at the opening of the Mechanism of Cooperation with Central and Eastern European Countries (CEEC), a group of sixteen countries, Prime Minister Wen Jiabao announced that China had earmarked 10 billion dollars for this region. The intention was that China would lend capital at preferential terms and support the development of energy infrastructure in the region. Cooperation was also related to other fields such as tourism, agriculture, education, science and culture (RTS, January 25th 2014). In order to maintain the continuity it was arranged that the meetings of leaders of these countries with the Chinese Prime Minister should be held annually. The second meeting was held a year later in Bucharest on November 25-26th 2013. Prime Minister of China Li Keqiang met with Prime Ministers of sixteen Central and Eastern European Countries to review the investment of 10 billion dollars previously approved. For this purpose, the Development Fund was established for individual participation of each country. The Republic of Serbia has already delivered 56 projects to the Secretariat of the Mechanism. China will grant one third of loans of the total amount on favourable terms, which means a longer repayment period and lower interest rate than the market rates (which can already be seen in the example of the bridge over the Danube and the "Kostolac"). The states have to fulfil certain conditions: that the state is not receiving developmental help in the form of concession credits, or if it does that they are in some small amount, to be able to service its public debt, that its GDP per capita is lower than the Chinese (the exception are the countries of higher political importance (Hubbard, 2007, p. 7). Beside the credit line, the Fund for investment cooperation was established in order to collect 500 million dollars. Shortly thereafter in the beginning of December 2013, at the first Sino-Serbian business forum held in Belgrade, the economic attaché of the Embassy of PR China in Serbia Julian Chi pointed out that there was a great chance of increasing the authorized amount from 10 to 100 billion dollars, if the previous money was spent and if there were enough projects (B92, December 5th 2013).

For now, according to the head of the Political Section of the Embassy of China in Serbia Tian Yishu, Serbia is the leader in the region by Chinese investments and has initiated projects worth about a billion dollars (Tian Yishu, December 12th 2013). The reason for this is that the member states of the European Union must open a tender for each and every procurement which does not guarantee that a Chinese company will get a job, but the lowest bidder. Serbia still does not have such strict rules for large government projects. Domestic legislation allows the government to conduct direct negotiations with foreign investors. On the other hand, the European Union countries cannot provide state guarantees to obtain preferential loans, so they can apply only for a commercial loan that does not suit them, mainly because the interest rate is much higher. Another reason why Serbia is attractive for investment is that together with the other Western Balkans countries it is rich in unexploited stocks of coal, hydro potential and renewable energy sources. There is also a benefit that in carrying out of large infrastructure projects they serve to adjust the Chinese model of operation in the European market, rules and regulations, and to Chinese managers who learn to understand the rules of operation of local markets, especially after the failure of China Overseas Engineering Group Company (COVEC) to build a highway from Warsaw to Berlin, since most of the states from this region are moving towards the European Union but are not full members yet.

This region serves as a form of preparatory or practice field for Chinese companies, where they are reaching maturity of industrial and technological sophistication required for entry to the Western markets (Evroazija info, June 26th 2013). Therefore, the Chinese are trying to complete development of the Balkan energy projects in consistency with the standards prescribed for the countries of the region, because they expect that the whole Balkan region will be part of the European Union someday. Also, they expect that these funds will be operational in the energy market because of liberalization of the entire Balkan market and its integration to the Union. In addition, low taxes, skilled workforce with low salary and direct access to the EU market are additional reasons for cooperation. Serbia is significant because it has signed a free trade agreement with CEFTA and EFTA countries, Turkey, the Customs Union comprising Russia, Belarus and Kazakhstan as well as the trade agreement with the EU which indirectly provides duty-free access to the market with over a billion people (Regionalna razvojna agencija Jug, June 26th 2013).

2009 Strategic Partnership Agreement with the Republic of Serbia pointed to China's intention to expand its influence to the Balkans and at Serbia as a key country in the region and possibility to counteract the influence of the U.S. and other Western countries. It gave a framework in which the relations between two countries should develop upwards in the coming period. Except economic, it included political and security cooperation. Thanks to this, the existing

cooperation between the two countries rose to a higher level, which is especially important because in a time of lingering impact of the financial crisis that shook the planet, economic cooperation with one of the world's leading economic powers - China is opening up new perspectives. For Serbia, whose economy is still recovering from the effects of the crisis, the most important is economic cooperation, but no less important are the other two dimensions - political and security cooperation.

Explaining the reasons which led Beijing to establish a strategic partnership, Chinese Ambassador in Serbia Zhang Wanxue emphasized the similar historical experiences, the complementarity of economic and trade cooperation, common views on many international and territorial issues and opposition to the interference of other countries in domestic politics. According to him, Serbia was a very important Western Balkans country with significant regional impact on the political, economic, diplomatic and other areas. Promoting continuous development of the Chinese-Serbian strategic partnership was not only for the benefit of Sino - Serbian relations, but also for world peace, development and cooperation. According to him, Serbia had the distinct advantage of geographical position. In addition, the acceleration of the process of accession to the European Union and economic development would lead to growing demands for infrastructure construction and reform and modernization of the industrial structure would also gain traction. In 2012, trade between Serbia and China amounted to 1,294 billion dollars, of which exports from Serbia were mere 18.4 million dollars. In the first eleven months of 2013, the exchange of goods amounted to 1.39 billion dollars, of which exports from Serbia was 20 million dollars (Ministry of Foreign Affairs, January 20th 2014). It is obvious that the strategic partnership has not helped reduce the existing large disproportion in trade between the two countries. It remains to be seen how this disproportion will be addressed since it has been brought up by President Tomislav Nikolic's visit to China in September 2013.

Conclusion

"It does not matter whether the cat is white or black as long as it catches mice" are the words of Deng Xiaoping, the man who is credited for making China what it is today. Although initially misunderstood when he spoke that, the time has shown how much these words describe the true essence of Chinese politics in the decades following his words. If "a journey of a thousand miles begins with the first step" and if that first step, the economic development of this remote Asian country walking in the "seven-league boots" is already reached, then the second step is to attain political power. Although its officials refuse to recognize that, all economic and diplomatic capacities are directed towards it. China's refusal to

become a "world policeman" modestly calling itself "the greatest developing country" speaks how Chinese officials continue to adhere to the wise advice of Deng Xiaoping. The reason for hiding the real objectives is the fear that causes its violent rise and the possibility that some of its moves would be misunderstood. Adhering to the words of the oldest Chinese strategic thinker Sun Tzu who believed that "every battle is won or lost before it starts" (Zakarija, 2009, p. 125), Chinese leaders have devised a long-term strategy that would serve the purpose that in 2050, on the centenary of its foundation, China will achieve the 200 years' dream and become the biggest world power and a comprehensive well-being society (*quianmian xiaokang*).

One of the main instruments used for this purpose is the "going out" policy. China implements that policy and at the same time, replaces the Washington Consensus with the Beijing Consensus by providing assistance to underdeveloped countries. In this way, China is expanding commercial relations, offering "a better economic model then the West" and by using "charm offensive" at the same time, it strengthens the soft power, its position of a "responsible great power" (Arežina, 2013, p. 175) and makes a base for better political relations (Kurlantzik, 2007). It is supported by the positions that mutual respect of a state's sovereignty, the principle of equality, mutual benefit and the principle of non-interference in the internal affairs of other countries are a political basis for peace. By promoting these principles, China is showing solidarity with many developing countries treating them as equals and thus contrasting the West (especially the U.S), while working in its own favour at the same time - preventing the establishment of any precedent that would enable the international community to interfere in its internal matters. Therefore, it can be said that by using economic tools, "China of the peaceful rise" is also achieving political and security cooperation in its favour with the results seen through the support of these countries in the UN and other international organizations and vice versa. While providing entry to the areas which are rich in energy resources necessary to satisfy its own growing needs as well as to the new markets for its goods, at the same time, it counters the Western and expands its own sphere of influence by gaining support from those countries for its "one China" policies and their non-recognition or withdrawal of recognition of Taiwan.

Kissinger's sentence that "every great achievement was a vision before it became a reality" (Kissinger, 2011, p. 544) is perhaps the essence of Deng Xiaoping's vision of what China should become and the road that this politician travelled to fulfil that vision. Although more than a decade has passed since his death and although the 18th session of the CCP, which held in Beijing from November 8-14, 2012, displayed some attempts of deviation from the "24 characters doctrine2, Chinese leaders still follow his advice on forming both their internal and foreign policies.

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Dr Sanja AREŽINA

KINESKA „GOING OUT" POLITIKA I NJEN UTICAJ NA ODNOSE SA SRBIJOM

Apstrakt: NR Kina je od svog nastanka 1949. godine u međunarodnim odnosima prisutna u tri svojstva: kao velika sila, socijalistička zemlja i zemlja u razvoju. Međutim, sami Kinezi najviše vole da kažu da je Kina zemlja „trećeg sveta". Iako su često stvarni motivi takvih izjava bili prikriveni, danas, proučavajući kinesku spoljnu politiku može se sa sigurnošću reći da one imaju za cilj stvaranje pogodnog okruženja za razvijanje dobrih odnosa sa zemljama u razvoju širom sveta radi ostvarivanja političkih, ekonomskih, energetskih i drugih interesa. U globalizovanom svetu na kraju XX i početku XXI veka NR Kina se ubrzano razvija i reformiše. Postavši druga ekonomska sila na svetu dolazi u poziciju da sve više primenjuje politiku pružanja pomoći. Razloge za to treba tražiti u želji za povećanjem sfere uticaja u odnosu na SAD i zapadne sile, smanjenju značaja dolara

u svetu, obezbeđenju energetskih resursa i smanjenju uticaja Tajvana u međunarodnim odnosima. Stoga je kinesko rukovodstvo u okviru strategije ekonomske modernizacije zemlje 2001. godine pokrenulo „going out" politiku koja u prvi plan stavlja zemlje u razvoju. Međutim, dok su u prvo vreme prioritet imale države Afrike, Latinske Amerike i jugoistočne Azije, nakon ekonomske i finansijske krize 2008. godine u fokus njenog interesovanja dolazi Evropa. Iz tog razloga oformljen je Mehanizam za saradnju NR Kine sa državama Centralne i Istočne Evrope. Srbija, koja je deo ovog Mehanizma, uz već postojeće strateško partnerstvo iz 2009. godine koje je produbljeno 2013. godine, predstavlja lidera u regionu po broju kineskih investicija i započetih projekata.

Ključne reči: NR Kina, zemlje u razvoju, treći svet, „going out" politika, Evropa, Srbija.

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THE MODEL OF NORDIC REGIONALISM[1]

Marina JOVIĆEVIĆ, PhD[2]

Abstract: The paper discusses the model of Nordic regionalism as a distinctive example of regionalism. The point of departure is that Nordic regional cooperation is by its many characteristics unique and out of the scope of major theories of regionalism and integration as well as that it can be only partially contested within the existing theories of regionalism, namely transactionalism, neofunctionalism and new regionalism. The Nordic model of regionalism is discussed within the theoretical framework of the said theories and the conclusion is made that new regionalism and transactionalism would be the most appropriate to explain the model of Nordic regionalism, but only to certain extent, while neofunctionalism is less appropriate. In order to present the specificities of Nordic model of regional cooperation, a short overview of its development is given, starting from the historical background until nowadays. It is concluded that the model of Nordic regionalism is in many ways specific and different from other models of regional cooperation in Europe, from both theoretical and practical aspects, and that it should be considered as sui generis case.

Key words: Regionalism, regional cooperation, transactionalism, neofunctionalism, new regionalism, Nordic cooperation, Nordic Council, Nordic Council of Ministers, Helsinki Treaty

Introduction

Despite the fact that regional integration, regional cooperation, regionalism and region have been widely debated and analysed in previous decades, so far no theorist has given the definition of those terms that would be commonly accepted. It is a paradox that those terms are actually ill defined and frequently, particularly in comparative regionalism, used in the context of regional projects of political or

[1] The paper is written on the basis of the author's PhD thesis – "Regional and European Cooperation – the Model of Nordic Countries Cooperation".

[2] Minister-Counsellor, Ministry of Foreign Affairs of the Republic of Serbia. E-mail: makijov@yahoo.com.

economic cooperation except those within the European Union. Occasionally, terms of regional integration and regional institution building are overlapping or used as synonyms. It is rather frequent that regional integration presumes also the regional institution building and a certain degree of intergovernmental political guidance, which, in fact need not be a necessary requirement for regionalism (Sbragia, 2008, p. 32-33). As Sbragia concludes, "Regionalism is the widest, the most complex and multidimensional, while regions are mostly perceived as actors in a political field occasionally misinterpreted in the same manner as the term of regionalism" (Sbragia, 2008, p. 36).

After the World War II, regionalism has become one of the most debated topics in international relations. Proliferation of various forms of regional integration since the 1990s has led to the dramatic increase in a number of forms of regional cooperation in the recent two decades, and that wave of regional integration is well known as new regionalism. Part of the credits for that process can be attributed to internationalization and globalization, but in a certain way, also to the so-called "domino effect" introduced by Baldwin, presuming that deeper integration within the already established regional block can increase the interest of other countries to also become the members of the existing regional structure (Baldwin, 1993).

The model of Nordic regionalism is mostly seen as difficult to explain within the existing theories of regionalism and most of theorists agree that it is a *sui generis* case. Our point of departure is that Nordic regional cooperation is by its many characteristics unique and out of the scope of major theories of regionalism and integration as well as that it can be only partially contested within the existing theories of regionalism, namely transactionalism, neofunctionalism and new regionalism.

Defining Region and Regionalism in the Theoretical Framework of Transactionalism, Neofunctionalism and New Regionalism

As we have already said, a unique and overall definition of terms region and regionalism has not yet been accepted, in spite of the attempts of a number of theorist to comprehensively define them. Trying to provide the explanation for integrative processes, Deutsch, the founder of transactionalism, defines integration as "security community and attainment, within a territory, of a sense of community and of institutions and practices strong enough and widespread enough to assure, for a long time, dependable expectations of peaceful change among its population" (Deutsch *et al.*, 1957, p. 2). Besides integration, Deutsch provides also the explanation of the term amalgamation as "the formal merger or two or more previously independent units into a single larger unit, with some type of common government after amalgamation" (Deutsch *et al.*, 1957, p. 2). He also introduces another type of integration, "the pluralistic security-community, which

retains the legal independence of separate governments that forms a security-community without being merged and has more supreme decision-making centers" (Deutsch *et al.* 1957, p. 2). It turns out that such a sense of community, relevant for integration, is "rather a matter of mutual sympathy and loyalties", or as he names it "we-feeling", "trust, and mutual consideration; partial identification in terms of self-images and interest; of mutually successful prediction of behavior and of cooperative action in accordance with it – in short, a matter of perpetual dynamic process of mutual attention, communication, perception of needs and responsiveness in the process of decision-making" (Deutsch *et al.* 1957, p. 17). He also estimates "that peaceful change could not be assured without this kind of relationship" (Deutsch *et al.*, 1957, p. 17). The main presumption of this theory is that political integration is a means for stabilization of national states, which can prevent the outbreak of war between them, but which can also mobilize significant capacities for achieving common goals (Deutsch, 1974, p. 113–119).

Haas, the founder of neofunctionalism, emphasizes that significant political communities are comprised of national states and that they are created by amalgamation of those states in cases when internal change towards peace is achievable in surroundings characterized by mutual antagonist tendencies. Functionalism and neofunctionalism are theories in international relations whose main idea is that sovereign states achieve better results through functional interconnections in certain areas, with emphasis on economic progress. In such cases, jurisdiction for areas previously controlled by national states are transferred to the level above the national states with authorities independent from member states, namely to supranational authority. Those areas are identified as the areas of integration and one level of integration is continued with another level of integration. This process is called *spillover*, and is most easily explained by the integration within the European Union – from customs union, via common market to monetary union and further to its final goal – political and economic union of states (Haas, 1958; Miščević, 2007; Niemann, 2006).

Hettne, a theorist of new regionalism, departs from the point that as distinct political actors regions throughout the world differ a lot in their capacity in international scene. He finds an explanation in different degrees of their regionness implying the conclusion that the higher degree of regionness is the higher degree of their economic interdependence, cultural homogeneity, coherence, capacity to act as well as capacity to resolve conflicts is (Hettne, 1994, p. 5–7). Hettne introduces term "regionness" to define not only degrees, but also dimensions and dynamics of regionalization. He outlines three main dimensions – cultural homogeneity, which is formed in a very slow manner, having also positive effect on cooperation in other areas including security issues (the Nordic countries and the formation of a security community are the exact example); security, which is emphasized as the crucial dimension, therefore implying

economic divisions. The third, equally important dimension is the compatibility of economic policies, leading to further regionalization in a more spontaneous way (Hettne, 1994, p. 8-9). Hettne distinguishes five levels of regional complexity or regionness – "The first level is region, as a geographical and ecological unit, delimited by natural physical barrier and inhabited by human beings. The second level is region as social system, which implies translocal relations of social, political, cultural and economic nature between human groups. These relations may be positive or negative, but they constitute some kind of regional complex. The third level is region as organized cooperation in any of the cultural, economic, political or military fields." (Hettne, 1994, p. 7). This phase of regional cooperation has been characterized by unidimensionality, and forming of regional organization is a key step towards multilateralism in a regional context. Depending on that stage, Hettne distinguishes two types of region – the formal one, defined by membership in an organization, and the real region, defined through less precise criteria. The fourth level is "region as regional civil society, which takes shape when organizational framework promotes social communication and convergence of values throughout the region." (Hettne, 1994, p. 8). Cultural tradition is necessary in the process of achieving this level. The fifth level is "region, as acting subject, with a distinct identity, actor capability, legitimacy and structure of decision-making". Major areas of cooperation at this level are "conflict resolution, as well as management of ecological system and welfare" (Hettne, 1994, p. 8). The final level that can be reached in the process of regionalization is "region-state", meaning the formation of supranational authority or community to which certain functions are transferred from sovereign national political units (for example, the European Union) (Hettne, 1994; Hettne, Söderbaum, 2000).

As we have already said, Nordic cooperation seems to be rather difficult to explain within the existing theories of integration and regionalism, except partially within the three theories briefly explained above. It is our intention to point out specificities of Nordic cooperation that actually prove its uniqueness, but also to indicate the characteristics in its development that could be explained to a certain point by theories of transactionalism, neofunctionalism and new regionalism.

Development of Nordic Cooperation

Among others, a particular point that distinguishes Nordic cooperation from other models of regional cooperation in Europe is the fact that in an informal way it has started more than a hundred years ago. Close relations of the Nordic people have been influenced by various factors, such as geographic proximity, Lutheran faith, close and common historical relations, and common cultural and social heritage built during centuries. The geographical proximity of the Nordic countries, being at the outskirts of Europe and far at the North that simply made

Nordic people rely one on another is one of the major factors contributing to their close relationship, which had a major positive outcome in the development of Nordic regional cooperation. Five countries – Denmark, Sweden, Norway, Finland and Iceland are usually recognized as Norden or Nordic region and Scandinavia (Kay, 1972, p. 1–8). Although Nordic countries have passed through rather tough periods, due to the fact that natural resources were not equally distributed, which occasionally influenced their relations in a negative way, the geographic proximity as well as the distant position of the Nordic region from the rest of Europe and the world, surrounded by water, with severe climate conditions, certainly had positive influence on interconnections between the Nordic people. They had to cope with harsh climate and vast expanses developing rather similar characteristics, despite their original differences. Due to the geographic proximity and similarities, they were by default perceived as a block from outside, even in the periods when it was not the case (Anderson, 1967).

Another factor that contributed significantly to Nordic closeness was similarity of Nordic languages, since "Norden Europe's linguistic geography constitutes an important layer of regionalization" (Adams, 2012, p. 296). Apart from the Finns, who were the only nation speaking the language with Ugro-Finnic origin, the other Nordic nations – the Danes, Swedes, Norwegians and Icelanders speak northern Teutonic languages, which are closely related to the German and Anglo-Saxon languages deriving from a common language spoken approximately one thousand years ago. The so-called continental Scandinavian languages – Swedish, Danish and Norwegian are very close and similar, and therefore mostly understandable for all three nations (Archer and Joenniemi, 2003). These languages have been categorized into separate ones not only for their linguistic differences, but they were standardized according to the state borders, although, in essence, they could easily be considered separate dialects of one same language.[3]

Common religion was the factor that had the most influence on the closeness of Nordic nations. Reaching the consensus on religious matters had significant positive affect on the unity of the Nordic people (Wendt, 1981; Wendt, 1959). Common Lutheran values led to the high degree of uniformity of state administrations and legal systems, which supported the exchange of social and political ideas. Although the role of religion in the societies has been formally diminished, except in rural areas, the puritan protestant ethics, common for all Nordic countries, can be seen in their perception towards work, leisure, and the belief that a person is a creator of his own success, which influenced the process of social reforms and specific educational system and, in the bottom line, the overall way of living (Turner and Nordquist, 1982).

[3] For more on linguistic similarities see: Gooskens, Heeringa & Beijering, http://www.let.rug.nl/~heeringa/dialectology/papers/ijhac09b.pdf.

Two unions, both from the 14th century, were the first attempts of making a political union of the Nordic region. As of 1380, Denmark and Norway (including the territory of the Faroe Islands, Greenland and Iceland) were united under the Danish throne. They had concluded an "eternal agreement" in 1450 and that union lasted until 1814. In 1389, Queen Margareta of Denmark and Norway was offered a Swedish crown and by that act, the same political leadership in the whole Nordic region was established for the first time. The Kalmar Union was formed and formally recognized in 1397 by inauguration of Eric of Pomerania as the King of Denmark, Norway and Sweden (including Finland). The Kalmar Union represented the first attempt of joint competences for the whole Nordic region in the sense of having the same sovereign, common foreign and defence policy, but keeping separate policies in internal affairs, administration and judiciary. It was the only attempt of supranationality in centuries old common Nordic political history (Bonnen and Søsted, 2003). It was a dynastic as well as an economic union and it lasted until a special status and individuality of each country was respected (Wallensten, Vesa, Vayrynen, 1973).

Since the dissolution of the Kalmar Union, from 1523 until the Napoleon wars, in 1814, the Nordic region remained deeply divided into two states – western, comprising Denmark, Norway, Faroe Islands, Iceland and Greenland, ruled from Copenhagen by the Danish-Norwegian King, and eastern – comprising Sweden and Finland, ruled from Stockholm by the Swedish King (Bonnen and Søsted, 2003). Rivalry and struggle for predominance continued between the two blocks, which had major influence on diminishing the powers of the earlier Nordic mega-powers leading to numerous wars. Those conflicts, although being long lasting and pretty severe, did not manage to fully destroy the spirit of the Nordic solidarity and community built through centuries. In the mid-19th century, after the Napoleon wars, the situation in the Nordic region was clearer – the former political unions were dissolved, Finland and Norway (Iceland gained its independence during the World War II) started the process of their national completion based on relative independence from Sweden and Denmark, while Denmark and Sweden had to perceive their position in the mirror of new circumstances as well as to adapt their expectations of political and ruling ambitions up to the normal level. Not before that moment, prerogatives for a new stage in the relations of Nordic peoples had been met. After the forming of new national identities of almost all Nordic countries, a new period of cultural revival and Romanticism began and newly formed states paid special attention to the struggle for their linguistic rights. However, during that period, a common Nordic identity was also born (Wendt, 1959; Wendt, 1981; Turner and Nordquist, 1982, Tunader, 1999).[4]

[4] For more on Nordic identity, see above all: Østergård, The Geopolitics of Nordic Identity, 1997.

It was a starting point of a new movement called "Nordism" or "Scandinavism", which had its roots in the academic and professional circles and was induced by the people with a number of contacts throughout the Nordic region who were aware of the fact that Nordic nations were much closer than it seemed from the political point of view. "Scanidinavism"[5] had a key role in creating a Nordic unity based on Scandinavian languages, Lutheran faith, geographic proximity, common history since the days of the Vikings and pre-Christian mythology, cultural heritage and social systems in terms of similar administrations and judiciary (Wendt, 1959; Turner and Nordquist, 1982, Tunader, 1999). Newly established ties strengthened the links between the numerous stakeholders in the Nordic countries at all levels and in all segments of the society. Between the two World Wars, Nordic cooperation had not yet been formally established, but thanks to these contacts, led by the largest and most important non-governmental organization – the Nordic Associations, with offices in all Nordic countries, cooperation gained strength, thus creating a basis for intergovernmental cooperation. It started after the World War II by establishing the Nordic Council in 1952, and the Nordic Council of Ministers in 1971, while the legal basis was set in 1962 by signing of the so-called Helsinki Agreement (Tunader, 1999). However, the Nordic people neither love nor hate each other too much to form a rather firm regional block (Bailes, 2012). They share the common system of values that is deeply rooted into the core of Nordic cooperation, but they are rather realistic and pragmatic in the way they perform in their regional setting.

In the following decades, Nordic cooperation will be established in practically all sector policies, at functional level, and since the beginning of the 21st century, major progress has also been made in "high-level" policies such as defence and foreign policy. At the early stage of its institutionalization, Nordic cooperation, achieved extremely favourable results, in practical terms, particularly in the areas of traffic (joint air company – SAS), freedom of movement (Passport union), social affairs (Social convention) as well as labour (common Nordic labour market). We should certainly also mention very close cooperation in culture, education, science, environment, judiciary, health and many, practically all areas, which position the Nordic model of regionalism rather outstanding in terms of quality and quantity of cooperation, if we dare say so.

Institutional cooperation between the Nordic countries was established simultaneously with the cooperation within the European Union, which, at that time, held the absolute supremacy in the sphere of interest of the theorists of regionalism. However, the Nordic co-operation, although it was interesting as a

[5] For more on Scandinavism see: Hemstad, Fra Indian summer til nordisk vinter: Skandinavisk samarbeid, skandinavisme og unionsoppløsningen [From Indian Summer to Nordic Winter: Scandinavian Cooperation, Scandinavism, and the Dissolution of the] Dissertation. , Akademisk Publisering, 2008.

distinctive example of regionalism, was put aside. Therefore, on one hand, we had the situation that Nordic cooperation was not theoretically debated in a way that would respect its specificity and diversity, and on the other, that the theory of neofunctionalism, as a basic theory of integration in the period after the World War II, could have hardly been applied to the Nordic model of cooperation, because it was tailored exclusively for the European integration process.

Nordic Model of Regionalism in the Context of Theories of Transactionalism, Neofunctionalism and New Regionalism

Most theorists of regionalism would at least note the fact that Nordic cooperation was different from other models of regional or sub-regional cooperation. Even theorists who believe that the theory of neofunctionalism can be applied to the Nordic model of cooperation to a certain extent, do not deny that it is quite specific, but they dispute about the level and the degree of differences of the Nordic regional cooperation compared to the regional cooperation within the European Union (Sundelius and Wiklund, 1979).

Analogous to the cooperation that has taken place within the European community and in the context of theoretical approach of neofunctionalism, some authors and theorists of regionalism, perceived Nordic cooperation as the initial phase in the process of unification of the Nordic community under a supranational authority, presuming that the Nordic Council would take such a role. Those expectations proved to be wrong (Etzioni, 1963; Etzioni, 2004). However, most of the theorists concluded that neofunctionalism and other existing theories of integration were rather difficult to apply to the Nordic model and suggested modification of the existing models or they treated the model of Nordic cooperation as a unique case, where it was not possible to apply the existing theoretical framework (Anderson, 1967). Sundelius and Wiklund were among the theorists who found neofunctionalism to some extent applicable to the Nordic model of cooperation, because of certain similarities between the Nordic and European models of regional cooperation, contrary to transactionalism, federalism and functionalism, but in the available literature the predominant approach was viewing "Nordic experiment as a unique case, falling outside the realm of established theories" (Sundelius and Wiklund, 1979, p. 59)

Due to the geostrategic circumstances and shifting of the focus of great powers, the Nordic region became marginally interesting since the first half of the 19th century, which allowed for visible stabilization and the establishment of a long-term period of peace, thus strengthening the Nordic capacity for peaceful resolution of conflicts and the tendency to compromise. Such development highly contributed to the formation of the political and security community in the North of Europe and the capacity for disintegrative process was significantly reduced

(Møller, 2000). However, remembrance on the recent Nordic conflicts and striving for domination buried any possibility of achieving political unification at that time. We can say that the theory of transactionalism could be to some extent applied to this period, in the sense that we saw the forming of a security community, embryo of the common Nordic identity that Deutsch recognized as a "we-feeling", but not the amalgamation and unification into one state (Deutsch *et al.* 1957). Deutsch also refuted the conventional belief that groups that did not integrate had to destroy each other, otherwise a constant risk of war would exist, illustrating it with the example of Scandinavians, "who did not form any United States of the North, and yet they have not killed each other for a long time even though their ancestors were formidable warriors" (Deutsch, 1974, p. 113). They, in fact, did not opt for political amalgamation, but for the pluralistic security community.

The Nordic countries are, in fact, the political communities, which are regarded as "social groups with a process of political communication, some machinery for enforcement, and some popular habits of compliance…that eliminate war and any expectation of war within their boundaries" (Deutsch, *et al.* 1957, p. 1). In the Nordic countries we recognize "the kind of sense of community that is relevant for integration, which turned out to be rather a matter of mutual sympathy and loyalties; of 'we-feeling', trust and mutual consideration; of partial identification in terms of self-images and interests; of mutually successful predictions of behavior, and of cooperative action in accordance with it – in short, a matter of perpetual dynamic process of mutual attention, communication, perception of needs, and responsiveness to the process of decision-making" (Deutsch *et al.* 1957, p. 17). "Peaceful change" is a prerequisite for the establishment of this kind of relationship. In case of the Nordic countries, it equals with a set comprising of Nordic peace, a system of shared values, Nordic identity, and stability. Some researchers, however, suggest that a common identity and institutionalization are important elements in the process of region-building, but object to the assumption that only a high degree of mutual trust and common identity can lead to the establishment of a security community, since the conditions in favour of this process and the expectation of a peaceful change are also needed. The Nordic region[6] is to a certain extent different from the stated model, since in the Nordic countries, it was primarily the cultural and historical framework that led to the process of the establishment of a security community along with the favourable geostrategic conditions enabling such a peaceful change to happen (Väyrynen, 2003).

Deutsch, for example, noted the relationship between Norway and Sweden in the period after World War II as an example of a pluralistic security community,

[6] For more information about the Nordic region in the context of security community see: Wiberg, 2009, http://www.uibk.ac.at/peacestudies/downloads/peacelibrary/balticsea.pdf.

which implied certain rapprochement and integration, but not the formation of a joint state. According to him, the security community among the Scandinavian countries gradually deepened due to functional amalgamation (cooperation in sector policies with outstanding achievements such as common labour market, Passport Union enabling full mobility of people, Social Convention and a highly uniform legislation), but basically it remained pluralistic, since no amalgamation existed in a number of important functions (Deutsch *et al.* 1957, p. 5). Deutsch's position was influenced by the failure of negotiations on the Nordic defence union following the World War II as well as failures in achieving the economic union and free-trade area in the Nordic region and the fact that the newly formed Assembly of the Nordic Countries – the Nordic Council had no authority to make binding decisions, but recommendations.[7]

It is important to note that simultaneously with this process of institution building a very interesting process of building informal contacts that has fostered regional cooperation at various levels takes place in the Nordic region. This process will remain a specificity of Nordic cooperation, and we can say that it greatly contributed to the creation of conditions for the establishment of institutions of Nordic cooperation. In the Nordic region, we evidenced that these factors led to the political decision to formalize cooperation, and such an approach was certainly different from the approach leading to the formation of the European Community, where the leaders of six countries, who had political wisdom, made ground for future uniting of the peoples of Europe. In the Nordic case, it was the people who united political leaderships, and not *vice versa*.

The period after the World War II did not result in the expected achievements in cooperation. The Nordic countries faced several disappointments and actually failed in achieving cooperation in the areas such as economy, free-trade zone or customs union that were at that time the main areas of cooperation within the majority of the regional integration processes, starting with the European (Wendt, 1959; Wendt, 1981; Turner and Nordquist, 1982, Tunader, 1999). From the point of neofunctionalism, these failures could be considered *spillbacks*, which led to the strengthening of cooperation in other areas and to the establishment of an institutional framework for cooperation, because the Nordic countries invested extra efforts in order to achieve concrete results. Namely, the failure to establish a defence union led to the establishment of the Nordic Council in 1952; the failure to conclude an agreement on economic cooperation – NORDEK led to the establishment of the Nordic Council of Ministers in 1971, while disagreements about the membership to the European Community had in a way been overcome by signing the so-called Helsinki Treaty in 1962, which was further amended in 1971, thus providing the basic legal and statutory framework for the cooperation

[7] For more information, check: http://www.norden.org/en/nordic-council-of-ministers.

(Wendt, 1959; Wendt, 1981; Anderson, 1967). Although the Nordic region soon had all regional institutions in place, formal intergovernmental cooperation between the Nordic countries could not be easily subsumed under intergovernmentalism since the cooperation in the Nordic region developed on an informal basis before the establishment of formal Nordic authorities that were not formed to be the basis for regional cooperation but to further strengthen the cooperation that had already existed. Besides, Nordic regional institutions were in no sense independent supranational institutions, but quite the contrary. Let us conclude this with Haas's observation "The standardization efforts of the Nordic Council lack the stimulus of controversy and debate: they are so deeply rooted in the Scandinavian setting that one suspects integration of proceeding even without the Council. Continuous contact among civil servants and ministers is capable of contributing to integration in narrowly defined areas even without the participation of parliamentarians" (Haas, 1961, p. 372).

Haas perceived Nordic countries in the light of significant ideological homogeneity and concluded that "The given cluster of countries is ideologically homogenous if the division among the parties are, very roughly, the same among all the countries in the cluster, when the principles professed and the concrete socio-economic interests represented by the parties are roughly analogous on both sides of a frontier. Given that definition, the Scandinavian countries emerge as ideologically homogeneous among themselves but quite dissimilar from the rest of Europe" (Haas, 1961, p. 374).

However, Nordic regional cooperation has never developed to the level of a union, federation or any other type of firm political structure with supranational authority, either in the period of institution-building or nowadays. The basis of the Nordic countries loyalty is found in their national independence; we see no possibility that they could, in due time course, opt for integrating further into a political union. That is why Nordic integration does not fit into the Haas's model of integration, since it implies "new center, whose institutions possess or demand jurisdiction over the pre-existing national states" (Haas, 1958, p. 139). Instead, in Nordic cooperation, regional institutions are rather weak, with authority to make mainly recommendations or occasionally decisions, but exclusively unanimously. It is also the fact that Nordic regional cooperation is seen as a means for resolving common Nordic problems and for achieving common goals and that it is very frequently performed in an informal way. The Nordic countries, indeed, "have a minimum common denominator, split their differences and upgrade common interests, on the basis of compromise" (Haas, 1961, pp. 367–8).

Although the term 'new regionalism' usually refers to the wave of regionalism which emerged in the 1980s, after the theory of integration, neofunctionalism had abandoned in the late 1970s, it can be partially applied to Nordic cooperation. It is the fact that Nordic cooperation was established well before the emergence of

the new regionalism, but in our opinion, it could be only an argument indicating the progressivity of Nordic cooperation. One of the differences between the new and old regionalism is that the new one is a spontaneous process occurring from within and having the "from below" approach with constituent states as key actors (Hettne, 1994). Its objectives are comprehensive and multidimensional, and the Nordic model of cooperation perfectly fits into this framework.

Some key dimensions of new regionalism are cultural identity that is formed in a region, degree of economic and political homogeneity, and particularly, the security order and its capacity for regional conflict resolution, which can all be easily applied on the Nordic region. Likewise, new regionalism presupposes the growth of a regional civil society opting for regional solutions to both local and national problems (Hettne, 1994; Hettne and Söderbaum, 2000). Hettne primarily outlines social and cultural networks that are developing more quickly than the formal political cooperation at the regional level indicating the Nordic region as the best example "…where security policies during the Cold War differed to a high degree, while the respective national societies over a long period converged towards a Nordic community" (Hettne, 1994, p. 3).

The Nordic region can also serve as an example for the explanation of the Hettne's pattern of regionness or regional complexity in six levels (Hettne, 1994; Hettne and Söderbaum, 2000), since up to date we can say that the Nordic region has gone through the first five levels and has not yet come to the sixth one. Namely, the Nordic region is a geographical and ecological unit delimited by natural physical barriers and inhabited by human beings. It is relatively questionable whether we should refer exclusively to the Nordic region or it could include the Baltic region as well,[8] but when we say the North, we mean the relatively homogenous, clearly limited area in the northern part of Europe. The second level of regionness is a region as a social system, which implies translocal relations of social, political, cultural and economic nature between human groups. The relations between the Nordic people preceded the relations (in term of cooperation) between the Nordic states, that is why, in a certain way, informal cooperation and wide network of contacts at all levels of the Nordic societies had triggered a political process of cooperation and integration which were later formalized in the form of Nordic institutions. Those relations influenced the formation of the security complex in which its units are to a certain extent dependable on each other. By the establishment of Nordic institutions of organized regional cooperation, the Nordic region has reached the third level of regionness establishing multilateralism in the Nordic regional context, including all regional actors whose interests and goals are defined not only at the national, but also to a large extent at the regional level.

[8] For consideration whether the Nordic region belongs to the Baltic region see: Østergård, The Nordic Countires in the Baltic Region, 1997 or Østergård, The Geopolitics of Nordic Identity – from Composite States to Nation States, 1997.

The fourth level of regionness is the region as a regional civil society in which the organizational framework promotes social communication and convergence of values throughout the region presuming the pre-existence of a shared cultural tradition throughout the region as well as the multidimensional quality of regional cooperation. This description is so applicable to the Nordic region and is actually its specificity. The fifth level of regionness presupposes the existence of a region with a distinct identity, actor capability, legitimacy, and structure of decision-making. Crucial areas are conflict resolution, management of the ecological system and welfare. The ultimate, let us call it the sixth and final level of regionness is "region-state" and it is for example, the European Union. The Nordic region, despite its progress in cooperation in "high-level policies", such as foreign and defence policy, has not yet moved towards the establishment of a "region-state". Hettne singles out the Nordic region as an example of the formation of cultural identity and homogeneity as one of the dimensions of regionalization – "The Nordic countries, for instance, are and have always been culturally very similar and this made it possible for them to adopt very different solutions to their security problems and yet constitute what has been called a security community" (Hettne, 1994, p. 8).

The Nordic model of regionalism is also perceived as the distinct example of security community characterized by peace and order. Møller, for example, is among those who conclude that Nordic regional cooperation is unique in many aspects, but that "certain elements of the Nordic model would seem to be applicable to other regional settings, where they hold the promise of defusing conflicts" (Møller, 2000, p. 68-69).

Conclusion

Having in mind its relative "intangibility" in the scope of the existing theories of integration and regionalism, the Nordic model of regionalism should be perceived as unique in many ways. In our view, only theories of transactionalism, in less degree neofunctionalism and mainly new regionalism are to a certain extent applicable to Nordic cooperation. Compared to the other regional cooperation models in Europe, Nordic cooperation is actually the longest lasting one, since in an informal manner it has been in place for more than one century, while it was institutionalized approximately sixty years ago. The Nordic people are closely interconnected at many levels and in many ways and during the centuries long coexistence at the far North of Europe, thanks to the geographic proximity, they have developed very similar characteristics, sharing practically identical cultural values, social systems, uniform legislation, which, along with similar languages and the same religion influenced the building of the Nordic identity and solidarity to a great extent. Nordic cooperation is extremely intensive and diversified, with stable institutions of the Nordic Council and the Nordic Council of Ministers that were

a role model for some other types of regional cooperation in Europe, such as of the Baltic countries or Visegrad Group. Although intergovernmental political cooperation has been strengthening through years and nowadays it implies not only functional cooperation in sector policies but also in high-level policies of foreign affairs or defence, it has never had a tendency to opt for the establishment of a supranational authority. On the contrary, Nordic cooperation is very pragmatic and mostly oriented towards the Nordic societies and peoples who are in its focus. Therefore, it is very practical, with concrete results which have been achieved in many areas of cooperation and it could be hardly compared to any other regional cooperation in Europe.

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Dr Marina JOVIĆEVIĆ

MODEL NORDIJSKOG REGIONALIZMA

Apstrakt: U članku je reč o modelu nordijskog regionalizma koji predstavlja karakterističan primer regionalizma. Polazi se od toga da je nordijska regionalna saradnja po mnogim svojim karakteristikama jedinstvena i van polja glavnih teorija regionalizma i integracija i da se samo delimično može osporiti u okviru postojećih teorija regionalizma, to jest, transakcionalizma, neofunkcionalizma i novog regionalizma. O nordijskom modelu regionalizma se govori u teoretskom okviru pomenutih teorija i zaključuje se da bi regionalizam i transakcionalizam bili najpogodniji za razjašnjavanje nordijskog regionalizma, ali samo do određenog stepena, dok je neofunkcionalizam za to manje pogodan. U cilju predstavljanja specifičnosti nordijskog modela regionalne saradnje dat je kratak prikaz njegovog razvoja, polazeći od istorijske pozadine do današnjih dana. Zaključuje se da je model nordijskog regionalizma specifičan na mnogo načina i različit od drugih modela nordijskog regionalizma u Evropi i sa teorijskog i sa praktičnog aspekta i da ga treba smatrati slučajem sui generis.

Ključne reči: regionalizam, regionalna saradnja, tranakcionalizma, neofunkcionalizam, novi regionalizam, nordijska saradnja, Nordijski savet, Nordijski savet ministara, Helsinški ugovor.

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CYPRUS QUESTION[1]

Milovan RADAKOVIĆ, Ph.D.[2]

Apstrakt: The Cyprus issue summary Cyprus, Mediterranean island with the Greek majority and Turkish minority, it was part of the Ottoman Empire. After that time, Cyprus was a British colony from 1870 to 1960. Hellenic population of the island was for decades torn between ambition to join Cyprus with Greece, and on the other hand, the idea of an independent state. Finally, Cyprus became an independent state. But, torn by national conflicts, an independent island nation and its guarantors of the agreements of Zurich and London 1959-1960 provided the constitutional rights of the minority Turks, including the right of intervention countries guarantors for breach of the agreement. Ankara is on this basis, in 1974. The intervening in Cyprus, as a response to the attempt of the former military junta in Greece to annex Cyprus. Turkish troops then occupied 37% of the territory of Cyprus and the UN has in the past (1964) were sent its peacekeeping troops to guard the so-called green line, which is today the border between the Republic of Cyprus and the Turkish Republic of Northern Cyprus. State of North Cyprus, Turkey declared in 1983 and only the diplomatic recognition. Problems with refugees, property, and other immigrants, are still a problem for which solutions are sought.

Key words: Mediterranean, Cyprus, Greece, Turkey, Entities, Conflict, Green Line, Northern Cyprus.

Introductory considerations

Introduction The Cyprus problem, known in the literature as the "Cyprus issue" developed in several sizes, and in a few levels. The first dimension of the conflict is the relationship between Greece and Turkey. Points of conflict are the

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[2] Institute of Internacional Politics and Economics, Belgrade. Email: mradakovic@diplomacy.bg.ac.rs.

two states, the Turkish minority in Thrace, territoriality of Greek islands in the Aegean Sea and the Republic of Cyprus. Another dimension of this conflict is the relationship between Greece and Turkey to NATO, their loyalty to the military alliance, and the question of the coherence of the Alliance in its so called. "Southern flank". And the third dimension is certainly the policy of Great Britain and London in an attempt to influence the Mediterranean region.

When it comes to Cyprus, Greece and Turkey conflict and other stakeholders around the Mediterranean island had more levels. The first level, which is actually the main, took place at the Turkish ethnic communities on the island, Greek Cypriots and Turkish Cypriots. On the island of Greek Cypriots represent the majority and the relationship to the other ethnic community of Turkish Cypriots is seven to three. From this relationship, the mid-and early seventies, the then military junta in Athens attempted to annex Cyprus to Greece. That had partial support among some segments of the Greek Cypriots, but most of the Greek population of the island stood the legitimate leader of the ethnic Greek community on the island of Archbishop Makarios and his idea that Cyprus is an independent state. The idea of Turkish Cypriots was independent or Cyprus where they were, regardless of their numbers, the full equality of Greek Cypriots or autonomy within the island where they had exercised its statehood. The second level of this conflict was related to the hitherto colonial master Islands, Great Britain. UK is in the conflict in which it was clear that Cyprus can no longer be a British colony, sought, through its military bases on the island, preserve their authority, both on the Cyprus and the Eastern Mediterranean.[3] Interests of the United States and the Soviet Union are another dimension of the Cyprus issue. I finally geopolitical position of Cyprus, the question of militarization or the demilitarization of the Greek islands distributed along the coast of Turkey and the issue of border free sea around the Greek islands in the Aegean Sea distributed and often disturbing the airspace military aircraft Greek and Turkish Air Force are constantly posed a threat to peace and provided a real opportunity for conflict between Greece and Turkey.

This conflict is not resolved. The island still exist two states, a formal Republic of Cyprus, and an informal Turkish Republic of Cyprus (North Cyprus), the only

[3] The particularity of British bases in Cyprus is that they have the status of British Overseas Territories. Internationally legal status of the territory of the sovereign bases in Cyprus is unique. Separated from the Cypriot territory, but also the British, military bases are labeled as British Overseas Territories, euphemism is replaced by the term British dependent territories and colonies of the British crown. Unlike the other 13 British overseas territories administered by the Ministry of Foreign Affairs, bases on Cyprus managed by the Ministry of Defence. It is important to note that the bases are not EU territory, even after the EU accession of the Republic of Cyprus, and Despite the fact that the United Kingdom member states. They are exempt from the jurisdiction of the EU protocol three contracts from the EU accession 2003rd year. (Constantinov, 2008, pp. 8).

officially recognized by Turkey. In Cyprus, there is no long conflict. The Republic of Cyprus is the 2004 th became a member of the European Union, while the northern part of the island, just as the Republic of Turkey remained outside the organization. Part of Cyprus where Greeks live, is still considerably more developed than the Turkish part, although the economic differences from year to year decreases. Despite the difference in the standard, the Turkish ethnic community is generally satisfied with the division of the island, because he believes that is existentially protected and can be developed nationally. Despite the relative economic progress of the Greek part of the island, as well as the existential security of the population in the northern part of Cyprus, no one community believes that the conflict is resolved, but it's called. The Cyprus issue only frozen slow compared to the two communities on the island, and between Greece and Turkey.

Greece has been a member of NATO and the EU. Athens is its involvement in NATO and Turkey's entry into the EU on condition with drawal of Turkish troops from Cyprus. Turkey is also a member of NATO but not EU members. Under the new conditions, primarily due to the collapse of the Soviet Union, Turkey has the potential, regional power. NATO in Turkish territory has a strong telecommunications devices that are deployed on the border between Russia and Iran. This is a very sensitive area is of great importance for NATO, and is often pointed to Turkey closes one door (south) of NATO.[4] Greek islands are geographically distributed along the coast of Turkey and the requirement of Athens for their militarization in Ankara, is being seen as a major threat to the Republic of Turkey. For Ankara problem is the greater protection of the Turkish minority in Greece.

The problem for Athenes, among other things, is Turkish militaryaircraft fly-over and encroached upon its airspace.

The Recent political history of Cyprus and the struggle for independence

Based on the agreement with Turkey in, 1878. The UK seduces its own administration in Cyprus and in 1925 declares it a crown colony. Turkey in 1878. Britain gave Cyprus to manage it (but still be under Turkish sovereignty) as a reward for her giving support against Russia. Cyprus was only one link in the chain of British stronghold that was supposed to provide her imperijal interests: the way to India, and later her participation in the exploitation of petroleum the Middle East. Until in 1914. Cyprus is a Turkish island legally and British bases factually. When Turkey entered the First World War on the side of Germany, it was annexed by Britain in 1915. and offered Greece to provided that it enter the war on the side of

[4] Greece and Turkey in 1952. joined the NATO alliance.

Serbia. This was the only opportunity to join Cyprus Greece, but Greek pro-German wartime monarchy declined. When Greece was subsequently drawn into the war, the United Kingdom withdrew its offer. After the war, Turkey has renounced the Lausanne Treaty of Cyprus, and in 1925 year. Great Britanija declared is the crown colony of Cyprus.

At the beginning, Greek Cypriots and Turkish Cypriots welcomed the move of Cyprus in possession of Great Britain, as the Turkish Empire was in decline, while Britain through its economic strength the wake of hope of Cypriots in their own socio-economic progress, a Greek Cypriot national liberation. Under the leadership of the Church in Cyprus there was a bloody riot in 1931 year. Greek Cypriots were looking for "Enosis", union with Greece. Since then the church has not abandoned the idea even though he publicly took the position that this goal can not be achieved in the present conditions. The only lull in the struggle against the Greek Cypriot and British colonialism for unification with Greece was during World War II, when the Cypriots (Greeks and Turks), as volunteers fought with the British army against Nazism and fascism.

After World War II, continued the struggle for "Enosis" under the leadership of the church. In a referendum in 1950 year. Who conducted a church, 96% of Greek Cypriots voted for "Enosis". Archbishop Makarios III[5] representative and leader of the Greek Cypriots, has sought to resolve the Cyprus issue of self-determination in the negotiations with Great Britain. He tried over Greece to the agenda of the United Nations in New York in 1954, a question of self-determination of Cyprus. However, the UN passed a watered-down resolution to put off the old solution to this problem. This also meant the end of efforts to peacefully come up with a solution to this issue. Thus, the 31 March in 1955. The riots began in Cyprus.

Since the beginning of the Greek Cypriot struggle, Britain and Turkey attracted sought to attract and Turkish Cypriots on their side. Instead of the Greeks, who were leaving the service of the British colonial administration and the police, the British are increasingly employing Turkish Cypriots. The attacks were particularly directed at the police station, and since it is among the police were all over the Turks, the number of dead Turks grew. On this basis, there has been organizing Turkish extremists to counter-terror responses to these actions. This organization Cypriot wore abbreviated name "VOLKAN" and later "IMT". On the head of a young lawyer, Rauf Denktash, the Turkish Cypriot leader later.

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[5] Makarios III (1913-1977) during World War II, he studied theology and law at the University of Athens, where he graduated in 1942 year. Year in 1950. became Archbishop of Cyprus and became very influential among the Greek communities in Cyprus. When Cyprus in 1960. year gained independence Makarios III has opted for the policy of maintaining good relations with Greece and Turkey, and Cyprus has pursued a policy of non-alignment.

UK played with the idea of the division of the island between Britain, Greece and Turkey, and granting to Turkey such rights to the Island which later could not be abolished. Stating that in the circumstances he could not achieve the ultimate aim, "Enosis" Greek Cypriot leader Archbishop Makarios of September in 1958. Declared independence within the British Commonwealth in order to avoid the division of the island and went to the United Nations fight for full independence and the right to self-determination. Given this, extremists armed action, but do not surrender your weapons, and the representatives of Great Britain, Greece and Turkey to start negotiations on a solution to the Cyprus-based independent within the Commonwealth. Finally, in January in 1959 year. The foreign ministers of Britain, Greece and Turkey agreed in Zurich agreement signed by Britain, Greece and Turkey and the two Cypriot ethnic communities. From the resulting agreements Britain, Greece and Turkey warranty regarding the Cypriot independence and constitutional order and agreement on an alliance between Cyprus, Greece and Turkey. Thus, the Constitution of the Republic of Cyprus received, alliances and guarantees, which is a legal term of limited sovereignty. In the first presidential election in 1959 year. Makarios got 67% percent of the votes of Greek Cypriots.

In the later development of the situation in Cyprus, there was first a Zurich conference (5-11. February 1959), resulting in the basis for the London Conference (17-19. February 1959). In it there was an agreement on the regulation of the Cyprus issue, between the Governments of Greece, Turkey and the UK, as well as representatives of the Greek and Turkish entities in Cyprus. This agreement, which consisted of nine memoranda and attaching documents determined the structure of the future Constitution of Cyprus. The decision was made to Greece, Turkey and Britain guaranteed the independence, territorial integrity and the Constitution of Cyprus, and Cyprus, Greece and Turkey signed a mutual military alliance for the purpose of mutual defense islands. On the basis of the Zurich and London agreements, was compiled draft of the Constitution of the Republic of Cyprus, signed on 6 April in 1960. year. in Nicosia, from Greece, Turkey and Cyprus both national community.

Military intervention in Cyprus and the island's division

Despite the solutions offered by the Constitution in 1962 years there has been an addition to the state is not able to function. President Makarios's next in 1963 year, citing the UN Charter, raised the issue of revision of the Constitution and the Treaty guarantees and obtaining full independence of the Republic of Cyprus. To this end he proposed to the President of the Republic Dr. Fazila Kucuk 13 points, or 13 amendments to the Constitution that would overcome the crisis, so that the Parliament does not vote in two separate ethnic communities, but that decisions are made by majority, regardless of ethnicity, to abolish the veto power of the President

and Vice-President of the Republic, the abolition Dual municipalities in the cities, to the public service attitude of Greeks and Turks is 80 to 20, due to the fact that the Turkish population in the overall population of the island was 20%.

Even before Kucuk said Turkey has rejected these proposals. Makarios proposals were the reason for the new fierce armed clashes Greek Cypriots and Turkish Cypriots and interference with the course. The Turkish Cypriots have left more than a hundred villages and took shelter in the enclave defended by their armed determine. In areas under control Cypriot government remained around 50,000 Turkish Cypriots, while more than 60,000 Turks were in enclaves, and the largest was near Nicosia and covered the greater part of Nicosia and stretched to the vicinity Kirineje, but never went to sea.

At that time the Greek Cypriots organized by irregular military units of Cyprus National Guard. And Turkish Cypriots have their own armed determine which trains the Turkish officers. At the head of the armed units of Rauf Denktash, who, after bloody clashes in 1964.had to leave Cyprus. He returned to Cyprus in 1968 illegally. The Cypriot government arrested him, but he had to let the pressure of Turkey.

January in 1964 The London Conference was held which was attended by Britain, Greece, Turkey and Denktash Kleridis and on behalf of the two Cypriot communities. Makarios is sought full independence and the Turkish Cypriots or division, or some sort of federal arrangement, provided that the force remains limited sovereignty. London conference failed, and fighting continued in Cyprus. In order to protect the independence, sovereignty and territorial integrity of Cyprus government has turned to the United Nations. This led to the internationalization of the Cyprus problem. UN Security Council in 1964 passed a resolution that the member states urged to refrain from any action or threat of action that could aggravate the situation in the northern part of Cyprus. Second UN Security Council resolution in March! 964 recommended the establishment of UN forces to contribute to the maintenance and restoration of law and order and a return to normal conditions. It is also recommended the appointment of UN mediator who needs to work on improving a peaceful solution, in accordance with the Charter of the United Nations given the benefit of the people as a whole and the preservation of international peace and security. When in March in 1964 year, Cyprus has come UN representative on the island, there were already 7,000 UN soldiers.

Turkey's response to a request for "Enosis" (union) has placed the request for "Taksim" (division). Fazil Kucuk was 22 February in 1965 surrendered to the UN representative in Cyprus Gala Plaza, memorandum calling for a federation with geographic relocation and separation of populations. Under the proposal would be relocated about 230,000 people or 36% of the total population and about 180,000 Greeks and 50,000 Turks. and it would be covered 461 whabited place or urban area

of 292 511 as it was then in Cyprus. This and performed from 1974 to 1975 when Turkish troops occupied the northern islands.

The arrival of UN troops and UN representatives, the situation in Cyprus is not changed significantly, but there has been some easing of the tensions. Armed incidents were minor. However, in November in 1967. there was again a huge bloodshed in Cyprus. The Cypriot National Guard, broke into a Turkish village. On the 30 dead, 25 were members of the Turkish Cypriots. Turkey is a result of the incident committed by mobilizing its forces and threatened invasion of Cyprus, and its jets bombed the island. Turkey dropped only after the invasion of Greece's acceptance of Turkey's demands:

1. To dissolve the Cypriot National Guard and withdraw 12,000 volunteers from the Greek Army.
2. To Turkish Cypriots in their enclaves may have its own government and its police.
3. That the Cypriot Turks without compensation to the victims and property.
4. To reinforce UN forces in Cyprus.

After the events in 1967. Turkish Cypriots formed the Provisional Administrative Council for the affairs of the Turkish community of Cyprus, challenging the government to act on behalf of the Turkish Cypriots.

January in 1974. situation in Greece regarding Cyprus becomes tense. The military regime in Athens loses patience and morning of the 15th July in 1974. The Greek junta was committed by a military coup in Cyprus. The rebels destroyed, looted and set fire to the presidential palace and announced that Makarios was dead. For the new President was appointed Nikos Samson. In some places there has been a mass killing Hellenic Cypriot population.

Only five days after the intervention of the Greek junta, on 20 July in 1974, the Turkish military intervened in Cyprus in reference to their right to contract guarantees the independence of Cyprus. The Turkish Government has stated that the purpose of its intervention to establish the independence, sovereignty, territorial integrity and constitutional order of the Republic of Cyprus.

It is characteristic that no Western country, in this case is nothing seriously taken against the Greek junta's military intervention in Cyprus. Although it was a guarantor of Cypriot independence, Britain had refused to intervene against the huntine action, official Washington has refused to accept hunting that it is carried out in Cyprus foreign military intervention. Some authors studying the Cyprus problem amounts to the conclusion that the analysis of documents released by the British government once, leads to the conclusion that the British and American government secretly supported the Turkish military targets in Cyprus, at least in so

far as it does not trigger serious action against the Turkish invasion. (Mallinson, 2007, pp. 494)

Greek junta fell 23 July in 1974. year as a result of delay imminent aggression against Cyprus, and the danger that stemmed from these interventions, which could lead to conflict with Turkey. On the same day Nikos Sampson resigned and acting President of the Republic on the basis of the constitution became Glafkos Kleridis.

Turkish armed forces have repeatedly violates the ceasefire and expanded its occupation zone in Cyprus to 14 August in 1974. The Turkish military intervened for the second time in Cyprus and occupied 40% of Cypriot territory in the use of its 40,000 members, soldiers and nearly 300 tanks. Turkey July 22, 1974 issued a statement in which noted that now the Turkish presence on the island irrevocable, and that the territory they occupy Turkish forces to be constant support for the Turkish entity on the island.

In the area controlled by the Turkish forces remained around 8,000 Greek Cypriots, but that number has decreased over the years. Under the impression of war events and believing that they will in the Turkish part of the island would be better, almost all Turkish Cypriots crossed to the north and the estimates that about 50,000 people. Thus, Cyprus was divided into geographical, military, political and economic and ethnic terms. In the northern part of the island controlled by the Turkish Army had around 110,000. Turkish Cypriots, but they are constantly on the territory settled by the Turks from Turkey. The southern part of the island that has remained under the control of the Government of Cyprus, there were about 500,000 Greek Cypriots.

Meanwhile, with breaks in Vienna were led international calls which was also attended by UN Secretary-General on Cyprus, and several times in the presence of the Secretary-General. Representatives of the Greek entity in Cyprus was first argued on a unitary state with several Turkish cantons, and then accepted the concept of a federal state, but without division of the two federal units. At last April in 1976 years, came out with a proposal with which the federation does not exclude two areas, but on the basis of free movement and settlement for all Cypriots in the entire territory of Cyprus, provided economic unity Greek territory with a strong federal government.

The Turkish side has insisted from the beginning of the Confederation of the two zones, with no right of Greek Cypriots to return to the territory under Turkish control. Greek Turkish side offered 20% of the territory of Cyprus, that is something more than what is the percentage of the Turkish population of the island. The Turkish side, which held 40% of the island refused to go out with his proposal on the size of the territory, although committed to the UN General Secretary to give their proposals, including the proposal on the size of the territory. However, Ankara has ignored UN Resolution on Cyprus and unilateral act of fortifying existing state or division of Cyprus. Finally, in February, 1975, declared the

"Turkish-Cypriot federal state", which is diplomatic in the beginning is not even recognized by Turkey, which was later made yet. Part of Cypres in which today inhabited by Turkish Cypriots were official name of the Turkish Republic of Northern Cyprus. Turkish Army in Cypres located given special status. Turkish Republic of Northern Cyprus is not recognized by any state a SEM from Turkey. Specials this Turkey Cyprus Republic will be reduced to the extent grow up, aspirations of the Republic of Turkey's accession to the European Union.(Constantinov, 2008, pp. 14.)

State of "frozen conflicts" and Kofi Annan plan for Cyprus

The intervention of Turkish forces in Cyprus, ethnic, and every other division of the island, the border between the two entities is the "green line". When hostilities ceased in Cyprus, its actors, and the international community are expected to agree on a common future islands achieved in a near-term, but Cyprus as the years went by more and more coming to the state of the so-called "frozen conflicts".[6] In fact since the end of armed conflict to date, the two communities living literally next to each other. Greek Cypriot community has its own authorities, as well as the Turkish community in Cyprus. They were distributed to all other aspects of life, education, health care, and retail. The impression is that the situation in Cyprus, Greek Cypriots unhappy. Specifically on the wings panhelenisma, once some military circles in Athens wanted to be a part of Greek Cyprus, but the project failed. Unfortunately, his failure had been caused by the Greek Cypriots, who live in a divided country. The literature can even find the opinion that this position of the Greek Cypriot the Great Powers. Namely, that the 1960 they asked Greek Cypriots would vote for union with Greece, a division of the Turks islands. Accordingly opinion notes that emergence of the Republic of Cyprus was not Ideological and colonial goals, but realpolitik compromise and "bitter pill" to Greek Cypriots. According to the same sources, the Cypriot people did not seek to form the Republic of Cyprus and this Republic of Cyprus It brought only a semblance of sovereignty and independence. (Constantinov, 2008, p. 5-6.)

A serious diplomatic activity aimed at the reunification of Cyprus, was the Kofi Annan and the UN in 2002nd year. He placed the negotiations Nicosia and Brussels on the entry of Cyprus (the Greek part of the island that is) in the EU.

Document, which is the official name basis for *Agreement on the holistic planning of the Cyprus problem,* was the basis under which the Cyprus should become a

[6] The term "frozen conflict" indicates the position of two or more parties to an international dispute, preceded by armed conflict and who is not, and where they are still looking for a solution acceptable to all parties. The term "frozen conflict" can be described by the state between the two Koreas.

confederation of the Swiss model. The Annan Plan was based on the ultimate goal to Cyprus to join the EU as a complete state. According to this plan, the joint state Cypriot Greeks and Turks was the Union of the two constituent units in which there would be a six-member presidential council with a rotating president and vice-president and a bicameral parliament. The plan was intended three-year transitional government.

According to this document, the citizens are supposed to have one, Cypriot citizens, but to the Turkish ethnic community guaranteeing special relations with Turkey and Greece with Greece. The island would be demilitarized, but that to Greeks and Turkey had the right to retain limited on the island and later symbolic military contingents. The Constitution is supposed to guarantee human rights and minority rights in line with EU principles, and special mixed commission for reconciliation would work to promote tolerance and mutual respect between the two ethnic communities.

The plan has been revised several times before the final, document offered Cypriot citizens in a referendum. He was supported by 65% of Turkish Cypriots and only 24% of Greek Cypriots. On the occasion of the offered document, Ankara issued a statement supporting the reconstruction of a unified state of Cyprus, but believes that Nicosia should join the EU at a time when it enters and Turkey. Athens is generally held reserved, noting that the plan is a good basis for further talks on Cyprus.

How is the plan as of the referendum and the attitude of Ankara and Athens actually rejected, only the Greek part of Cyprus entered the EU.

Concluding observations

In addition to external factors, some of which, even today, against the independent position of the Cyprus state, on the island itself there is no trust between the two communities and their representatives. One of the characteristic features of this suspicion and rejection was once proposed action plan by Turkey. Ankara has presented an action plan consisting of a bid to lift the restriction on the Cyprus trade, transport and other measures with the Republic of Cyprus in return for the simultaneous abolition of the isolation of Turkish Cypriots. Greek Cypriots rejected the plan of action on the grounds that it would strengthen economic Turkish part of the island.(Faustmann, Kaymak, 2007, p. 1)

More difficult is finding a solution acceptable to both sides. Turkish Cypriot community is a minority in comparison to Greece, almost exclusively foothold in Turkey, and was never able to be an independent entity. It certainly contributed to hinder the position that would lead to common solutions. Some believe that the economic blockade of North Cyprus, causing problems in the fields of politics,

ideology and culture. While the economy was relatively clear, rose to popularity "cypranism" which had its roots in the labor movement islanders, and had very little support among the Turkish Cypriots, but it started to grow, especially in the middle layers of the Turkish Cypriots. It was a reaction against Turkey as a "big brother" of its residents, Turkish Cypriot political parties, who are in power for a long time in the Turkish Republic of Northern Cyprus.(Akcali, 2011, pp. 1738.)

Greek Cypriot community still believes that her partner in negotiations on the future of Cyprus is Turkish community in Cyprus, but a state of Turkey. In addition, within Turkey are very influential forces that want to legalize permanent military presence of Turkey in the area and want an agreement between the two parties.

On the other hand, are increasingly occurring opinion that the division of the island does have its positive connotation because it has prevented more destruction and massive loss of human life. For example, Kaufman notes that from the division of a multi-ethnic community can be considered successful only if its cost in human lives is less than the expected number of lives for all other solutions. Kaufman believes that the division is not made, the bloody civil conflicts in Cyprus could still turn up and it is reasonable to claim that the final price was higher than in the case of division. The division has also led to 32 years of peace and it is possible to significantly improve the climate for the reunification of the climate of the 30 or 10 years.

Of extraordinary importance is the fact that people from the tragic intervention of July and August in 1974. The first Greek and later Turkish forces, between the two communities in Cyprus were no major conflicts. On the contrary, in these most difficult times in modern Cyprus was expressed solidarity between the two communities as well as the awareness of a common fate Cypriots. Despite mutual understanding, a sense of common existence, which would exclude the interference from the side, Cypriots of today can not realise the his dream of a common life on both sides of the Green Line. Although in the past had many disagreements, the past, and now the pressure of both ethnic communities in Cyprus and prevents the build up confidence, which could lead to the coexistence of the divided Island.

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Dr Milovan RADAKOVIĆ

PITANJE KIPRA

Rezime: Rad rezimira položaj i pitanje Kipra, mediteranskog ostrva sa grčkom većinom i turskom manjinom, koje je bilo deo Otomanskog carstva. Nakon toga, Kipar postaje britanska kolonija od 1870. do 1960. godine. Grčko stanovništvo Kipra je decenijama bilo razapeto između ideje ujedinjenja sa Grčkom, i idejom nezavisne države.

Sporazumi u Cirihu i Londonu 1959-1960. godine obezbedili su ustavna prava turskoj manjini, uključujući i pravo na intervenciju država garanta sporazuma. Po ovom osnovu, Ankara interveniše na Kipru 1974. godine, kao odgovor na pokušaj aneksije bivše grčke vojne hunte. Turske trupe su okupirale 37% ostrva, i UN su u prošlosti slale mirovne trupe da čuvaju tzv. zelenu liniju (green line), koja danas predstavlja granicu između Republike Kipar i Turske Republike Severnog Kipra. Državu Severnog Kipra, Turska je proglasila i priznala 1983. godine. Brojni problemi izbeglica, imovine, imigranata su neka od pitanja za koje se traže rešenja.

Ključne reči: Mediteran, Kipar, Grčka, Turska, entiteti, konflikt, zelena linija, Severni Kipar.

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IS THERE A WAY FORWARD FOR CLIMATE CHANGE?

Aleksandra ČAVOŠKI, PhD[1]

Abstract: The latest IPCC report finally confirmed human activity to be the cause of global warming. Despite this firm scientific evidence climate change, law is still not sufficiently developed and does not promptly respond to emerging climate changes. We are still reduced to two international agreements, namely the United Nations Framework Convention on Climate Change (the UNFCCC) and the Kyoto Protocol with very limited reach. Efforts were made to set out a second commitment under Kyoto and to launch a new negotiation framework for adoption of a new legally binding instrument within the UN Climate Change Convention. To what extent these new negotiations will be successful will mostly depend on the willingness of rapidly developing countries to be imposed with legally binding emission reduction targets but also the will of developed countries to meet more stringent targets and offer adequate assistance to developing countries, especially those vulnerable to climate change. It will also require all parties to understand and interpret the UN Climate Change Convention in a new and dynamic context where the Convention will be regarded as a living instrument.

Key words: Climate change, greenhouse gases, IPCC, UNFCCC, Kyoto Protocol, Bali Action Plan, Copenhagen Accord, Durban Platform for Enhanced Action

Who bears the responsibility for climate change?

Although in the last decade, the weather events worldwide demonstrated the devastating effects of climate change, for many years now the uncertainty as to the causes of climate change was often used as a reason for not pushing for a stronger

[1] Aleksandra Čavoški teaches at the Birmingham Law School, University of Birmingham. Previously, she was a Vice Dean and Professor at Union University School of Law in Belgrade, Serbia and a Visiting Professor at Washington and Lee University in Lexington, Virginia and at the Faculty of Political Science, University of Belgrade. She has worked in the Ministry of Justice in Serbia and as a consultant for the World Bank, European Commission and the OSCE. Email: a.cavoski@bham.ac.uk.

climate change agenda and more stringent commitments for developed and rapidly developing countries (Gerrard, M.B. & Avgerinopolou, D.T., 2010). The fact that natural causes are also considered a reason for global warming was used as an excuse for the lack of adequate response to climate change.

However, the latest IPCC report finally resolved this issue by recognizing that "it is extremely likely that human influence has been the dominant cause of the observed warming since the mid-20th century" (Fifth IPCC Report, 2014).It is further explained "that more than half of the observed increase in global averages surface temperature from 1951 to 2010 was caused by the anthropogenic increase in greenhouse concentrations and other anthropogenic forcing together" (Fifth IPCC Report, 2014). Human activity led to the warming of the atmosphere and the oceans, changes in global water cycle, global sea rise and reductions in snow and ice (Fifth IPCC Report, 2014).

Human interference can be easily identified by looking at the statistical data collected by various international and national environmental organisations. It is not hard to find the culpable countries for excessive greenhouse gas emissions as the main causes of global warming. According to the data gathered by the PBL Netherlands Environmental Assessment Agency the following six countries are identified as the largest emitting countries/regions with respective shares: China (29%), the United States (15%), the European Union (EU27) (11%), India (6%), the Russian Federation (5%) and Japan (4%), whereby the top three countries bear the responsibility for 55% of total global CO2 emissions. (Trends in global CO2 Emission, Report, 2013). What is even more worrying is the trend of emissions rise, especially in those three top countries and regions. There was an annual increase from 2011 to 2012 of 3% in China emissions, while in the United States emissions decreased by 4% and the European Union as a whole also saw a decrease of 1.6% in the same period (Trends in global CO2 Emission, Report, 2013).

What was achieved so far?

Although it may be argued that climate change is a relatively recent phenomenon or at least a phenomenon that was recently identified and explained by the scientists, this still does not explain the modest and not so effective international climate change law. It may be argued that this was expected as many conflicting national interests are at stake. Inevitably, the risk of slowing down economic development, especially at times such as the economic crisis linked with the costs required for investing into policies that actually lower national emissions are certainly the most obvious and recognisable justifications. No less important are the different interests of developing countries as well as the development gap that exists within the developing countries group such as between the least developing countries and rapidly developing countries. In addition, the interests of

small island countries are also quite distinctive as even a small increase in ocean levels may have disastrous effects for small islands.[2] At the moment, international climate change law consists of two international agreements, namely the United Nations Framework Convention on Climate Change (the UNFCCC) and the Kyoto Protocol, although the latter has limited reach.

United Nations Framework Convention on Climate Change

The UNFCCC was adopted at the Rio Conference on Environment and Development in 1992 together with the Convention on Biological Diversity as a true example of package diplomacy (Birnie, P., Boyle, A, &Redgwell, C, 2009).The Convention was quickly negotiated and drafted within the framework of the Intergovernmental Negotiating Committee set up in 1990 by the UN General Assembly which only held five sessions to agree on the text of the Convention. After it had been opened for signature in 1992, it quickly came into force two years later on 21 March 1994 with an impressive number of 195 countries ratifying the Convention over time. The Convention is often criticized for its broad and vague provisions which do not impose strict and enforceable obligations for contracting parties, but rather offer "framework agreement on the basic issues of climate change" (Molitor, M.M, 2013).

The language of the preamble already suggests the reasons for the imprecise language used in the Convention. It recognises the existence of change in the Earth's climate and its adverse effects as well as the fact that the largest share of historical and current global emissions of greenhouse gases has originated in developed countries (Supra note 10, preamble). However, the Convention notes the scientific uncertainty regarding the climate change phenomenon, especially in relation to timing, magnitude and regional patterns of climate change. Furthermore, it reaffirms the "sovereign rights of states to exploit their own resources pursuant to their own environmental and developmental policies", provided that they do not cause transboundary harm which demonstrates a decisiveness of not interfering with the right to development (Supra note 10, preamble).

The main objective of the Convention is to "stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system within a time-frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner" (Art. 2 UNFCCC). However, there are no provisions setting out the timeline or any quantifiable targets, except for the obligation of developed

[2] Small island states formed a collation of small island states and low lying coastal countries called the Alliance if Small Island States (AOSIS).

countries to reduce greenhouse gas emissions not controlled by the Montreal Protocol, individually or jointly to their 1990 levels by 2000.

The Convention endorses a range of environmental principles such as sustainable development and intergenerational equity, precautionary principle and principle of cooperation as well as the principle of "common but differentiated responsibility"(Art. 3 UNFCCC).The latter principle is the underlying principle of the Convention which echoes the historical trends in greenhouse gas emission whereby the developed countries as the largest polluters should take the "lead in combating climate change and the adverse effects thereof"(Supra note 10, preamble).This principle is reflected in the different obligations imposed on developed and developing countries. In regard to developed countries the Convention makes a distinction between wealthier OECD countries and countries "undergoing the process of transition to a market economy" (Annex I parties).

Beside the obligation to reduce the greenhouse gases emission to 1990 levels by 2000, developed countries also have to "adopt national policies and take corresponding measures on the mitigation of climate change, by limiting its anthropogenic emissions of greenhouse gases and protecting and enhancing its greenhouse gas sinks and reservoirs"(Art. 4(2)(a) UNFCCC). They also have to pay for all reporting obligations required from developing countries as well as to assist the developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation to those adverse effects (Art. 4 (4) UNFCCC). Finally, developing countries have the obligation to promote, facilitate and finance the transfer of technology to other contracting parties, with the special emphasis on developing countries as a way of assisting those countries in implementing the provisions of the Convention (Art. 4(5) UNFCCC).

On the other hand, developing countries do not have as many obligations and they mostly entail reporting obligations (Art. 12 UNFCCC) as well as the obligation to develop national inventories of anthropogenic emissions by sources and removals by sinks of all greenhouse gases. These two obligations also apply to all developed countries, while all contracting parties have to cooperate in preparing for adaptation to the impacts of climate change; promote and cooperate in scientific, technological, technical, socio-economic and other research; promote and cooperate in the full, open and prompt exchange of relevant scientific and other information related to the climate system and climate change and promote and cooperate in education, training and public awareness related to climate change (Article 4 UNFCCC).

Kyoto Protocol

As a result of imprecise language and lack of any precise commitments in the UNFCCC, the contracting parties adopted a Berlin Mandate at the COP 1 with

the aim of opening negotiations for a protocol imposing more explicit and legally binding targets and timetables for emission of greenhouse gases (Beyerlin, U &Marauhn, T, 2011).The main bone of contention was the idea put forward by New Zealand that developing countries should also have more stringent obligations from 2014, which was strongly endorsed by the US Government (Supra note 17 at 226). In fact, this proposal was supposed to include those rapidly developing countries such as China, India and Brazil. As expected, this was not welcomed by those countries, especially the Chinese government. Finally, the Protocol was adopted in December 1998, but it took several years to come into force in 2005 (Art. 3(1) of the Protocol).

The Protocol sets out an overall emission target for all Annex I parties which requires the reduction of greenhouse gases by at least 5 per cent below 1990 levels in the commitment period 2008 to 2012.The list of greenhouse gases as well as the sector and source of emission is provided in the Annex A of the Protocol. It is worth noting that countries can meet this target either individually or jointly which allows certain flexibility in the process. The option of jointly reducing emissions is widely used in the EU, where at the moment 15 EU countries under the burden-shared agreement[3] are meeting the Protocol targets.

Beside this overall emission target, the Protocol is well known for specific and quantified targets for each individual Annex I country/region listed in Annex B whereby the US agreed to a reduction of 7%, EU to 8% and Japan to a 6% reduction. On the other hand, some countries such as Australia, Iceland and Norway were permitted to increase the emission, while other countries had to maintain the current levels of emissions[4].

In order to achieve the targets from the Protocol, developed countries have several choices available. The first and least popular option is "to implement and develop policies and measures in accordance with its national circumstances, specified in the Protocol" (Art. 2(1)(a) of the Protocol). The reason for being the least popular option for developed countries can be explained by a need to put in place costly and complex policies which affect several policy areas. Developed countries can also meet their targets by focusing on "sources and removals by sinks resulting from direct human-induced land-use change and forestry activities, limited to afforestation, reforestation and deforestation since 1990" (Art. 6 of the Protocol).

In addition, countries may use any of the three flexibility mechanisms, namely the emission trading scheme, joint implementation and the clean development mechanism. The international trading scheme has not proved to be successful, although the corresponding scheme was more fruitful at the EU level. The joint

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[3] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom.

[4] Russia, New Zealand, Ukraine.

development mechanism allows Annex I countries to undertake projects "aimed at reducing anthropogenic emissions by sources or enhancing anthropogenic removals by sinks of greenhouse gases in any sector of the economy" in any other Annex I country (Art. 6(1) of the Protocol).

The clean development mechanism involved emission-reduction projects undertaken by Annex I countries in developing countries with the idea of transferring technology and knowledge to developing countries. However, this mechanism may not be at first attractive as it involves a complex procedure for registering projects in developing countries and often those countries do not have adequate administrative procedures in place. So far, the clean development mechanism "has registered almost 7300 projects in 89 and delivered more than 1.38 billion tonnes of emission reductions", although there is a slow decline in the number of projects in 2013.[5]

Although the Protocol set out legally binding quantified reduction targets for developed countries, the Protocol suffers from two main deficiencies. The most important one is the exclusion of rapidly developing countries which should have been subjected to more stringent targets at a certain stage. However, as indicated earlier, a similar proposal potentially could have endangered the entire process and the adoption of the Kyoto Protocol if it was to include any such provision. The lack of focus on use of renewable sources of energy is also identified as one of the deficiencies of the Protocol (Guruswamy, L, 2003).

As Kyoto's first commitment period ended in 2012 it became clear that the only way forward while waiting to adopt some new protocol would be to extend the Protocol for a second commitment period. This extension of the Protocol was agreed in Durban in 2011 and the amendment to the Kyoto Protocol was adopted in Doha in 2012. It was agreed to set a new commitment period from 1 January 2013 to 31 December 2020 (Decision 1/CMP.8, 2012). The contracting parties committed themselves to "reduce their overall emission of relevant greenhouse gases by at least 18 per cent below 1990 levels in the commitment period 2013 to 2020" (Art. 3, paragraph 1 bis of the Decision 1/CMP.8, 2012). However, the number of contracting parties is significantly reduced from the initial 37 industrialised countries and the EU countries which were part of the first commitment period.

Post Kyoto Initiatives

There were several significant initiatives after the adoption of the Kyoto Protocol which paved the way for development of a wider scope of climate

[5] Executive Board Annual Report 2013, Clean Development Mechanism, UNFCCC, p. 5, Accessed 15 February 2014, from http://unfccc.int/resource/docs/publications/pub_cdm_eb_annualreport_2013.pdf.

change activities. The Bali Action Plan adopted within the Bali Roadmap at the COP 13/MOP 3 in 2007 provided a "comprehensive process to enable the full, effective and sustained implementation of the Convention through long-term cooperative action within the common but differentiated approach" which was undoubtedly prompted by unequivocal evidence of human induced climate change asserted in the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (Decision 1/CP13, 2007). The primary focus of the process is on enhancement of national and international mitigation measures which would include "measurable, reportable and verifiable nationally appropriate mitigation commitments or actions, including quantified emission limitation and reduction objectives, by all developed country parties" as well as "nationally appropriate mitigation actions by developing country parties in the context of sustainable development" ((Decision 1/CP13, 2007). The Action Plan emphasises the need for enhanced action on adaptation that *inter alia* requires international cooperation to support urgent implementation of adaptation actions; risk management and risk reduction strategies and disaster reduction strategies (Decision 1/CP13 (2007). Lastly, the Bali Roadmap encouraged stronger action on preventing deforestation and forest degradation in developing countries (Decision2/CP.13, 2007).

Unlike the Bali Action Plan, the Copenhagen Conference in 2009 proved to be a great disappointment as the negotiations did not result in a legally binding document that was expected with great anticipation. Instead, the parties adopted the Copenhagen Accord as a mere political statement of their commitment to further address the issue of climate change without even trying to set out a new overall target for developed countries based on the increased emission of greenhouse gases (Decision 2/CP.15, 2009). On a happier note, the contracting parties confirmed their "strong political will to urgently combat climate change in accordance with the principle of common but differentiated responsibilities and respective capabilities" (Decision 2/CP.15, 2009). In that regard, they will endeavour to maintain the increase in global temperature below 2 degrees Celsius.

Despite the fact that the Accord did not impose any new overall or individual emission targets, the Annex I countries were encouraged to implement individually or jointly the quantified economy wide emissions targets for 2020 as a way of strengthening the emissions reductions initiated by the Kyoto Protocol. Moreover, the developed countries committed to provide additional financial resources approaching USD 30 billion for the period 2010–2012 which will be allocated to adaptation and mitigation measures in the most vulnerable developing countries. In addition, developed countries committed to a goal of mobilizing jointly USD 100 billion a year by 2020 to address the mitigation needs of developing countries. As for developing countries, the Accord encouraged them to implement mitigation actions whereby "the least developed countries and small island developing States may undertake actions voluntarily and on the basis of support" (Decision 2/CP.15, 2009).

The Copenhagen Accord also followed up on the Bali Roadmap agenda on deforestation and forest degradation by providing for the "immediate establishment of a mechanism including REDD-plus, to enable the mobilization of financial resources from developed countries" (Decision 2/CP.15, 2009). Another mechanism that was set up by the Accord was the Copenhagen Green Climate Fund with the aim of supporting "projects, programme, policies and other activities in developing countries related to mitigation including REDD-plus, adaptation, capacity building, technology development and transfer" (Decision 2/CP.15, 2009).

Is there a way forward?

Unfortunately, none of these activities resulted in the adoption of another legally binding treaty which was essential as the Kyoto Protocol's commitment period was about to expire in 2012. Moreover, the emission of greenhouse gases, especially CO_2 increased beyond expected levels. Lastly, the worldwide economic crisis shifted the focus of the international communities, but also confirmed that economic recovery and development came first at the expense of environmental protection.

The turning point in climate change negotiations came in 2011 at the Durban Climate Change Conference as a result of the immediate need to agree on the extension of the Kyoto Protocol. Two main decisions were made at the conference. As explained earlier, it was decided to set out a second commitment period of the Kyoto Protocol without making any changes in regard to possible emission targets for rapidly developing countries. The agreement about the Protocol was further elaborated at the Doha Conference in 2012 whereby it was decided that the second commitment period will cover the period from 1 January 2013 to 31 December 2020 and a revised list of greenhouse gases is to be submitted by Parties in the second commitment period (Decision 1/CMP.8, 2012).

A more important decision was to launch a new framework for negotiations which should result in a legally binding instrument no later than 2015 which will come into force and be implemented from 2020 (Decision 1/CP.17, 2011). This new legal instrument is to be adopted within the framework of the UNFCCC and the work is to be carried out by a newly established body known as the Ad Hoc Working Group on the Durban Platform for Enhanced Action (Ad Hoc Working Group) (Decision 1/CP.17, 2011). At the Warsaw Climate Change Conference, a more precise timeline was set out. It is planned to discuss the main elements of the climate change agreement in March 2014 with the aim of having the draft text ready by December 2014 (Decision 1/CP.19, 2013). The formal text should be submitted by May 2015 with the hope of completing the negotiations by December 2015 (Decision 1/CP.19, 2013).

To this point, the work of the Ad Hoc Working Group was rather slow bearing in mind the fact that deliberation on the new protocol should end by 2015.

As a starting point, the work of the Ad Hoc Working Group was divided into two main streams whereby the workstream 1 is in charge with the drafting of the new protocol while workstream 2 is responsible for enhancing mitigation capacities. At the very beginning of the negotiations the contracting parties were asked to submit their views about the main contours and elements of the new protocol including the application of principles embedded in the UNFCCC, importance of national circumstances within the framework of those principles, the issue of applicability of the protocol to all and ways of ensuring broader participation.

After six sessions held so far, the parties agreed on some of those issues, leaving behind more serious questions for further discussion. There is no doubt that the new agreement will be applicable to all parties; it will be adopted under the UNFCCC and it will be "guided by the Convention objectives and principles".[6] As was further explained in the submission paper by the EU, it has to be an "ambitious agreement, legally binding, multilateral, rules-based with global participation and informed by science".[7] It is also agreed that negotiation should not affect the national climate change policies and the governments should communicate their post-2020 intentions (Supra note 68).

Several questions are still left unresolved and it is a question whether they would be resolved to be acceptable for all and render the future agreement successful. One of the least controversial questions is the choice of economic instruments, including market based and non-market based instruments. It was demonstrated earlier that some of the instruments set out by the Kyoto Agreement did not prove to be very effective and some changes need to be made. A more complex question is how to integrate responses to climate change and economic development "in a more integrated and complementary manner" which bring us again to the debate about the principle of sustainable development, what is difficult to achieve even at a time when the economic situation is less difficult than now (Supra note 69).

The most worrying question is how this new agreement will be "applicable to all" taking into account the common but differentiated approach as the cornerstone of the UNFCCC. There is no doubt that the one component of the "applicable to all" should entail broader participation, but that according to some parties "does not translate to a binding obligation to take a commitment under the 2015 agreement".[8]

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[6] Reflections on progress made at the third part of the second session of the Ad Hoc Working Group on the Durban Platform for Enhanced Action, available athttp://unfccc.int/resource/docs/2014/adp2/eng/1infnot.pdf.

[7] 2013 Submission by Lithuania and the European Commission on Behalf of the European Union and its Member States, accessed on17 February 2014, from https://unfccc.int/files/documentation/submissions_from_parties/adp/application/pdf/adp_eu_workstream_1_design_of_2015_agreement_20130916.pdf.

[8] Summary of the round table under workstream 1 ADP 1, part 2 Doha Qatar, November-December 2012, accessed on 17 February 2014, from http://unfccc.int/resource/docs/2012/adp1/eng/6infsum.pdf.

This is very evident from the submission of the Chinese government which in its 2013 submission reiterated that the "dichotomy between developed and developing countries is the very foundation of the Convention and any attempts to re-categorize developed and developing countries would delay progress in the Durban Platform process with nothing to come in the end".[9] On the other hand, it is obvious from the US submission that developed countries will insist on a flexible structure where changes in terms of commitments have to be made based on changing circumstances.[10] Such statements are very dangerous and they remind us of the Kyoto Protocol negotiations where any obligation for rapidly developing countries was vetoed with the threat of ending the negotiations with no result achieved.

Some of the parties tried to offer an alternative approach whereby the common but differentiated approach will still be honoured, but it will gradually cease to apply to rapidly developing countries. It was explained that "applicability to all" should not be translated to uniformity of commitments (Supra note 73). However, there should be a differentiation based on the nature of commitments, stringency of any commitment and the time frame which would allow for the gradual inclusion of certain parties. Differentiation based on national circumstances was offered as another approach in addressing this key principle. However, the parties are still not in agreement on what national circumstances are and if they should be used for re-categorising the categories of countries within the Convention. It was suggested that following examples of differing national circumstances should include structure of an economy, including the degree and nature of any specialization; status of development and need for sustainable development; environment and natural resources; historical responsibility; per capita emissions; population; energy mix; geography; renewable energy potential and trade structures (Supra note 73). A general perception persists that historical responsibility is still an underlying principle, but that the principle of 'common but differentiated responsibility' should be interpreted in a dynamic manner which offers some hope that agreement may be reached in future. This interpretation also entails as that the Convention should be regarded as a living instrument adaptable to changes.[11]

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[9] 2013China's Submission on the Work of the Ad Hoc Working Group on Durban Platform for Enhanced Action, accessed on17 February 2014 from https://unfccc.int/files/documentation/submissions_from_parties/adp/application/pdf/adp_china_workstream_1_20130305.pdf.

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Conclusion

To what extent the negotiations will be successful is hard to judge at the time of writing as the negotiations are still in their initial phase where contracting parties are invited to submit their answers to the questions posed by the Ad Hoc Working Group. The draft text should be ready by December 2014. Still, there are some valid concerns about the feasibility and effectiveness of this new negotiations process. Partly, those concerns originate from a very painful experience in negotiating the Kyoto Protocol, but also due to other post-Kyoto initiatives which unfortunately did not produce any new legally binding treaty. Moreover, the extension of Kyoto proved to be very difficult and did not attract broad participation, as was expected. Besides, there is not much hope that the main bone of contention mirrored in the lack of more stringent involvement of developing countries based on their economic performance with the focus at the moment of main three rapidly developing countries China, India and Brazil will solve successfully. If that is to happen, we are facing a very gloomy scenario whereby the Kyoto Protocol is extended, but with limited participation and with no new legally binding agreement that will set out the actions for future. Meanwhile, nature is taking its course and we will have more severe weather with possibly no plan of action.

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Dr Aleksandra ČAVOŠKI

DA LI POSTIJI NAČIN DA SE U BUDUĆNOSTI UREDI PITANJE KLIMATSKIH PROMENA

Apstrakt: Poslednji izveštaj Međunarodne komisije za klimatske promene potvrdio je da je globalno zagrevanje posledica ljudske aktivnosti. Uprkos čvrstim naučnim dokazima pravila o klimatskim promena nisu dovoljno razvijena i ne usvajaju se u skladu sa novim klimatskim dešavanjima. Trenutno su na snazi dva međunarodna ugovora i to Okvirna konvencija UN o promeni klime i Kjoto protokol sa vrlo uskim poljem primene. Uloženi su napori u postizanju dogovora oko produženja primene Kjoto protokola i otvaranju novih pregovora o usvajanju novog i pravno obavezujućeg ugovora u okviru Okvirne konvencije. Uspešnost pregovora u velikoj meri zavisi od spemnosti zemalja u razvoju da prihvate obavezujuće kvote emisije gasova sa efektom staklene bašte kao i posvećenosti razvijenih zemalja da prihvate strože obavezujuće kvote emisije i da pruže odgovarajuću pomoć zemljama u razvoju. Sve ugovorne strane takođe moraju da prihvate i tumače Okvirnu konvenciju na način koji odslikava promene koje su u vezi sa klimatskim dešavanjima.

Ključne reči: klimatske promene, efekat staklene bašte, Okvirna konvencija UN o promeni klime, Kjoto protokol, Bali akcioni plan, Sporazum iz Kopenhagena, Platforme za pojačanu akciju iz Durbana.

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STRUCTURAL IMPROVEMENT OF THE SERBIAN MERCHANDISE EXPORTS 2000-2013: A COMPARATIVE ANALYSIS[1]

Goran NIKOLIĆ, PhD[2]

Abstract: In the period 2000-2013, there was a tendency of improvement of the quality of the Serbian exports, which can be traced through an increase in the share of goods of higher levels of processing. The value of indicators of the similarity of the Serbian export and import structures to those of developed countries grew only mildly. In addition, Serbia has stagnant and relatively high levels of export concentration ratio. The quality level of the Serbian exports lags greatly behind the countries in the EU and to a lesser extent to the Central European economies in transition, which indicates that the unfavourable structure of exports has not been significantly improved. The quality of the Serbian exports in 2012 is on average similar to the quality of exports of most of the Balkan countries, which, in turn, also lags behind advanced countries in transition.

For export success, it is of great importance to have the transfer of modern technology and investment, especially FDI, in competitive sectors which would "spread" export offer. A targeted industrial policy and sector- and firm-level strategies are necessary to give momentum to a shift towards technology-intensive activities, which are associated with higher spillover effects.

Key words: Serbia, Balkan countries, export structure, similarity coefficients, medium- and high-tech products, skill-intensive manufactures, export concentration ratio, 2000-2013.

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[2] Institute of European Studies, Belgrade, E-mail: goranvnikolic@gmail.com.

Introduction

One of the ways of thorough understanding of long-term economic trends is through a qualitative analysis of exports. In this case, we will focus on Serbia's export in 2000-2013. For comparison, we have used the same data for other Balkan countries.

In this paper, we first analyse how well the export profile of Serbia matches the import profile of developed countries, especially the EU. Typically, the home country exports should match the imports of its major trading partners. We have started from the assumption that Serbian export structure is becoming more compatible with the EU's import structure, which implies higher export competitiveness. Potential increases in similarity ("overlap"), i.e., a better match with the merchandise (commodity) import structures of the EU, would indirectly indicate the potential for further growth and a qualitative improvement of the Serbian merchandise exports and the opportunity to make best use of their comparative advantages.

The second aim of this paper is to analyse the changes of technological structure of the Serbian exports according to technology structure. Exports are divided into the two categories: first are medium- and high-tech products and second are all other products. It is important that the former category is a good indicator of the quality of exports. The potentially high-achieved share of technology intensive products in the total exports and eventually increases of such a share would indirectly indicate a qualitative improvement of merchandise exports.

The third objective of this paper is to analyse and compare the absolute level and trend of the share of skill-intensive manufactures in the Serbian merchandise exports, which is a good indicator of the quality of export structure. The level and potential increases of such a share would indirectly indicate a qualitative improvement of merchandise exports. The share of skill-intensive manufacturers in exports and the increasing trend of such a share would indirectly indicate an opportunity for the Serbian economy to make progress in the level of competitiveness.

The fourth aim of this paper is to calculate the indices of the Serbian export concentration ratio (using Herfindahl-Hirschmann concentration index). The analysis of changes in these indices may point to future qualitative and quantitative changes in domestic exports.

In order to make a regional comparison by using the same methodology, we have explored the export structure of additional eight regional countries (Turkey, Greece, Bulgaria, Slovenia, Romania, Croatia, Bosnia-Herzegovina, and Montenegro) for the 2000-2012 period.

The results of this research will help clarify the trends in the structural change of the Serbian exports. One of the aims is to identify the deficiencies in exports.

An insight into the achieved level (and trend) of similarity indicators and into the tendency of *the share of goods of higher levels of processing* (which is also a reflection of the state of the overall economy) as well as the tendency of export concentration ratio can facilitate our work on the conceptualization of measures needed to promote the Serbian exports.

Three hypotheses

Three hypotheses are set in this paper. The first hypothesis is that since 2000, the structure of merchandise exports from Serbia has become better adjusted to the merchandise import structures of the developed economies (which we use as a reference point). In order to eventually prove that hypothesis (i.e., in order to avoid its rejection), we have used two indicators of similarity. We have used the Cosines and the Finger-Kreinin similarity (difference) measurement method for the structure of exports and imports to compare the similarity of the commodity structure of exports of the observed transitional countries and the commodity import demand structure of the EU (and U.S.) over the period 2000-2013. A structure, favourable or otherwise, is derived from the empirical analysis, which shows that the most developed countries have a structure of exports (and imports) which is predominantly based on products of high stages of finalisation (with much higher added value). In this study, the EU, the dominant trading partner of the observed Balkan countries, serves as the reference system on which we will base our analysis of the qualitative changes in the export structure of Serbia (and the observed Balkan economies). For the purpose of comparison, the advantage of the EU trade structures stems from the high stability of the structure of imports (and exports) of this integration. The advantage of the comparison with the EU import structures is that they are not static but continually improve, while other indicators (if they are not viewed in comparison to other countries) may be influenced by progress that may be typical for worldwide trade. The same case applies to the U.S. import structure.

After that, we have introduced the second hypothesis. We have tested the hypothesis on the possible structural improvement of the Serbian exports by classifying the exports according to technology structure into the two categories: medium- and high tech products and all other products (medium- and high tech level includes some machinery and electrical equipment and telecommunications, pharmaceuticals, computers and office machinery, and some precision instruments). Second, we have tested the identical hypothesis by classifying the total exports into the categories of skill-intensive manufactures and all other products. An eventually growing share of these products in the total exports would suggest a qualitative improvement of the domestic exports, given the higher share of share of products with higher processing in exports of developed countries. A possible qualitative

improvement of the Serbian exports would gain further importance if it turned out that there was an increase in demand for the same group of products in the EU imports. Our hypothesis is that in the observed period, from 2000, the technological structure (and skill intensity) of the Serbian exports has shifted towards an increased share of products with higher processing (as was the case in the advanced transition economies since mid-nineties).

Our third hypothesis is that from 2001-2012 export specialisation indices in Serbia decreased according to the overall tendency in European countries in transition. Diversification of exports is expected as a corollary of the export structure's improvement.

Used data and the methodological framework

In this paper, we have used the results from the original research on similarity of the structures of the Serbian exports and extra EU27 (and the U.S.) imports by SITC (Standard International Trade Classification) to a two- (a three-) digit level.[3] When the Serbian export concentration ratio is concerned, we have used International Trade Center HS product cluster at 4-digit level.[4] We have observed the period from 2000 to 2013.[5] For comparison, two previous studies, by the same author have been used (Nikolić, 2013, pp. 128-130; Nikolić, 2013b, p. 7-24). In these studies, there are data for other Balkan countries: Turkey, Bulgaria, Greece, Slovenia, Romania, Croatia, Bosnia-Herzegovina, Montenegro, (while, unfortunately, we have been unable to obtain the data for Macedonia and Albania).

The International Trade Center data and national statistical offices' databases are primarily used. The share of merchandise divisions (SITC, 2-digit level) is sourced from national statistics and publications of EUROSTAT. The share of some SITC merchandise group, e.g. 266, 267, 512, 513, 533, 551, 592, 653, 671, 672, 678, 785, 786 and 792 is indirectly sourced from the International Trade Center (http://www.intracen.org). Conversion from HS (4-digit) classification by Trade Map (International Trade Center) to SITC (3-digit) is made according to the

[3] Extra EU 27 is referring to external exports and imports of EU 27, i.e. exports and imports of the EU not including inter-members merchandise trade.

[4] Harmonized Commodity Description and Coding Systems (Harmonized System - HS) is an international nomenclature for the classification of products. It allows participating countries to classify traded goods on a common basis for customs purposes.

[5] For the coefficients for 2012 and 2013, the structure of the EU external imports was taken from 2011. For the coefficients for 2001, the structure of the EU external imports was taken from 2000. This approach can be justified by an absence of data for 2012 and 2001. Due to the high correlation (0.99) along with high significance (0.000) in comparing the external import structures of the EU27 for successive years, this approach skews the true value of the similarity coefficients of the two structures to a very small extent (see Nikolić, 2010, p. 79. & Nikolić, 2011, p. 402.).

correspondence table between the basic headings of SITC (Revision 4) and the subheadings of the Harmonized Commodity Description and Coding System (2007). When the export concentration ratio is concerned, we have used the International Trade Center HS product cluster at 4-digit level (which practically has about 1,100 products).

The Finger and Kreinin *(FKISij)* index endeavours to estimate export similarity by calculating the relative importance of various commodities in the export structure of pairs of countries and then, using a filtering technique. The method is non-parametric; therefore, it is not based on any assumptions on the distribution of variables (Finger and Kreinin, 1979, p. 906-907).

$$FKIS_{ij} = \sum_{k=1} min\ (E_{ik}, M_{jk})$$

k - item in SITC;

k = 1 ... 63 (for two-digit classification);

Ei - exporting country;

Mj - importing country.

The Finger and Kreinin index provides information on how well the export profile of one country matches the import profile of another country (typically one wishes to match home country exports against its major or new trading partners' imports). The value of the index ranges between 0 and 1, with 0 implying a complete lack of similarity and 1 reflecting the countries having identical export compositions. It takes value 0 when there is no product that is exported from one country and imported by the other. The index takes value 1 when trade flows match perfectly, that is, when the export structure of one country is just the same as the import structure of the other country. By calculating the index over time, one can observe whether trade profiles between trade partners are becoming more or less compatible. More compatible presumes higher competitiveness.

The Cosines method (COS.ij) is used to determine the similarities (differences) between the two structures that are classified in the same way (e.g., the 63 elements). The case takes a vector of E, which represents the structure of exports to specific countries (i). The vector is defined by a number of elements in n-dimensional space that have the same dimensions as the vector E elements. The analogue vector to E, M takes a vector that represents the structure of imports (or exports) of a particular country (j). The vector is defined by a number of elements in n-dimensional space, which have the same dimensions as the vector E elements. Provided that the participation of all elements of total exports or imports is identical (absolute amounts are not important), the two radius vectors will have

identical positions in multidimensional space because they have the same coordinates, the angle between them will be 0, and the value of the cosines will be 1 (a complete identity of commodity structure). The Cosines method allows us to take a more detailed look at the difference between export and import structures (the divisions, in this case), and we can detect divisions where there is most potential for increasing exports, given, of course, real economic opportunities.

$$\cos_{ij} = \frac{\bar{E}_i * \bar{M}_j}{/\bar{E}_i/*/\bar{M}_i/} \qquad \textit{or:} \qquad \cos_{ij} = \frac{\sum_{k=1} E_{ik} * M_{jk}}{\sqrt{(\sum_{k=1} E_{ik}^2) * (\sum_{k=1} M_{jk}^2)}}$$

The imperfection of previous indicators lies in the fact that the coefficients themselves, due to the structure configurations may occasionally indicate totally inexplicable values in the economic sense. It is possible that more competitive economic structures could show a lower coefficient (lower similarity) with the reference structure. This may happen if one of those countries has a very high specialisation in certain technology intensive industries, while in others technology intensive industries have a low specialisation (and a share of that division of SITC). For example, a more competitive country with much higher shares of high-tech, technology and capital intensive products in its trade may seem an outsider in the group (it is those countries which are more competitive than the EU-average and they are reshuffling their trade structures more rapidly). In addition, it is often impossible to detect qualitative improvements among products from the same merchandise group or even customs nomenclature.

The deficiency of the EU external import structure (compared to the total EU imports, which include internal imports additionally) is based on the high share of imports of energy products (divisions 33 and 34) and the relatively low share of SITC division 78 (Road vehicles), which is basically object of intra-trade. This is why the structure of the EU external imports has a lower "quality" in comparison to other developed countries. It is therefore, important to introduce the analysis of the structure of the U.S. imports.

When it comes to complementary hypotheses about the possible structural improvement of exports, the following methodological procedure is simpler. Mayer (2001) divides merchandise exports into two broad categories: manufactured and primary. The definition of manufactures is the one used by trade statisticians, namely categories 5,6,7,8 without 68 (non-ferrous metals) of the Standard International Trade Classification (SITC).[6] This definition is somewhat

[6] Beside this, the SITC 5, 61-67, 69, 7, 8 categories allocated to primary rather than manufactured exports are phosphorus pent-oxide and phosphoric acids (522.24), aluminium hydroxide (522.56), radioactive material (524), pearls and precious stones, except cut diamonds (667 except 667.29).

narrower than that used by production and employment statisticians, who also count as manufactures natural resource-based products made in factories, such as canned food. After that, narrow manufactured exports are sub-divided into labour-intensive items and skill-intensive items, what is based on a review of earlier studies that ranked individual manufacturing industries by their skilled/unskilled labour ratios or other measures of skill intensity (e.g., the study reviewed in Wood, 1994, p. 24.). According to Mayer and Wood (2001, pp. 9-10), textiles, clothing, footwear, leather, and wood products are classified as labour intensive, and chemicals, machinery, cars, aircraft, and instruments as skill-intensive. A limitation of any classification of manufactured exports by skill intensity is the internal heterogeneity of statistically defined industries. Each industry contains many goods (final and intermediate) and many activities (or stages of production) of widely varying skill intensity, which are increasingly diverse among countries.

It is important for this study that the SITC two (three, or five) digit categories, which are sorted as skill-intensive manufactures, are: chemicals (5 less 522.24, 522.56, 524), cut diamonds (667.29), non-electrical machinery (71, 72, 73, 74), computers and office equipment (75), communication equipment (76), electrical machinery (77), motor vehicles (781, 782, 783, 784), Aircraft (792), professional, scientific, controlling material (87), photographic apparatus, optical goods, clocks (88). In our calculation, because of incomplete availability of data, we take into account all two-digit SITC categories and only three three-digit SITC categories (785-Motorcycles/cycles/etc.; 786-Trailers/caravans/etc.; 792Aircraft/spacecraft /etc.), having in mind the somewhat balancing and in any case, rather miniscule share of other categories of SITC (Revision 4).

Eventually, we have calculated that the structural improvement of exports has been achieved by using tendency of technology structure. We have used the methodology which was developed in a study by Munkacsi (2011). Possible structural improvement of CEEC' exports Munkacsi calculated by classifying exports into five categories: resource based, low-tech, medium - and high-tech. He classifies the products (by SITC, 3-digit level, Revision 4) into four categories relating to the technology level of the products. SITC two- or three-digit categories, which are sorted as medium- and high-tech, are: merchandise group 266 and 267, section 5 - chemicals and related products (5 less 52, 551, 592), 653, divisions 67 - iron and steel (67 less 673, 674, 675, 676, 677), section 7 (machinery and transport equipment), divisions 81 (prefabricated buildings; sanitary plumbing, heating and lighting fixtures and fittings), professional, scientific, controlling material (divisions 87), photographic apparatus, optical goods, clocks (divisions 88). In our calculation, because of incomplete availability of data, we take into account all two-digit SITC categories and some three 3-digit SITC categories.

The Export Concentration Ratio (Cxj), also known as the Herfindahl-Hirschmann index, is the most commonly used way of measuring export

concentration. The Herfindahl-Hirschmann coefficient is the numerical expression of concentration; the higher the coefficient the lower level of diversification it represents. Export concentration reflects the degree to which a country's exports are concentrated on a small number of products (or countries). The index is the simplest and most affordable indices due to their ease of comprehension and availability of data. The Export Concentration Ratio as defined by UNCTAD only measures merchandise exports and does not include exports of services. The ECR ranges from 0 to 1, with 0 reflecting the least concentrated export portfolio and 1 the most concentrated (UNCTAD Handbook of Statistics, 2009). A country that exports one product to only one trading partner has a perfectly concentrated export portfolio. Conversely, a country whose exports comprises a larger number of products and that trades with a larger number of trading partners has a lower export concentration ratio, i.e., has more diversified exports. The index has been normalized where Cxj is the country index; ij is the value of exports of product, and n is the number of products. The index is normalised because of the number of merchandise products is different between countries.

$$C_{xj} = \frac{\sqrt{\sum_{i=1}^{n} \left(\frac{X_{ij}}{X_j}\right)^2} - \sqrt{\frac{1}{n}}}{1 - \sqrt{\frac{1}{n}}}$$

Where:

i = 1…n

n = number of H-S 4-digit export categories (about 1100)

X_{ij} = value of export of sector "i"" from the country "j"" in a given year

X_j= total export volume of the relevant country in the same year

In a part of the paper, we have sought to empirically examine the patterns and dynamics of the Serbian export specialization in the period 2001-2012. The logic of export specialization was originally developed to explain the underlying reasons for international trade and predict the trade pattern resulting from changes in factor endowment and technology. Accordingly, free trade would allow countries to gain from the increasing specialization in activities, where they have comparative advantage under autarky. Seeking for this aim, we are focusing on the following research objectives: to assess the patterns and dynamics and degree of the Serbian export specialization and to derive policy implications based on the empirical findings.

Results

By comparing the Serbian export structures with the commodity import structures of the EU in the period 2000-2013 (at the two-digit level of SITC,

Revision 4), we have obtained the similarity coefficients presented in Table 1. The absolute level and trend of the share of skill-intensive manufactured goods in total-merchandise export data as well as of medium- and high-tech products in total merchandise exports are demonstrated in Table 2. Export concentration ratio is shown in Table 3.

In the Table 1, it is clear that in 2001, there had been a slight increase in the similarity index in Serbia followed by a decline the next year. In 2007, there was a moderate growth in the coefficients of similarity. For the next four years (from 2007 to 2011), there was a mild increase and decrease in the coefficients of similarity. During 2012, the growth of exports of electrical equipment and cars positively affected the coefficients of similarity. The same is with 2013, when a strong growth of cars exports has increased the quality of the Serbian exports, which is visible if we put them against coefficients of similarity with the U.S. import demand. At the same time, we can detect that coefficients of similarity with the EU import demand are decreasing. This unexplainable tendency of different tendencies of similarity coefficients is caused by the imperfection of indices themselves. Namely, the EU external import structure has a relatively low share of road vehicles (which are an object of EU intra-trade), which reduces the level of two structures' congruence.

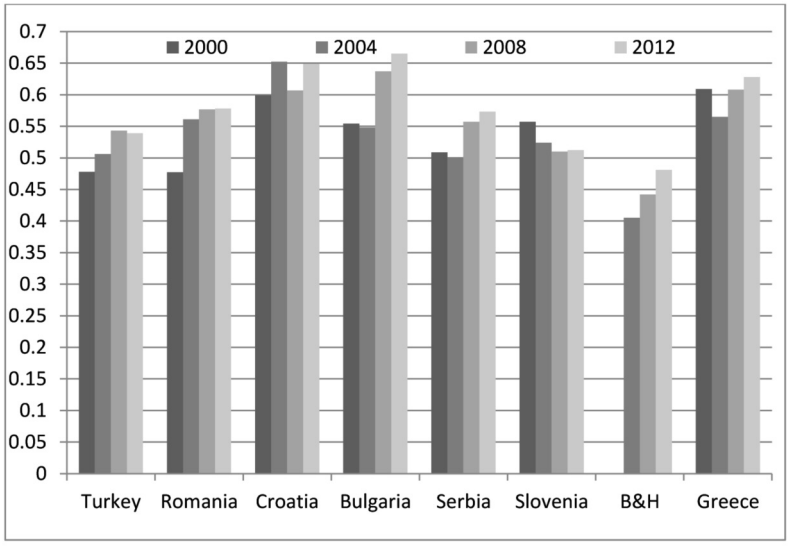
Table 1: Indices of Similarity between the Export Structure of Serbia and the Import Structures of the EU and the U.S.

	Finger-Kreinin	Cosines	Finger-Kreinin	Cosines
	EU27		U.S.	
2000	0.509	0.466	0.485	0.464
2001	0.537	0.531	0.517	0.525
2002	0.527	0.526	0.514	0.491
2003	0.547	0.542	0.508	0.445
2004	0.501	0.453	0.505	0.432
2005	0.479	0.423	0.491	0.417
2006	0.500	0.427	0.482	0.413
2007	0.549	0.468	0.510	0.429
2008	0.557	0.441	0.535	0.434
2009	0.557	0.530	0.539	0.535
2010	0.532	0.486	0.524	0.492
2011	0.553	0.478	0.525	0.484
2012	0.578	0.506	0.581	0.579
2013	0.556	0.474	0.609	0.657

SOURCE: Statistical Office of the Republic of Serbia (2014), EUROSTAT (2012), International Trade Center (2013), U.S. Census Bureau, U.S. International Trade Statistics (2014).

According to Graph 1 and 2, it can be seen that for the selected period there was an increase in the similarity of exports structure with the imports structures of developed economies (EU) in the majority of observed Balkan countries. The absolute level of similarity coefficient is mostly higher than at the beginning of the period. In the period until and including 2012, the similarity coefficients increased their values, but however, not reaching a critical turning point. Already in 2000, after the considerable index growth during the 1990s, advanced countries in transition had a significantly greater congruence of the export structure to the EU import demand than the observed Balkan countries in 2012. These countries (Poland, Czech Republic, Hungary, Slovenia and Slovakia) showed the way which the Balkan economies should follow. In the study, among the Balkan countries the best case is Romania. Since 2000, there was an increase of the similarity coefficient, although these processes were briefly interrupted (e.g. in 2007). The increasing and relatively high share of skill-intensive manufactures (whose share in total exports doubled) is an impartial indicator of the Romanian economic achievement, despite the fact that similarity coefficients are not going in the linear (increasing) direction. The U.S. and EU have the most similar trade patterns among the surveyed countries, as expected.[7]

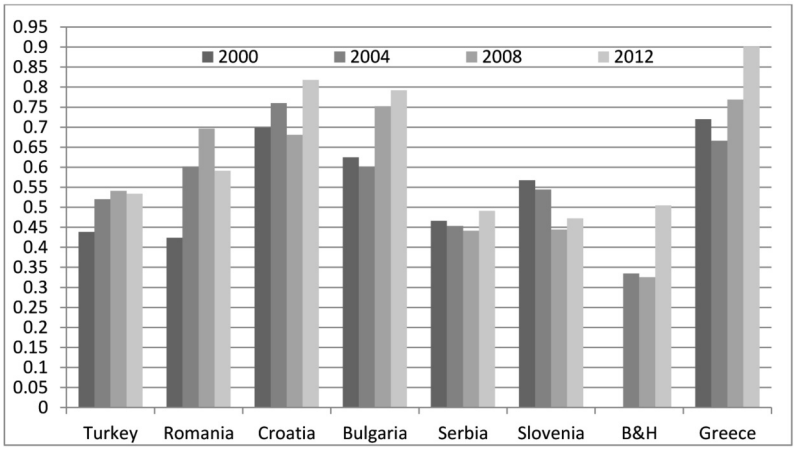
Graph 1: Indices of Similarity between the Export Structure of Serbia and the Import Structure of the EU (Finger-Kreinin)



Source: Nikolić (2013, p. 128-130)

[7] Namely, the similarity of the U.S. export structure and the EU27 external import structure has a relatively high level. The similarity coefficients of these two structures have a high value because they come from the two economies with very sophisticated trade.

Graph 2: Indices of Similarity between the Export Structure of Serbia and the Import Structure of the EU (Cosines)



Source: Nikolić (2013b, p. 7-24)

In the Table 2, it can be seen that the share of medium- and high-tech products in the Serbian merchandise exports, as are skill-intensive manufactures, increased in the period 2000-2013, especially in 2012-2013. In general, Serbia recorded moderate growth of share of medium- and high-tech products during the observed period this also including medium- and high-tech products in the total merchandise exports (sudden and significant growth during 2003 can be partially attributed to a strong growth in the share of sector 79 in the total exports, which is a consequence of the "problematic" inclusion of ship and airplane repairs). The tendency is positive for the period after 2006 and especially for 2012-2013.

*Table 2: S*hare tendency of medium- and high-tech products and skill-intensive manufactures in the total merchandise exports 2000-13

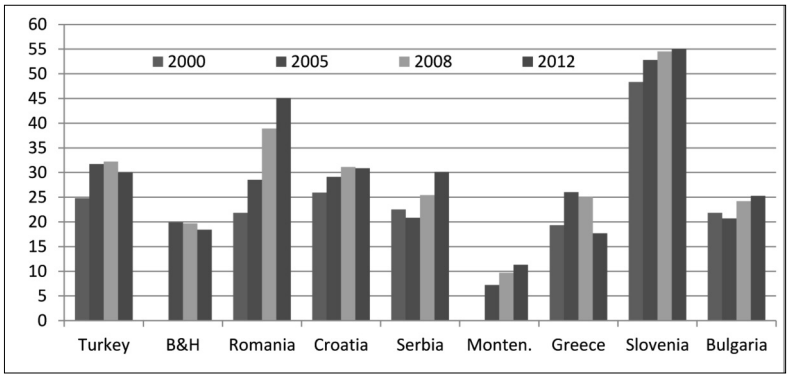
% of total exports:	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
medium- and high-tech products	23.5	22.1	20.9	30.5	22.2	21.5	22.3	25.8	28.5	28.0	26.7	26.9	33.0	41.7
skill-intensive manufactures	22.5	20.8	19.9	20.2	21.5	20.8	20.8	23.8	25.4	24.0	24.0	24.3	30.1	39.2

SOURCE: Statistical Office of the Republic of Serbia (2014), International Trade Center (2013).

According to Graph 3 and 4, it can be seen that from 2000 to 2012 the majority of the observed Balkan countries recorded an increase of medium- and high-tech products in the total merchandise exports. Practically, the identical situation is with the skill-intensive manufactures (Nikolić, 2013, pp. 128-130).

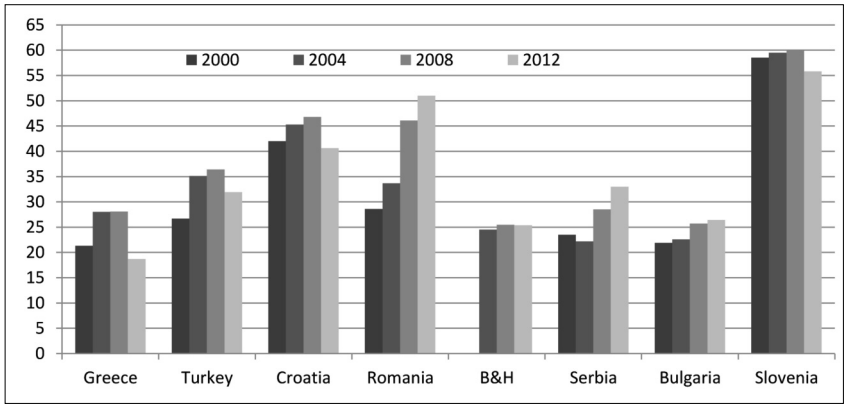
Romania achieved the best results, while certain countries, like Bosnia-Herzegovina, have a stagnant export structure. Comparing with other Balkan countries, Croatia has practically, a constant high level of medium- tech and high-tech products in the total merchandise exports. Progress of Turkey was evident in the first seven years of the last decade, while in the last half of the decade, excluding probably incidental fall in the 2012, export structure has been factually constant. If we look at Serbia's position in 2012, it is roughly median, while progress in 2013 indicates a better position. Looking at the absolute level, as expected, the EU and the U.S. have the best results (Nikolić, 2013b, p. 7-24).

Graph 3: Share tendency of skill-intensive manufactures in the total merchandise exports 2000-12



Source: Nikolić (2013, p. 128-130)

Graph 4: Share tendency of medium- and high-tech products in total merchandise exports 2000-12



Source: Nikolić (2013b, p. 7-24)

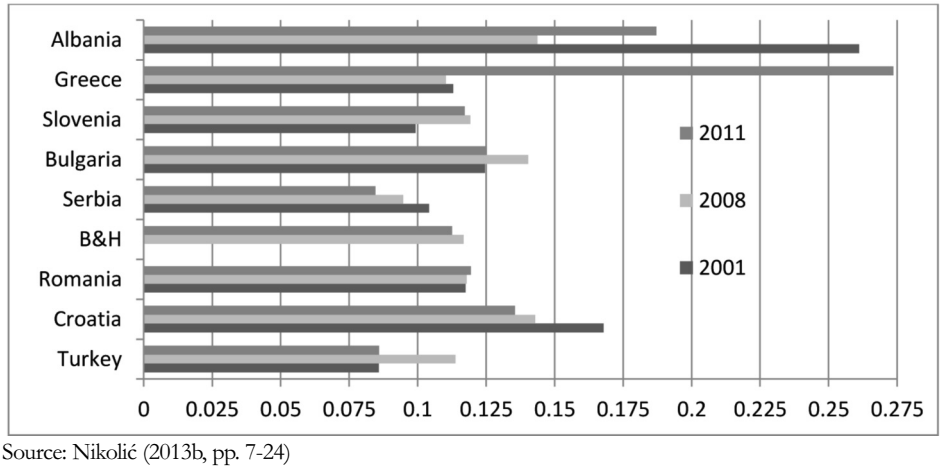
Exports concentration ratio (Herfindahl-Hirschmann index) in Serbia has had a very low value, especially in the last several years. From 2005, a decreasing trend was recorded. After 2008, (excluding 2010) the indicator reached very low level. which apparently represents a high diversification. A more accurate insight into the structure of exports indicates that this is a "jack of all trades" phenomenon.

Table 3: Export concentration ratio (Herfindahl-Hirschmann index), Serbia 2001–2012

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
ECR	0.1042	0.1110	-	0.1130	0.1147	0.1118	0.0955	0.0948	0.0824	0.0929	0.0846	0.0804

SOURCE: International Trade Center (2013).

Graph 5: Export concentration ratio (Herfindahl-Hirschmann index), Balkan countries 2001–11



Source: Nikolić (2013b, pp. 7-24)

According to Nikolić (2013b, p. 7-24.), it is visible that in the period after 2001, there were different movements of export concentration ratios in the Balkan economies. The Herfindahl-Hirschmann index is relatively high, which represents poor diversification. In the majority of the Balkan economies the situation mildly improved towards the end of the period and the overall development can thus be perceived as slightly positive, even though the level of concentration remained high as being comparatively observed. Generally, the Herfindahl-Hirschmann level represents a poor diversification of the Balkan economies. The overall development suggests that the level of export diversification did not achieve

significant improvements**.** Even though, the long-term linear trend line of the whole 11 year period is, in the case of the Herfindahl-Hirschmann coefficient, aiming slightly downwards. The index is lower, that is, the situation is as expected better in the United States, Germany, and especially in Italy. The relatively low value of the coefficient (except in B&H, Greece, Albania and Macedonia) being similar to that of developed countries is not an indicator of a broad range of export goods in the Balkan economies and their advanced structures, but, above all, the lack of certain competing products.

An insight into the Balkan export structure

According to Nikolić (2013, p. 128-130) and Nikolić (2013b, p. 7-24), some improvement of export structure of the Balkan countries was recorded. First, from 2000 to 2012 the majority of the observed Balkan countries achieved an increase of medium- and high-tech products in the merchandise exports. The identical situation is with the share of skill-intensive manufactures in the total exports. When export concentration ratio is concerned, the mild growth is recorded between 2001 and 2011. When similarity indices are observed, there is a slight growth.

In the period up until and including 2012, the similarity coefficients increased in value, not, however, reaching a critical turning point. Already in 2000, after a considerable index growth during the 1990s, advanced countries in transition had a significantly greater congruence of export structure with the EU import demand than the observed Balkan countries in 2012. These countries (Poland, Czech Republic, Hungary, Slovenia, and Slovakia) showed the way that Balkan economies should follow.

The previous analysis and the analysis in the study by Nikolić (2013, p. 128-130) and Nikolić (2013b, p. 7-24) have shown that the strong absolute growth in the Serbian and Balkan countries' exports was achieved with a mild increase of the share of higher processing products. The situation substantially improved in 2012–2013, when the Serbian export structure made significant improvement due to the growth in automotive exports. Looking at the structure of the total merchandise exports after 2000, it is easily noticeable that the share of labour and resource intensive products, although declining, was still high. Practically, in all of the Balkan countries since 2000 there has been a change in the technological structure and factor intensity of foreign trade in the direction of increasing higher processing products (the same was with the advanced transition countries since the 1990s). In spite of that, the share of that products equalled about 30% of the total exports in the Balkan countries (2012), which was still significantly lower than the share of the identical group of products in developed or advanced transitional countries. For example, the share of skill-intensive manufactures in the Balkan

countries, excluding Slovenia and Romania (while Montenegro and Albania have a very low share of skill-intensive manufactures), is almost two times lower than in developed countries (Nikolić, 2010, pp. 79, 130-132). The factually identical situation is with the tendency and the recent share of medium- and high-tech products in the merchandise exports. The Balkan countries' small share of skill-intensive manufactures (as well as a relatively low share of medium- and high-tech products) indicates a poorly developed technological base and out-dated production technology. The same problem was present at earlier transition periods in now more advanced countries (the Czech Republic, Poland, Slovenia, Hungary, Slovakia), which have currently high-value exports (total and per capita) and have reached a high qualitative level of exports. The most important factors in their success were foreign investment inflow, development of the technological base mostly through importing modern technology (and later developing it), innovation, development of small and medium businesses, foreign competition, development of a market economy, and macroeconomic stability. Of course, fulfilling these circumstances is a relatively slow and demanding process. It primarily demands attracting strategic foreign partners to invest in medium- and high-technology intensive industries as the merchandise exports comes almost entirely from the manufacturing industry.

Concluding remarks

In this study, all three hypotheses have been proven. The first one that since 2000 the structure of the merchandise exports from Serbia has become better adjusted to the merchandise import structures of developed economies has been proven. The second one about the qualitative (structural, technological etc.) improvement of the Serbian exports has been proven. The third one that in 2001-2012 the export specialisation indices in Serbia decreased (a rise in export diversification) has also been proven.

The value of the indicators of the similarity of the Serbian exports to the referent import structures grew only mildly, which shows that the domestic export structure did not change in a meaningful way. In general, relatively small changes in the similarity coefficients were the result of slow changes in the export structure, because more time is required for substantial economic change in the real sector, particularly exports. It should be noted that the change of economic structure is the basis for resolving the problem of foreign trade deficit. The comparatively poor performance of the Serbian export structures could also result in the relatively low share of skill-intensive manufactures, which are a good indicator of the sum quality of exports. In spite of the increase, especially during 2012-2013, that share was still 2/3 of the one in developed countries. When it comes to the qualitative improvement of exports, a complicating factor was the continual strong double-digit growth of the Serbian exports which "forced" exports based on the existing

inappropriate structure and therefore, made the export structure change difficult (it is partly the consequence of a relatively low base). The convergence of the domestic export structure with the EU import demand is one of the smallest among countries in transition. Central European countries in transition are showing the path that Serbia should take and it is clear that their experiences in trade and overall economic policies should be studied and applied as much as possible.

While some export improvement can be seen in Serbia for the past few years, generally speaking, Slovenia has the best performance in the Balkans. Romania experienced a significant change in the export structure in industrial sectors, especially, in electrical machinery and vehicles. Mild export improvement can be seen in Turkey and Bulgaria, while Croatia is sustaining its previously achieved quality level, which is better than in the majority of the Balkan economies. Greece has a comparatively low share of skill-intensive manufactures in the total exports, while the values of similarity indicators were high; but this is not a result of sophisticated exports but of the methodology imperfections. The situation is the worst in B&H and Montenegro, but the former has strong exports of services. When the export structure is concerned, Serbia holds an average position on the Balkans (not including improvements in 2013).

In any case, it is difficult for exporters from these countries to withstand the global competitive pressure from foreign producers coming mostly from developing countries possessing ampler and cheaper labour force and raw materials. The factors of competitiveness such as highly educated human capital and new technologies have not yet been manifested in the Serbian trade performance. Due to the increasing globalization, the domestic current export specializations may not be sustainable in the mid-term.

Also, in the high-tech and in the medium-tech sector the export performance is affected by the growth of technical capabilities, productivity, the initial level of technical skills, and by the growth rates of foreign direct investments. The paper by Basu & Das (2013), which analyses the relationship between skill and technology intensive manufacture exports and GDP pc controlling for institutional quality and human capital in developing countries, is indicative. The analysis is carried out for a set of 88 developing countries from 1995 to 2007. The study supports the view that as the skill and technology contents of the exports increase, the impact on GDP per capita increases as well, after controlling for other policy variables.

In order to achieve better foreign trade results Serbia would have to attract FDI in export sectors that are capital- or skilled-labour-intensive. Thus, it is clear that without a more serious restructuring of the economy to supply foreign markets with more sophisticated products compatible with the import demand of developed countries it is not possible to achieve good export results. A targeted industrial policy and sector and firm level strategies are necessary to give a momentum to a shift towards knowledge- and technology-intensive activities, associated with higher spillover effects. This would require institutional

infrastructure, intensified transfer of technology, investment in R&D, and highly qualified human capital. The key to success lies in foreign capital inflows, especially in technology-intensive sectors like electronics and the automotive industry as has been the case with FIAT investments in Serbia.

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Goran NIKOLIĆ

STRUKTURNO POBOLJŠANJE ROBNOG IZVOZA SRBIJE OD 2000-2013: KOMPARATIVNA ANALIZA

Apstrakt: U periodu od 2000-2013. došlo je do poboljšanje kvaliteta sprskog izvoza, što se može uočiti kroz povećanje udela robe kod koje je prisutan viši stepen obrade. Vrednost pokazatelja sličnosti struktura srpskog izvoza i uvoza sa strukturama izvoza i uvoza razvijenih zemalja je dostigao sam blag rast. Pored toga, u Srbiji je zabeležena stagnacija izvoza kao i visokri novoi njegove koncentracije. Nivo kvaliteta sprskog izvoza zaostaje u velikoj meri za zemljama EU i u manjoj meri za izvozom centralnoevropskih zemalja u tranzciji, što pokazuje da se nepovoljna izvozna struktura nije značajno poboljšala. Kvalitet sprskog izvoza u 2012. je u proseku bio sličan kvlitetu izvoza u većini balkanskih zemalja, koje, sa svoje strane, takođe zaostaju za razvijenim zemljama u tranziciji.

Da bi se ostvario uspeh na planu izvoza od velikog značaja je transfer moderne tehnologije i investcija, posebno direktnih stranih investicija u kompetitivne sektore koji bi „širile" izvoznu ponudu. Ciljna industrijska politika i strategije na nivou sektora i preduzeća su neophodne kako bi se dao podsticaj zaokretu ka tehnološki intenzivnim aktivnostima, koje su povezane sa većim efektima prelivanja.

Ključne reči: Srbija, balkanske zemlje, struktura izvoza, koeficijenti sličnosti, proizvodi srednje razvijenih i visoko razvijenih tehnologija, proizvođači sa stručno osposobljenom radnom snagom, koncentracija izvoza, 2000-2013.

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Review Paper

THE PEOPLE`S REPUBLIC OF CHINA AND ACCESSION TO THE WORLD TRADE ORGANIZATION – REFORM OF COPYRIGHT LEGISLATION

Vesna MARKOVIĆ[1]

Abstract: The author deals with the reform of the copyright legislation in the People's Republic of China, so that the PRC could access to the World Trade Organization. In this sense, the author studies the practice of copyright protection throughout the Chinese history and the steps that have been taken by the PRC on conformity of this section with the international standards. Both the legislation innovation and establishing of concomitant institutions are presented. In the end, the article presents some further tendencies of developing copyright in the PRC and its relationship with international copyright protection established within the WTO.

Key words: World Trade Organization, People's Republic of China, accession, copyright law, international copyright protection.

Introduction

The GATT membership was not automatically transformed into the World Trade Organization (WTO) membership. Since the WTO was established as an institution, the subjects of international law have faced the accession to the WTO (Taboroši, 1995, p. 34).

Any state or separate customs territory possessing full autonomy in the conduct of its trade policies may accede to the WTO on terms to be agreed between it and all WTO Members. The accession process consists of several stages. The first step for the applicant is sending a communication to the General Director of the WTO, which states that it wishes to accede to the organization. After the acceptance, the General Council considers the request and establishes a Working Party mandated to examine the accession. A candidate is required to

[1] Master of Laws, E-mail: vesnam82@gmail.com.

submit the Memorandum of the Foreign Trade Regime, supplemented *inter alia* by statistical information about the customs tariffs and the copies of all relevant laws and legal acts. The Memorandum consists of:

I Introduction,

II Economy, economic policies and foreign trade,

III Framework for making and enforcing policies affecting foreign trade in goods and trade in services,

IV Policies affecting trade in goods,

V Trade-related intellectual property regime,

VI Trade-related services regime,

VII Institutional base for trade and economic relations with third countries.

After receiving the memorandum, the interested WTO Members are allowed to submit questions in writing regarding the candidate's foreign trade regime. The applicant provides answers to those questions in writing. The following stages are negotiations on terms of accession, adoption of the Report of the Working Party for Accession and approval of the accession by the Ministerial Conference. Negotiations on terms of accession are divided into four main parts which are conducted simultaneously: multilateral negotiations in the Working Party on the rules to be accepted, plurilateral negotiations among interested parties on agricultural domestic support and export subsidies, bilateral negotiations between interested parties on concessions on goods and bilateral negotiations between interested parties on specific commitments on services. Negotiations on concessions on goods and negotiations on specific commitments on services are conducted bilaterally between the applicant and each interested Working Party member. The results of negotiations are compiled into the Consolidated Schedule of Tariff Concessions for Goods and Consolidated Schedule on Specific Commitments on Services. The "Accession Package" consists of the Report of the Working Party, the Protocol of Accession and the Schedule of Concessions and Commitments on Goods and Services. In the last stage, the Ministerial Conference adopts the Protocol of Accession and approves the accession to the organization. After the acceptance of the Protocol of Accession by the applicant, the applicant becomes a full member of the WTO in thirty days.

Intellectual Property Rights gained their worldwide recognition as a factor of the world trade development in 1968 under the GATT. With the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), intellectual property rights were expressly declared as an integral part of the world trading system. The TRIPS Agreement is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization. In international as well as in comparative law the term intellectual property is adopted as common for both

industrial property and copyright (Jelisavac, 2006, p.15). The ratification of the TRIPS Agreement is a compulsory requirement for joining the WTO. The protection provided by the TRIPS Agreement is based on the principle of national treatment and the most-favoured-nation clause.

Reform of Copyright Legislation in the People`s Republic of China

The Republic of China was one of the founding members of the GATT. Afterwards China's Revolution Kuomintang (KMT) government announced that "China would leave the GATT system" (http://www.wto.org/english/news_e/pres01_e/pr243_e.htm). Although the Central Government of the PRC had never recognized this withdrawal decision, in 1986 the PRC notified the GATT "of its wish to resume its status as a GATT contracting party" (Ibidem. Accessed May 2, 2012). This act represents itself an indication of the PRC`s resolve to "join with the world economic system" (Wu, 2006, p. 54).

A working party to examine the PRC`s status was established in March 1987. In 1995, the GATT Working Party was converted into a WTO Working Party. Forty-four WTO Members took part in bilateral negotiations with the PRC.[2] In June 1989, due to the political reasons caused by the Tiananmen Square incident the U.S.-PRC bilateral negotiations had been disrupted. A political event again disrupted relations between the U.S. and the PRC in May 1999 when "the U.S.-led NATO, while intervening in the internal affairs of the former Yugoslavia, bombed" the Embassy of the PRC in Belgrade (Zhang, 2010, p. 88). Finally, the U.S. and the PRC concluded a bilateral agreement on the PRC`s accession to the WTO in November 1999. In May 2000, the EU-PRC bilateral agreement was concluded. In September 2001, the United Mexican States became the final country that concluded a bilateral agreement with the PRC. "Having carried out the examination of the foreign trade regime of China and in the light of the explanations, commitments and concessions made by China, the Working Party reached the conclusion that China should be invited to accede to the Marrakesh Agreement Establishing the WTO under the provisions of Article XII" (http://www.wto.org/english/thewto_e/acc_e/completeacc_e.htm). The Working Party on the accession of China "prepared the Draft Decision and Draft Protocol reproduced in the Appendix to" the Report of the Working Party on the Accession of China "and took note of China's Schedule of Concessions and Commitments on Goods (document WT/ACC/CHN49/Add.1) and China's Schedule of Specific Commitments on Services (document WT/ACC/CHN/49/Add.2) that were annexed to the Draft Protocol" (document WT/ACC/CHN/49/Add.2). On 10 November 2001, the PRC`s accession to the WTO had been approved by the Fourth Ministerial

[2] The member states of the European Union are counted as one.

Conference in Doha. On 11 December 2001, the PRC formally became the 143rd member of the WTO, what until then had been the longest accession process.

After the resumption of sovereignty over Hong Kong by the mainland the concept of "one country, two systems" entered a new era.[3] A high degree of autonomy and the political, economic, cultural and educational systems of the Hong Kong Special Administrative Region (HKSAR) are specified by the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China adopted in 1990 by the National People's Congress. A high degree of autonomy means that apart from foreign and national defence affairs the HKSAR enjoys full power of decision-making over matters within its autonomy jurisdiction. As a British colony, Hong Kong became a contracting party of the GATT in 1986, was a full participant in the Uruguay Round and assumed all of the corresponding rights and obligations through formally accepting the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations. As a separate customs territory using the name Hong Kong, China, the HKSAR maintains a WTO membership. Macao is the second established special administrative region. Macao Special Administrative Region (MSAR) enjoys a high degree of autonomy and its political, economic, cultural and educational systems are similar to those of the HKSAR (Breizung, 2013, p. 24-25).[4] Macao had become a contracting party of the GATT in 1991, it was a founding member of the WTO and after the reunification it continued its membership in the WTO using the name "Macao, China" (Zhao, 1999, p. 198-204). In the sixties WTO observer status was requested by Taiwan Province which was granted. In accordance with the General Assembly of the United Nations resolution, adopted on 25 October 1971, that declared the Central People`s Government of the PRC as the only Chinese government the mentioned status had been annulled. In the 1990s, the request for the accession to the WTO as the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu was submitted by Taiwan Province. Taiwan Province using the name Customs Territory of Taiwan, Penghu, Kinmen and Matsu has been a WTO member since 1 January 2002.

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[3] Since the Qing court had been forced to sign the unequal Treaty of Nanjing, the territory of Hong Kong was ceded to the British. Deng Xiaoping put forward the concept of "one country, two systems"-establishing a special administrative region and retaining Hong Kong`s capitalist system unchanged for 50 years to solve the question of Hong Kong in September 1982 when he met with the British Premier Margaret Thatcher. The agreement was reached on 19 December 1984. Sino-British Joint Declaration on the Question on Hong Kong declared that the PRC would resume exercise of its sovereignty over Hong Kong from 1 July 1997.

[4] In the late 1970s, the PRC and the Republic of Portugal reached an agreement in principle of the question of Macao. As a result of the friendly negotiations the "Sino-Portuguese Joint Declaration on the Question of Macao", which was adopted on13 April1987, affirmed that the Macao area was a part of the PRC and the PRC would resume exercise of its sovereignty over the territory on 20 December 1999.

It is expected from the applicant to ensure the conformity of its relevant laws, regulations and administrative procedures with the WTO standards and regulations. For the accession to the WTO the PRC made two commitments - opened its domestic market and accepted to modify its legislation in accordance with the WTO rules (Wu, 2006, p. 78-83).

In the first 30 years after the founding of the PRC, a system of planned economy had been carried out. In the late 1970s, the reform of economic system and the opening-up policy were initiated. At the historic Third Plenary Session of the 11th Central Committee of the Communist Party of China, as Wang and co-authors point out, there was made "the great decision to shift the focus of work of the whole country onto socialist modernization" and "stressed the need to resolve the serious imbalances in the national economy" (Wang et al., 1990, p. 27). As Yin introduces, the opening-up policy was focused on the coastal region and the scope of opening was gradually expanded (Yin, 2007, p. 20-24).[5] The reason to make such a decision was that having a vast territory and practicing a planned economy for a long time the PRC could not open entirely to the outside world to join the world market within a short period.

Chinese legal system has embodied both the socialist legal heritage and the Far Eastern legal heritage (Košutić, 2008, p. 256-273). It has had a significant impact on the reform of the copyright legislation. The lack of a comprehensive system of copyright protection has been an acute problem in both modern period of the Chinese history and in recent decades.

Laws and regulations not in conformity with the WTO regulations were revised and nullified and new regulations were adopted and promulgated in compliance with the WTO requirements. By the end of 2001, relevant departments of the State Council revised 2,300 related laws and regulations including the Copyright Law and Trademark Law and a list of 221 administrative regulations had been annulled by the State Council (Zhong, Xiao & Li, 2002, p. 72-73).

It has long been discussed whether legal protection of copyright existed in feudal China. Although there is evidence that some legal regulations relating to the

[5] In 1980, five special economic zones (SEZ) were established as Shenzhen, Zhuhai and Shantou SEZ in Guangdong Province, Xiamen SEZ in Fujian Province and Hainan Province SEZ. In 1984, including Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang and Beihai, 14 coastal cities were opened. Starting from 1985, the economic open areas were extended over the Yangtze River Delta, the Pearl River (*Zhujiang*) Delta, South Fujian Triangle, Shandong Peninsula, Liaodong Peninsula, Hebei Province and Guangxi Zhuang Autonomous Region. In 1990, Shanghai Pudong New Zone and cities along the Yangtze River were opened. Since 1992, a lot of border cities and the capital cities of all inland provinces and autonomous regions were opened. Thus, 15 bonded zones, 47 state-level economic and technological development zones and 53 high-technology development zones in some large and medium-sized cities were set up.

authors' rights had been adopted in the empire, such a fact is in itself insufficient to provide a positive answer to the question. The concept provided by the feudal law was substantially different from the modern concept of copyright. The latter is a kind of private property right which can be enforced against anyone, even against the state (Qu, 2002, pp. 1-2). The court control of unauthorized reproduction of books and other publications varied considerably. The Qin was concerned about the distribution of written materials while the Han mostly was concerned about the unauthorized reproduction of the Classics.[6] One of the first efforts to regulate publication and reproduction was an edict issued by the Wenzong Emperor in 835. It expressly prohibited the unauthorized reproduction of calendars, almanacs and similar items. Since the Tang Dynasty, the unauthorized publication and distribution of the state legal pronouncements and official histories and the reproduction, distribution or possession of *yaoshu yaoyan* (these books were regarded as related to honouring evil spirits) and some works on Buddhism and Taoism had been prohibited. The Song Dynasty specified that an approval had to be obtained from the Imperial Academy to publish the Classics, what is regarded as the first decree in Chinese history to grant exclusive publishing rights (Huang, 2007, p. 25). Further, publishing model answers to imperial civil examinations was prohibited. For centuries, the imperial government had used the imperial civil examination system (*kejuzhi*) as the method to select its officials (Li, Zhang, Xu. & Xia, Qian, Zhao, 2004, p. 92-93). The greatest sinologists agree that one of the most unique and remarkable achievements of the Chinese political culture and, compared to the Western political culture, the most apparent difference is the imperial civil examination system (Žerne, 2007, p. 31; Maljavin, 2008, p. 124-125). After the Song Dynasty all the following dynasties persisted in forbidding the unauthorized publication of government issues and other materials considered sensitive (Qu, 2002, p.13). At times, the bans were supplemented with new decrees. One of such supplements is the Order of Hongwu Emperor (1368-1392), the founder and the first emperor of the Ming Dynasty, which declared that if any work disparaged the newly founded dynasty, even indirectly using homophonic puns, it would be abolished (Qu, 2002, p. 18). In the second half of the XIX century, infringements of intellectual property occurred along with the Western economy expansion in the empire. The Western powers pressured the government to protect foreigners` intellectual property rights in the empire. The government took some steps to respond to such a requirement, *inter alia*, concluding several commercial agreements with the United Kingdom, the United States and Japan, respectively.[7] Further, between 1906 and 1908, certain laws on printing and newspapers were issued, but the provided

[6] The Classics consist of six ancient works – The Book of Changes (*Yijing*), The Book of Songs (*Daya*), The Book of Rites (*Liji*), The Book of Music (*Yueji*), The Book of History (*Shujing*) and The Spring and Autumn Annals (*Chunqiu*). It is believed that the Classics were compiled and edited by Confucius.

registration system was aimed at controlling printers. Any legal protection had not been provided until 1910 when the Copyright Law of the Qing Dynasty was adopted. It consisted of five chapters: General Provisions, Terms of the Rights, Obligation of Declaration, Limit to Rights and Appendices. The basic protection for a work was granted for the lifetime of the author plus 30 years. There is no evidence whether or not the law was implemented effectively. As a result of China`s defeats in the Opium War and in the Sino-Japanese War (1894-1895), the Qing Dynasty became more corrupt and weaker. The decline of the Qing was followed by wholesale Westernization with a utilitarian purpose. From the perspective of the ruling dynasty, the legal reform was initiated to strengthen the position of the emperor and to alleviate a semi-colonial position of the empire.

The government of the Republic of China adopted the Copyright Law in 1928, which was modelled on the German law and Japanese adaptations. The inaccessibility of the courts, the incompetence of judges and even more a lack of knowledge about copyright protection disabled the effective implementation of the Law.

After the foundation the PRC, the corpus of law of the KMT government was annulled. In the first years of the PRC, the copyright protection was neglected. The trademark system was the first intellectual property system regulated in the PRC. The Trademark Law of the People`s Republic of China came into effect on 1 March 1983. The Patent Law of the People`s Republic of China was adopted on 12 March 1984 and came into effect on 1 April of the following year. There had been no copyright law until 1990. Copyright protection was regulated by regulations. The first binding document was adopted at the First Conference on State Publications held in Beijing in October 1950 under the auspices of the Ministry of Culture. It set out broad guidelines to form relations between authors and publishing houses. It also represented the positions of the official policy. Enjoyment of each right was based on the state plan. The standard contract was made according to the state plan. During the Cultural Revolution, no progress was achieved in improving copyright protection. The objective of the Cultural Revolution was defined as the struggle "against and crush those persons in authority who are taking the capitalist road", then as criticism and repudiation of "the reactionary bourgeois academic 'authorities' and the ideology of the bourgeoisie and all other exploiting classes to transform education, literature, and art and all other parts of the superstructure that do not correspond to the socialist economic base, so as to facilitate the consolidation and development of the socialist system" (Snow, 1972, p. 239).

As attracting foreign direct investments (FDI) had been an important component of the opening-up policy, it had a significant influence on the reform

[7] One of such documents was a treaty signed with the United States in 1903.

of the related law including the intellectual property law in order to attract more foreign investors. Since the early 1980s, a large amount of human, material and financial resources had been expended in order to create a favourable environment for foreign investors in the PRC. More than 500 foreign-related economic laws and regulations were promulgated to provide the legal basis and guarantee for foreign investors (Zhong, Xiao & Li, 2002, p. 116).

Following its accession to the World Intellectual Property Organization in 1980, the PRC ratified many international documents including the Berne Convention of Literary and Artistic Work, Paris Convention for the Protection of Industrial Property, Patent Cooperation Treaty, Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedures, Locarno Agreement Establishing an International Registration of Marks, Nice Agreement Concerning the International Classification of Goods and Services for the Purpose of the Registration of Marks, Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks and International Convention for the Protection of New Varieties of Plants, Universal Copyright Convention (Besarović & Žarković, 1999, p.461-491).

Interim Regulations on the Protection of the Copyright of Books and Periodicals had been adopted in 1984 by the Ministry of Culture. The National Copyright Administration was established in July 1985. It succeeded to formulate a draft Copyright Law in the following year. The Copyright Law came into effect in June 1991. The Law contained 56 articles. Basically, the Law promulgated the major principles of copyright protection, author's rights, period for protection of copyright, limitation of copyright protection and liabilities in case of infringement of copyright. The Law granted property rights as the rights to receive remuneration for the publication, republication, duplication, exhibition, lease, distribution, dissemination, modification, translation and recordation, performance, broadcasting of works. The moral rights granted by the Law were the right to protect the honour and the integrity of a work against mutilation, the right to claim or to declare authorship of a work, the right to name and the right to have one's name mentioned in the public use of work. The Law defined copyright ownership to author, co-authors, the heirs or legatee of a deceased author. Professor Qu concluded that the Law had played "a significant role in advancing intellectual property protection in the PRC" (Qu, 2002, p. 335).

Interim Regulations on Copyright Protection for Audio-visual Publication (1986), Copyright Law Implementing Rules (1990), Computer Software Protection Rules (1991), The Regulations for Implementation of International Copyright Conventions (1992) as well as some other relevant documents have also provided copyright protection.

To ensure effective implementation of the Copyright Law (1990) it was necessary to improve the judicial system and to professionalize officials responsible

for the protection of intellectual property rights, including administrative, judicial and customs personnel. In this sense, different steps were taken by the Central Government and local governments (Cheng, 1997, p. 1990-2000).

In compliance with the TRIPS Agreement, the Copyright Law was revised. In this sense, the most important innovation was the classification of the rights and the improvement of the judicial procedure. Pursuant to Article 50 of the TRIPS Agreement, it provided taking temporary measures (Besarović & Žarković, 1999, p. 49). In accordance with Article 43 of the TRIPS Agreement Article 52 of the 2001 Copyright Law provided the principle of liability without fault (Besarović & Žarković, 1999, p. 47).

Conclusion

Since the PRC accessed to the WTO, economic globalization has changed and the PRC has been involved in the establishment of rules for economic exchanges and trade and advocating the interests of developing countries what has been one of the major components of its foreign policy (Liu, 2006, p. 95). The PRC has continued to fulfil its commitments to the WTO.

In order to strengthen judicial protection of intellectual property the scope of protection has been widened, judicial standards have been improved, the structure of the courts has been optimized (Yin & Xue, 2005, p.120-121; Huang, 2007, p. 53-59).

In order to promote the international copyright protection concept the PRC has maintained bilateral and multilateral cooperation with many countries and international organizations. The first IPR dialogue with EU was held in Beijing in 2004. The PRC accessed the Copyright Treaty and the Performances and Phonograms Treaty in 2007. The mentioned treaties are not applicable to the HKSAR and MSAR and the PRC is not the subject to the first clause of Article 15 of the latter (Huang, 2007, p. 67-70).

The PRC has won high approval from the international community for all its efforts to harmonize its copyright system with the WTO standards. In this sense, the World Intellectual Property Organization stressed that in 30 years since the PRC had joined the World Intellectual Property Organization "the country`s progress in the field of intellectual property was remarkable" and regarding the development of copyright system "historic advances were made" (WIPO Magazine, December 2010, p.25).

Wechsler estimates that "China will gradually emerge as a potent force in reshaping the global intellectual property landscape" (Wechsler, 2011).

In conclusion to the above-mentioned findings, the PRC dutifully has fulfilled commitments to the WTO regarding the reform of the copyright legislation.

The PRC manifests consistent willingness and interest to improve its own legislation, so that it could provide at least minimum standards of international copyright protection and contribute to the development of international copyright protection.

Table 1: A Brief Chronology of Chinese History

Xia Dynasty	2070-1600 B.C.
Shang Dynasty	1600-1046 B.C.
Zhou Dynasty	1046-221 B.C.
Qin Dynasty	221-206 B. C.
Han Dynasty	202 B.C.-A.D. 220
Three Kingdoms	220-280
Jin Dynasty	265-420
Sixteen Kingdoms	304-439
Northern and Southern Dynasties	386-589
Sui Dynasty	581-618
Tang Dynasty	618-907
Five Dynasties and Ten Kingdoms	907-979
Song Dynasty	960-1276
Yuan Dynasty	1271-1368
Ming Dynasty	1368-1644
Qing Dynasty	1644-1911
Republic of China	1912-1949
People`s Republic of China	Founded on 1 October 1949

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Vesna MARKOVIĆ

NARODNA REPUBLIKA KINA I PRISTUPANJE SVETSKOJ TRGOVINSKOJ ORGANIZACIJI – REFORMA ZAKONODAVSTVA U OBLASTI AUTORSKIH PRAVA

Apstrakt: Rad se bavi pitanjem reforme zakonodavstva Narodne Republike Kine u oblasti autorskog prava sa ciljem pristupanja u članstvo Svetske trgovinske organizacije. U tom smislu obrađuje se praksa zaštite autorskog prava kroz kinesku istoriju i koraci preduzeti od strane Narodne Republike Kine na usaglašavanju ove oblasti sa međunarodnim standardima. Predstavljene su kako novine u zakonodavstvu, tako i uspostavljanje pratećih institucija. Na kraju je ukazano na dalje tendencije razvoja autorskog prava u Narodnoj Republici Kini i njegovu vezu sa međunarodnom zaštitom autorskog prava u okviru Svetske trgovinske organizacije.

Ključne reči: Svetska trgovinska organizacija, Narodna Republika Kina, pristupanje, autorsko pravo, međunarodna zaštita autorskog prava.

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HARMONIZATION OF LEGISLATION OF THE REPUBLIC OF SERBIA WITH EU LAW: OPEN ISSUES AND DILEMMAS[1]

Dragoljub TODIĆ, PhD[2]

Abstract: The paper points out the gaps and problems in the process of preparation and adoption of the national regulations, i.e. procedures of harmonizing the national legislation of the Republic of Serbia (RS) with the European Union (EU) law. It emphasizes the importance of the implementation of the regulatory impact assessment and adequate participation of the interested parties and especially the public in the preparation of regulations. The basic thesis discussed in the paper is that the current method of preparation and adoption of regulations does not provide adequate participation of stakeholders in the process of its preparation, drafting and adoption, or does not provide an answer to the question of whether the society and economy are able to assume the obligations arising from the EU regulations.

Key words: Harmonization, acquis communautaire, regulatory impact assessment, public administration, environmental policy, Stabilization and Association Agreement, public participation, Serbia, European law.

1. Enlargement and harmonization of the national legislation with EU law

In the process of the EU accession, the basic condition for the candidate states is the obligation to harmonize national legislation with the EU law. Since 2004, the Republic of Serbia has drafted annual action plans for the implementation of the

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[2] Institute of International Politics and Economics, Belgrade, E-mail: d.todic@diplomacy.bg.ac.rs.

European Partnership. In 2004, although without a legal obligation, given that the SAA had not yet been signed, the Republic of Serbia started the process of harmonization of domestic legislation with EU law, and each year until 2008, it adopted the Annual Harmonization Action Plan (GRS 2013, p. 7). The obligation to harmonize one's national legislation with the EU law is defined by the Stabilization and Association Agreement (SAA) ("Off. Gazette of RS", no. 83/2008) which provides, already in Section 1, inter *alia*, that the goal of Serbia's EU accession is "to support the efforts of Serbia to develop its economic and international cooperation, including through harmonization of its legislation with that of the Community". In interpreting the meaning of an objective like this there should be taken into account other objectives set out in this article and namely they are as follows: supporting Serbia's efforts to strengthen democracy and the rule of law; contribution to political, economic and institutional stability in Serbia as well as stabilization of the region; providing an appropriate framework for political dialogue; allowing the development of close political relations between the Parties; supporting the efforts of Serbia to complete the transition to a functioning market economy; promoting harmonious economic relations and the gradual creation of a free trade area between the Community and Serbia; promotion of the regional cooperation in the areas covered by this agreement.

This commitment is explicitly provided by Article 72 of the SAA by which Serbia committed itself to "... endeavour to ensure gradual harmonization of the existing and future legislation with the *acquis communautaire*.' In addition, "Serbia will ensure that the existing and future legislation will be properly implemented and enforced' and that '... the harmonization ... will begin on the date of signing of the Agreement and will gradually extend to all the elements of the *acquis* ..." The importance of the issues related to the field of the environment is explicitly emphasized in several provisions of the SAA. In addition to Article 111,[3] those are the following provisions: Article 61 (Provision of Services), Article 88 (Cooperation Policies), Article 94 (Industrial Cooperation), Article 108 (Transport), Article 109 (Energy), Article 116 (Financial Cooperation) and Protocol IV (Land Transport).[4] It means that the issue of harmonization procedures is not considered primarily, but is left to the candidate countries to decide on this.

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[3] The Parties shall develop and strengthen their cooperation in the environmental field with the vital task of halting further degradation and improving the existing situation in the field of the environment in order to achieve sustainable development. The Parties shall establish cooperation in particular to strengthen the administrative structures and procedures to ensure strategic planning in the field of the environmental protection, and cooperation among stakeholders focused on harmonization of Serbian legislation with the Community *acquis* ...'.

[4] Provisions on agriculture are contained in the following Articles: 19, 24-33, 36, 97, etc., and provisions on health in Articles 45, 65, 79, 85, 101, etc.

However, the general framework of legal harmonization is determined by several material factors (real economy, political and legal system, tradition, cultural model, institutional capacity) (Vukasović and Todić 2012, p. 22-34), especially when relationships between the state and non-governmental organizations are one of the crucial elements of the process. (McLoughlin 2011), etc. The influence of political factors is a separate issue (Peci and Sobral 2011). "Theoretically, two sets of factors have an important impact on the legislative decision-making process and thereby on policy output. The impact of *institutional veto* measures the potential veto power of extra-parliamentary institutions on law-making decisions. The impact of the *government strength* is conceptualized by the degree to which political actors have the power to change the legislative status quo." (Jahn and Muller-Rommel 2010, p. 24-25). Harmonization of the national legislation should be seen as a part of the general public administration reform (Rabrenović, 2009; GRS 2008), but it also has to do with the economic development as a whole (Taylor et al. 2012, p. 269) and sustainable development (Mountford, 2012; Adelle, Hertin and Jordan, 2006).

Technically speaking, as the key issue of importance for harmonization of the national legislation with that of the EU can be considered the question of predicting the effects of the regulations, i.e. the issue of the implementation of the regulatory impact assessment (RIA). Although it seems that in the international practice a unique understanding of the mode of the implementation of this instrument does not exist (Jacob et al. 2011; Radaelli, 2010; Dunlop et al. 2012; Serpell, 2008; Achtnicht, Rennings and Hertin, 2009; Staronova, 2010), and "the pattern and pace of adoption and implementation of RIA is expected to vary between countries" (Kirkpatrick and Parker, 2004, p. 336) different experiences of the implementation of this instrument clearly confirm its purpose. According to the Rodrigo "governments that use RIA have identified four main objectives concerning regulatory costs and impacts: 1. Improve understanding of the real-world impacts of government action, including both the benefits and the costs of action. 2. Integrate multiple policy objectives. 3. Improve transparency and consultation. 4. Improve government accountability **(**Rodrigo, 2005, p. 7)". "The aim of impact assessments is to enhance the empirical basis of political decisions" and "to make the regulatory process more transparent and accountable" (Radaelli, 2004, p. 723; See also Alemanno and Meuwese, 2013, pp. 88-91). "The contribution of RIA to better regulatory decision-making rests, therefore, on the systematic assessment of the impacts of a regulatory measure, and the adherence to the principles of accountability, transparency and consistency" (Kirkpatrick and Parker, 2004, p. 335; See also Meijer, 2012). "Innovations in governance stem from the idea to manage the regulatory state by taking a 'whole of government' approach, tracking the lifecycle of regulations and laws, from the early stage of policy formulation to implementation. In European policy circles, this set of innovations is often referred

to as 'Better Regulation' (BR). … Governance, competitiveness, and legitimacy come together in the better regulation agenda, that is, the political manifestation of these trends" (Radaelli and Meuwese, 2009, p. 639).

Having all this in mind, one can ask whether the existing legislation of the RS provides the conditions for achieving these goals.

2. Procedure of regulation adoption

The question of preparation, drafting and adopting regulations may have a diverse impact on the functioning of individual elements of the legal system of the state and achieving policy objectives in different areas.[5] In a sense, it can be considered one of the central parts of the reform of the public administration and it delves into the issues associated with the democratization of the society, the functioning of the institutions of the political system and the rule of law, respecting human rights, decentralization, and so on. For the "public administration reform is a complex and long-term process, especially in countries in transition, where the administration, both at central and local levels is weak and burdened with problems accumulated over many decades." (Lilić, 2011, p. 13).

The importance of these issues, particularly the issue of decentralization is noticeable in the case of the regulations in the environmental field since a significant part of the work in this field was transferred (delegated) to the local government authority (Todić *et al.* 2012). Otherwise, this problem was observed in some of the analyses that were conducted for the reform of the management system in the environmental field. For example, it is stated that "laws should be viewed rather as social contracts than the orders that come from the higher realms; therefore, all the questions should be addressed at the level closest to the community that is in the competence of the law: *ratione loci*, Serbia has started the process of transferring power to the local self-government (LSG). The question is whether it is always an appropriate level, given the capacity problems LSG faces: *ratione materiae*.' (EPTISA, PM group, 2011b, p. 14).

[5] For a general assessment of the situation in this area, see: OSCE, 2011. Since this process is very complex, due to a number of potentially interested parties and the complexity of the procedures for coordination and harmonization of different interests the analysis of the whole process of preparation and adoption of regulations is beyond the scope of this paper. This paper primarily analyses the process of preparing regulations for their adoption to the level of dissemination of the draft law to the Government. While for the complete understanding of some parts of the proceedings it is necessary to bear in mind the whole, choosing to analyse this phase of the procedure is based on the assessment that this is the most sensitive part, so that the impact of profiling a draft law could have the broadest base. Also, this work does not include consideration of the issues of preparing the draft law for the ratification of the international agreements.

Among other things, this is the case due to the fact that the creation of conditions for the implementation of the procedure for preparing and drafting the participation of all stakeholders as well as the alignment of their interests is a prerequisite for ensuring full and proper implementation of regulations. The complexity of the process of law creating directly by applying general norms is conditioned significantly by the complexity of social phenomena and the reality that is "translated" into the legal norms.

The importance of this issue is particularly pronounced in circumstances characterized by radical changes in the system or in its individual elements such as the changes caused by the harmonization of national legislation with the sources of one specific legal system such is the one that exists and is being developed within the EU. For the specificity of the EU legal system, it has multiple dimensions, and these, for the most part, derive from the specificities of the EU as an organization, i.e. the possibility for some elements of the legal system of such organizations to be conveyed in the social conditions that exist in countries in transition. The introduction of a completely new system of elements, instruments, concepts, institutions, etc. in the economic and social life of a country in transition like Serbia requires special vigilance, transitional periods and longer periods of time. And this includes a proper procedure and time for the preparation and adoption of the regulations and their compliance with EU regulations.[6]

2.1. The source of law and procedure

Apart from the Constitution, which provides general rules, including the question of jurisdiction, the procedure of preparation, drafting and adoption of regulations is governed by the provisions of several laws and regulations. The main significance have the Law on State Administration ("Official Gazette of RS", no. 79/2005, 101/2007, 95/2010), The Rules of the Government ("Official Gazette of RS", no. 61/06, 69/08, 88 / 09, 33/10, 69/10 20/11, 37/11, 30/13), The Law on the National Assembly ("Official Gazette of RS", no. 9/10), Standing Orders of the National Assembly of RS ("Official Gazette of R", no. 52/10), Single Methodological Rules for Drafting Regulations ("Official Gazette of RS", no. 21/10), and so on.

From the perspective of the alignment of national legislation with the one of the EU the most significant element of preparation and adoption of legislations could be the provisions of the Rules of the Government which regulate the mandatory contents of the reasoning of draft laws and decrees and decisions of the Government (Art. 39), i.e. the provisions which prescribe the obligation to provide

[6] Here, we do not do into detail about the problems in ensuring the respect of regulations, since it is a much more complex problem. (Falkner 2010, p. 102).

attachments to the draft law (Art. 40). In the section relating to the justification of draft laws and decrees and decisions, some mandatory parts of the explanation may be related to the process of harmonization (the reasons for adopting the act, an explanation of the legal institutions and individual solutions, evaluation of the financial resources necessary for the implementation of the act).

Regarding the obligation to submit the prescribed attachments to the draft law, Article 40 of the Rules provides that the proponent alongside with the draft law should submit a declaration that the draft law complies with the EU regulations, in the form adopted by the Government, or a statement that concerning the issue the draft law is dealing with there are no EU regulations. The element of the procedure that can be considered the most important is the obligation of the proponent to submit together with the draft law the legislation impact assessment (RIA), which includes appropriate explanations, among which some have or may have significance for harmonization of the national legislation with the that of the EU (Radulović *et al.* 2010).[7] Namely, the proponent of the legislation is expected to respond to the following questions: on whom and how the solutions in the law will have an impact, what costs the implementation of the law will generate to the citizens and businesses (especially SMEs), whether the positive effects of the adoption of such a law will justify the costs it will create, if the law supports the creation of new companies in the market and market competition, if all the interested parties had an opportunity to declare on the law and what measures will be taken during its implementation of the law to achieve what is intended by passing it. In essence, this document (RIA) is a kind of attempt to point out some of the effects of the law that is to be adopted. However, the analysis of the current practice of the legislation preparing shows that the RIA is largely reduced to principled and standardized answers without real and accurate analysis of the effects of the proposed legislation.[8] In relation to the RIA there lacks a detailed analysis of the

[7] Hence, it is not anticipated for the impact assessment to be done for by-laws. Since it is common and relatively widespread practice (at least in terms of regulations in the environmental field) that for a number of issues that are not regulated by the law, a relevant statutory provision foresees that to be done by a by-law, it may be asked whether the introduction of an obligation to make the impact assessment of implementing regulations could contribute to the better quality of the regulation on some issues and their quality of the implementation in the practice. This is in case (at least) when it comes to by-laws which by their object of regulation often may affect the interests of various entities.

[8] In this regard, one can ask the question of the role of the Council for Regulatory Reform. For example, in the opinion of this body that relates to the reasoning of the Draft Law on Packaging and Packaging Waste of January 20, 2009 it is stated as an explanation that "it contains a partial impact assessment" and the law was (despite containing only a "partial" impact assessment) passed during the year by the National Assembly. Available from http://www.ria.merr.gov.rs/uploads/media/Misljenje%20na%20obrazlozenje%20Nacrta%20zakona%20o%20ambalazi%20i%20ambalaznom%20otpadu.pdf. (15.10.2013). In the explanation of the Draft Law on Amending the Law on Waste Management of March 13, 2012 the Office "recalls processors of

possible effects of the law, especially the implementation of this instrument in relation to by-laws and strategic documents.[9] The option that is left to the proponent of the law not to provide an impact assessment of the law can be disputed (even not such an analysis that is currently being prepared). Although in these situations the proponent has a duty to "especially explain" this decision, there can be asked a question on what importance this explanation has from the standpoint of the quality of the draft law, i.e. the possibility of controlling the reasons why the proponent estimates that it does not need to submit the impact assessment of the law.[10] In addition, together with the draft law, the proponent is required to submit an attachment that outlines the regulations and general acts that execute the draft law and deadlines for regulations and other acts to be adopted. In the answers to each of these questions there can be included some clues that show how the proponent understands the way and the dynamics of the harmonization of the national legislation with that of the EU, i.e. what the starting positions of the draft law are in relation to these issues. However, in the current practice, not respecting the deadlines for the adoption of secondary legislation is noted which, in some cases, jeopardizes the implementation of the main provisions of the law.

2.2 Stakeholders' participation

a) Obligations relating to the participation of other stakeholders in the process of drafting regulations are prescribed by the Rules of the Government ("Official Gazette of RS", no. 61/06, 69/08, 88 / 09, 33/10, 69/10 20/11, 37/11, 30/13) in several of its articles. Certainly, this is most clearly done by defining the obligation of the proponent to obtain the views of other state authorities. The proponent shall obtain the opinion of the Republic Legislation Secretariat and the Ministry of Finance on draft laws and decrees, resolutions, memoranda of budget, development strategy, declarations and conclusions, but on the draft law, it shall

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the regulations that ... they should have presented quantitative estimates on the basis of which it could be seen how big the burden on the economy this legal solution presents, especially to small and medium-sized enterprises." However, the Office for the Regulatory Reform and Impact Assessment of the Laws eventually concluded that the reasoning of the draft law contains an impact assessment "in accordance with Article 40 of the Government Rules." Available from http://www.ria.merr.gov.rs/uploads/media/Misljenje%20na%20obrazlozenje%20Nacrta%20zakona%20o%20izmeni%20i%20dopuni%20Zakona%20o%20upravljanju%20otpadom.pdf. (15.10.2013).

[9] Apart from the experience of other countries in the world, it could be interesting to see the Croatian Law on regulatory impact assessment (Zakon o procjeni učinka propisa, NN, 90/11) and relevant by-laws. Available from http://www.vlada.hr/hr/uredi/ured_za_zakonodavstvo/dokumenti. (15.10.3013).

[10] Amendments to the Rules of Procedure of the Government of March 2013 did not make any changes to the part relating to the regulatory impact assessment.

also obtain the opinion of the Office for European Integration (Art. 46).[11] The opinions are also obtained from the public authorities with whose scope the matter is related and to which the act applies, what makes the list of the entities that may be parties to the proceedings generally very broadly defined.[12]

Public participation in the drafting of regulations is regulated by the Rules of the Government. "The public" is understood in the Rules of the Government as "one or more natural or legal persons and, in accordance with the national legislation or practice, their associations, organizations or groups' (Art. 2 p. 4 of the Convention on Access to Information, Public Participation in decision-making and access to Justice in Environmental Matters ("Off. Gazette of the RS - International Treaties", no. 38/2009).

In accordance with the provisions of Article 41, the proponent is required to "conduct a public hearing" in two cases: if the law being prepared "significantly alters regulation of an issue", i.e. if this law "regulates issues that are of the particular public interest." In both cases, one can ask a few questions, but all can be reduced to the question of who interprets and evaluates whether the law that is being prepared "significantly changes regulation of an issue", or who interprets whether a question regulated by a new law is of "particular public interest". It is likely that the only entities in this situation are the "proponent" and the "competent board". Another specific issue that needs attention is the fact that this provision of the Rules does not provide the possibility of a "public debate" in the preparation of by-laws. And how important is the issue of participation of stakeholders in the decision-laws speaks not only the number of by-laws but also the subject of their regulation. Only in the environmental field there have been passed over hundred by-laws in order to ensure the implementation of the obligations under the laws adopted in recent years.

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[11] The proponent shall also obtain the opinion of the Ministry of Foreign Affairs if the act regulates relations between Serbia and foreign countries, from the Ministry of Justice if the act regulates crime, economic crime or violations or if it establishes or takes judicial jurisdiction or provides subject matter jurisdiction of the courts as well as the opinion of the Republic Public Attorney Office if the act regulates the protection of property rights and interests of the RS, or if it incurs contractual obligations of the RS.

[12] Although there is a question of who and under what elements, it can be concluded what those "state authorities with whose scope is related the matter to which the act applies" are, it could, in principle, be relatively easy to answer (the proponent is required to do so under the regulations governing the scope of the work) it remains unclear what happens if the proponent does not interpret the regulation so as to cover all the organs and agencies who may be interested. The answer to this question would probably depend on the phase of the adoption of the regulations in which it becomes clear that the proponent has failed to define the circle of authorities in a satisfactory way, but the question of the consequences and accountability for this remains, especially if this is realized at a later stage of the adoption of the regulations or after its entry into force.

In relation to the prescribed procedures and implemented practices, several issues have been noted that deserve to be emphasized here. According to the findings of the National Convention of the EU, the inconsistent practices and the emergence of narrowing the possibilities of the "public" to be a part of the procedures of preparation and adopting of the regulations can be considered a special problem. Laws should rather be viewed as social contracts than the orders that come from the higher realms; therefore, all the questions should be addressed to the level which is closest to the community that is in the competence of the law: *ratione loci*, Serbia has started the process of transferring power to the local self-government (LSG). The question is whether it is always appropriate level, given the capacity problems LSG faces: *ratione materiae*.' (EPTISA, PM group, 2011b, p. 14).

Amendments to Article 41 of the Rules of the Government that took place in March 2013 have provided some refinements by prescribing that there is a duty to organize the public hearing in the following cases: 1. in the preparation of a new system of law; 2. in the preparation of the new law, unless the competent committee decides otherwise on the reasoned proposal of the proponent; 3. in the preparation of the law on amendments and complements of the law if it substantially changes the solutions of the existing law, which is the question that a competent committee discusses in each particular case upon the reasoned proposal of the proponent; 4. in the preparation of the law on ratification of international treaties – only if the competent committee decides to conduct a public hearing, and only upon the reasoned proposal of the Ministry of Foreign Affairs or state authorities from whose scope issues are regulated by an international agreement). Therefore, some doubts remain on the following questions: 1. who estimates what the "new system of law" is, 2. The competent committee of the Government may, upon the proposition of the regulation proponent, permit not to organize a public debate on the preparation of the new law, but it is not visible and known on what criteria, 3. What criteria are relevant for the committee of the Government to decide on the regulation proponent of the law on amendments and complements of the law which "substantially changes the solutions of the existing law", 4. The ability to organize public hearings in preparation for the ratification of international agreements is virtually reduced to an exception (only if the competent committee, upon the regulation proponent's proposal, decides so).

Amendments to the Rules of the Government (2013) provide for certain improvements when it comes to liability of the proponents of legislation to cooperate with other agencies, organizations and bodies, "which according to special regulations give opinions on drafts, i.e. draft of such acts." (Article 39a paragraph 4-7). However, although the obligation of consultation is more clearly formulated and extended to a broader range of subjects, the obligation to consult all stakeholders and especially businesses and local self-governments (Damjanović et al., 2011) to which the adoption of some regulations can have a significant impact is still not clearly formulated.

b) In addition to the obligations that RS has as a member of the mentioned Aarhus Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters ("Official Gazette of the RS - International Treaties", no. 38/09) it is not an insignificant fact that one of the important features of almost all national legislations in the field of environmental protection, which have been adopted in recent years, is prescribing duties of the competent public authorities to ensure the participation of interested entities (primarily the "public") in the decision-making processes related to the environment. At the same time, in this group of regulations, in connection with the participation of stakeholders in decision-making, the matter of access to information concerning the environment i strongly emphasised as a kind of precondition for ensuring effective public participation.

2.3. Statement of compliance

The basic tool for analysing the state of compliance of the national legislation with that of the EU in the preparation phase is a Statement of Compliance.[13] Namely, the Rules of the Government in Article 40 provides the obligation of the regulation proponent to also submit the statement that "the draft law is in line with the EU legislation, in the form adopted by the Government, or a statement that on the issue that the draft law regulates there are no EU regulations" together with the draft law. Such a solution leans furthermore on the obligation of the regulation proponent referred to in Article 46 of the Rules stipulating that the proponent is required to obtain also the "opinion of the Office for the European Integration"

[13] Mandatory content of this document includes, among other things also: "... 3. Compliance with the provisions of the regulations of the Stabilisation and Association Agreement between the European Communities and their Member States, on the one part, and the RS on the other ("Official Gazette of RS", No. 83/08), or with the provisions of the Interim Agreement on trade and trade matters between the European Community, on the one part, and the Republic of Serbia, on the other ("Official Gazette of RS", No. 83/08) (hereinafter referred to as the Interim Agreement); a) the provision of the Agreement and the Interim Agreement relating to the normative content regulation; b) Transition period for the harmonization of legislation and the provisions of the Interim Agreement; c) Assessment of the fulfilment of the obligations arising from the above provisions of the Agreement and the Interim Agreement; g) Reasons for the partial fulfilment or non-fulfilment of the obligations arising from the above provisions of the Interim Agreement and Agreement; d) Relationship to the National Programme for the Integration of Serbia into the EU; 4. Harmonisation of the legislation with the EU; a) Specifying the primary sources of EU law and compliance with them; b) Specifying the secondary sources of EU law and compliance with them; c) Specifying other sources of EU law, and compliance with them; g) Reasons for the partial incompliance, or noncompliance; d) The deadline which envisages achieving of full harmonization of the legislation with that of the EU; 5. If there are no relevant regulations of the EU with which it is necessary to ensure compliance that fact should be stated. In this case it is not necessary to fill in the Table of harmonization of the regulations; 6. Are the above sources of the EU translated into the Serbian language? ..."

when it comes to the draft law. When submitting the draft law for the opinion to the Office for European Integration, the proponent shall also submit a statement of compliance with the EU regulations (par. 4).

Conclusion

The question of harmonization of the national legislation with the regulations of the EU is regulated through the Stabilization and Association Agreement as an obligation for the candidate country, but the manner of harmonizing is not precisely regulated. It is left to the candidate countries to regulate this through their legislations. Detailed procedures on regulations impact assessment have not been prescribed yet. The changes of the Rules of the Government that took place in March 2013 have partially improved the situation in this area, but there are still some questions that are left open due to what it can be considered that the process of preparing the legislation is not regulated in a satisfactory manner. Following issues deserve special attention: 1) inconsistent and incomplete implementation of regulatory impact assessment (or a lack of the implementation of this instrument in the preparation of secondary legislation), 2) the absence of the implementation of the commitment procedures for public participation in the drafting of regulations, or selective application process for public participation, 3) inconsistent application of procedures for doing an analysis of compliance of national regulations with the EU regulations, or not adequate access to information in this regard.

The participation of interested parties in the preparation and drafting of regulations and their harmonization with the EU regulations is not governed by the regulations in the field of public administration in a clear way. The lack of commitment to implementing the proceeding of the public participation in the drafting of regulations has or may have different consequences. It is urgent to take measures to amend the relevant legislation in order to ensure consistent implementation of the detailed procedures on regulations impact assessment (not only laws, but by-laws as well) to be adopted, as well as the inclusion of stakeholders and the public in the preparation procedure and the adoption of the regulations. The EU, which is one of the interested parties, should strongly insist on the success of the process of harmonizing national legislation with that of the EU rather than enforcing their rapid formal harmonization.

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Dr Dragoljub TODIĆ

USKLAĐIVANJE PROPISA REPUBLIKE SRBIJE SA PROPISIMA EVROPSKE UNIJE: OTVORENA PITANJA I DILEME

Apstrakt: U radu se ukazuje na otvorena pitanja i probleme u proceduri pripreme i usvajanja nacionalnih propisa, odnosno proceduri usklađivanja nacionalnih propisa Republike Srbije sa propisima Evropske unije. Naglašava se značaj primene procene uticaja propisa i odgovarajućeg učešća zainteresovanih strana a posebno javnosti u pripremi propisa. Osnovna teza koja se razmatra u radu je da postojeći način pripreme i usvajanja propisa ne obezbeđuje odgovarajuće učešće zainteresovanih subjekata u procesu njihove pripreme, izrade i usvajanja, odnosno da ne obezbeđuje odgovor na pitanje da li su društvo i privreda sposobni da preuzmu obaveze koje proističu iz propisa Evropske unije.

Ključne reči: usklađivanje, acquis communautaire, procena uticaja propisa, javna uprava, politika u oblasti životne sredine, Sporazum o stabilizaciji i pridruživanju, učešće javnosti, Srbija, Evropsko pravo.

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Review Paper

EUROPEAN UNION FUNDS AS A SUPPORT TO THE STRATEGIC PLANNING FOR DEVELOPMENT OF THE REPUBLIC OF SERBIA

Bojana SLIJEPČEVIĆ, MA[1]

Abstract: The paper attempts to propose how best to strategically use the EU funds as an instrument to stronger and improved socio-economic environment and ensuring of sustainability and it is not a time limited response to the present issues.

EU is the largest and one of the most significant donors in RS. Using IPA and IPA 2, the EU will continue to secure significant resources in the period 2014-2020 but the following must be observed:

• Increased harmonization with national goals
• Strategic analysis within planning
• Better coordination across stakeholder

To ensure accountability, transparency, ownership, the use of the combined bottom-up (local and regional/national level) and the top-down (national/EU level) approach in planning and implementation of the EU funds would bring multiple positive effects.

The advantage of the 'bottom-up' approach is the specific local experience, motivation, intensive involvement and personal responsibility. The advantage of the 'top-down' approach is the governmental, political and institutional responsibilities, clear vision and strong leadership. A cascade of the output and outcome indicators for the financed operations should be programmed to contribute to the next level indicators. The message on how to fulfil local needs leads us to the EU accession and EU goals must be loud, clear and widely accessible.

The outcome of the combined approach would be intensive joint work of the different level of government and segments of society, towards harmonised national and EU objectives that incorporate and respond to the needs of all levels.

Key words: EU funds, national priorities, 'bottom-up' approach, 'top-down' approach, strategic planning.

[1] ACIPS Alumni, Belgrade, E-mail: bojana_s@hotmail.com, bslijepcevic@seio.gov.rs.

The overall objective of the EU financial assistance to candidate and potential candidate countries is to support their efforts for reform and move towards compliance with EU law in order to make them become fully prepared to take on the obligations of the European Union membership. The Europe 2020 strategy offers the enlargement countries a direction for reforms. The EU planning of support in the past included considering the priorities of the state and adaption to the national context and was further intensified in the planning for the financial period 2014-2020. Research, evaluations and practical experience show that there is still much unused potential in planning the EU funds in order to fully use them for the development of the country.

Key questions are to be considered in order to connect them into a logical and interconnected structure that would make practical approach and steps to using EU funds as support to strategic development of the Republic of Serbia.

It is important to examine:

- What has been done and what the conclusions are so far
- What it is that we have at our disposal in the terms of the EU funded support
- What the elements and current developments are in aid strategic planning
- What the present framework for development is
- How we can implement strategies with what we have

In the course of writing this paper, reports, analysis and documents on planning, development and EU funds were examined. In order to fall into the relevant category, they had to contain information on some of the following: EU enlargement policy, theory of strategic planning, aid effectiveness, the Republic of Serbia's national development goals, EU funded projects implemented in the Republic of Serbia and the Western Balkans region and the IPA instrument.

The materials have covered the time span of 10 years, starting with 2004 when the Republic of Serbia first started using the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) to include the documents and information on the IPA2 and its planning in the RS available to the public at this point. It is important to note that at the time of writing of the paper, IPA2 implementing regulation was not yet adopted.

Based on the examined elements, the author attempted to offer bridging of the gap to the use of the EU funds more fully and efficiently for the strategic planning of the development of the Republic of Serbia in a manner that is compatible with both, different levels of state strategies and the EU development and enlargement goals. The underlying and accepted understanding is that the EU funds are best strategically used as a vehicle and an instrument to achieving stronger and improved socio-economic environment and ensuring of sustainability, not being a time limited response to the present issues. International

funding, including the EU is just one element of the development and should be regarded only as a catalyst and a facilitator of the reform and development and not the driving force.

What has been done and what are the conclusions so far?

Until 2013, there were over 1,400 projects, including grants and strategic projects, which were implemented in the Republic of Serbia. The funds originated from different bilateral and multilateral partners; there were more than 30 of them, the European Union (EU) being one of the largest and most significant.

The EU provides the support to the Republic of Serbia in the following manners:

- Instrument for Pre-accession Assistance (IPA) Component I regards technical assistance and institution building. The aim is to provide practical support in strengthening institutional capacities and fulfilment of the criteria for the accession to the EU as well as the harmonisation of law with the EU legislation and standards. This component is implemented as the line ministries being the beneficiary;
- IPA Component II: Cross Border and Transnational Cooperation. The aim is to strengthen the cooperation with the neighbouring countries, member states and non-member states, and trans-nationally in the South East Europe region to work for sustainable economic and social development through the cooperation of local self -government, non-profit organisations and different institutions that are the beneficiaries of the funds;
- Multi-donor IPA: represents a part of the financial instrument that supports joint priorities and cooperation of the potential candidate countries and candidate countries with the participation of more countries. It is implemented by the EU in continuous consultation with the recipient countries
- Different EU programmes such as CULTURA 2007, Fiscalis, PROGRESS, Life long Learning European Instrument for democracy and human rights (EIDHR) and others are a series of integrated activities aiming to strengthen the cooperation between the EU and recipient countries.

The European Commission makes a point of monitoring and evaluation of the support implementation on annual, three-annual, ad-hoc and financial-period basis. On the national level, the reporting consists of data gathering and sorting and analysis of the information on the implemented funds during the previous calendar year as well as making the data available to the Government of the Republic of Serbia, state institutions, the donor community and the broad public, while the same is done for the entire programming period based on the annual data and the ex-post evaluation. This is to ensure the transparency of the flow of

the donor aid and its contribution to the development and strategic goals of the country and also to ensure more information for those participating in the next planning process in order to improve management and effectiveness.

It is also a reliable indicator for the planning and implementation of the upcoming cycle since it has become evident that even more activities and measures are necessary to increase the effectiveness of the available funding, also taking into consideration a better focus directed towards the defined priorities and objectives. One of key elements is coordination of different financial resources and matching them with the national process of reform. This also became evident through the monitoring and evaluation of the relevance, effectiveness, efficiency, impact and sustainability of assistance as a whole at the level of eight sectors of the Republic of Serbia (public administration reform, rule of law, civil society, media and culture, competitiveness, human resources development, agriculture and rural development, transport and environment and energy). Better coordination would also provide for more time, since the time frames for programming IPA and even CARDS funds before that were very tight each year. With the beginning of the negotiation process and the alignment with the *acquis communitarie,* this is even more significant.

At the same time, the evaluations conducted by the Directorate General for Enlargement show that a more focused planning document is needed. Using IPA 2, the EU will continue securing significant resources for the countries in different stages of the EU accession, the potential candidate countries and candidate countries. The new financial perspective 2014-2020 will be focused on stronger strategic approach and goal orientation. The recipient countries will have to have clear objectives determined through a dialogue with the EU. The focus will be on the joint interest of the EU and the recipient country, in particular aiming at internal reform and the sustainable process of reform in the sectors of the rule of law, strengthening of democratic institutions and socio-economic development. This will be setting for the future use of the EU funds.

With that aim, Country Strategy Paper and Multi-country Strategy paper are being currently prepared for the period 2014-2020 through dialogue and coordination with the RS. They have improved the link between the EU assistance to sector strategies and action plans of the Serbian institutions. It is now obvious that the administrative and monitoring capacity must be increased, in particular given the fact that on 20th and 21st March 2014 the Republic of Serbia received the conferral of management for the decentralised implementation of present and future IPA instrument. The latter will be subject to improvements and updates of the existing system. There is also an evident need for the solid, focused and efficient project pipeline that would produce mature project ideas. This is closely linked to the national priorities and needs emerging from the local governments and national objectives and the readiness of stakeholders to act. Their readiness largely depends on to what extents they feel the theory needs are being met.

What do we have at our disposal in terms of the EU funded support?

On 2nd December 2013, the European Council adopted the regulation on the multi-annual financial framework for 2014-2020. The funding foreseen for IPA 2 is 11,699 million Euro. On 11th March 2014, the Regulation 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession Assistance (IPA II) was published. Also, the Regulation 236/2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action (IPA II Implementing Regulation) was also published on 11th March 2014. The IPA implementing Regulation laying down the common rules and procedures is still in a draft version.

As stipulated by the Regulation 231/2014, the assistance will be provided in accordance with the enlargement policy framework defined by the European Parliament and the Council of EU taking due account of the Communication on the Enlargement Strategy and the Country Progress Reports.

IPA II is built on the experience gained during the implementation of IPA going for better effectiveness and efficiency and it is expected to be result-oriented, flexible and tailored to specific needs. Compared to IPA, IPA II is:

- focusing on those policy areas and sectors that will help beneficiary countries to strengthen their democratic governance, enhance economic and social development and help progressively meet the accession criteria;
- ensuring an even closer link between the enlargement strategy and the priorities for assistance. Incentives will be available to countries that advance in reforms; in case of underperformance, funds will be reallocated;
- addressing more closely the needs of the beneficiaries and taking better into account their technical and administrative capacities;
- providing for increased cooperation with international financing institutions and other donors;
- monitoring progress in achieving key objectives: pre-defined, clear, transparent.

The start of IPA 2 sets the base and provides an opportunity for the Republic of Serbia to ensure more intensive work for the enlargement strategy. In the above given framework and in line with the orientation if the European Union, the Republic of Serbia has space and means to:

1. Increase harmonization of IPA 2 with national development goals;
2. Perform more careful and strategic analysis within a short-term and medium-term planning;
3. Coordinate better across stakeholder of objectives and measures for prioritization of resource allocation.

For the above, the selected operations are to satisfy the identified needs and fulfilment of the set goals making the process into a full circle. In order to make it as effective as possible, aiming straight to the set target, the strategic planning includes broad consultations with all stakeholders that are actively involved in the process and those are the European Commission and the European Commission Delegation, civil society organisations, national institutions, line ministries, representatives of local self-government. The key stakeholders are included in the planning process from the very beginning to the very end. The Annual reports on the use of the aid and the progress to the accession performed by the EU are also taken into consideration.

Any form of aid can only be as effective as are the policy, economic and administrative environment in which it works. It also depends, we may add, on the beneficiary's readiness to accept and use it. If used to its full potential, this opportunity provided by the EU funds can become a vehicle to the EU joint security strategy, promotion of the national government and its endeavours and the expression of national and EU values.

What are the elements and current developments in aid strategic planning?

In February 2005, the international community met for the Paris High Level Forum on Aid Effectiveness. This event resulted in Paris Declaration on Aid Effectiveness that represents a turning point in the strategic planning of international aid. The conclusions and recommendations that were made also influenced the use of the EU funds and the course it was taking. Following that course would be facilitated and greatly supported by implementing the thesis on strategic planning this paper is arguing.

Five major obstacles that were brought to light to be the cause of decreasing funding efficiency and effectiveness are the same issues noted regarding the EU funding and their implementation in the Republic of Serbia.

1. Duplication. Donors focus on the identical problems and same needs in a recipient country and may duplicate each other's efforts in the absence of coordination. On the level of EU funds, the duplication may regard the different financial instruments or programmes.
2. Conflicting objectives. The activities of various uncoordinated donors may actually conflict and undermine development objectives due to the contradictory guidance. This may also occur between the donor and the national level objectives. They do not necessarily have to be conflicting. The different priorities and uncoordinated objectives on national and donor level may cause the drain of resources.

3. Preference to one type of the projects. Periodically, trends change from supporting large number of lower value projects to supporting smaller number of high value projects and vice versa. This may cause disorientation and dilute the impact of aid.
4. Administrative burden. Most often, the donor brings its own administrative and procedural requirements, meaning more demands and workload on the recipient administration. The coordination and collaboration between the donor and beneficiary country but also among donors would definitely produce less administrative burden.
5. Unclear leadership. In many beneficiary countries, the government institutions are not strong enough to argue their national priorities and objectives and stand as equal partner to the donors.

The Declaration is based on the following five intertwined principles:

1. Ownership: Beneficiary countries must lead their own development policies and strategies, and manage their own development work on the ground. This is essential if aid is to contribute to truly sustainable development. Donors must support developing countries in building up their capacity to exercise this kind of leadership by strengthening local expertise, institutions and management systems.
2. Alignment: Donors must line up their support firmly behind the priorities outlined in developing countries' national development strategies. Wherever possible, they must use local institutions and procedures for managing aid in order to build sustainable structures and make more use of developing countries' procedures for public financial management, accounting, auditing, procurement and monitoring. Where these systems are not strong enough to manage aid effectively, donors will help strengthen them.
3. Harmonisation: Donors must coordinate better their development work amongst themselves to avoid duplication and coordinate better at the country level to ease the strain on recipient governments.
4. Working for results: All parties in the aid relationship must place more focus on the result of aid, the tangible difference it makes in the field. They must develop better tools and systems to measure this impact.
5. Mutual accountability: Donors and beneficiary countries must account more transparently to each other for their use of aid funds, and to their citizens and parliaments for the impact of their aid.

The Paris Declaration and subsequent meetings of the international donors, such as the Third High Level Forum on Aid Effectiveness, held in September 2008 here the European Commission were present among most important multilateral aid institutions, reinforced the course towards the EU 2020 Goals and the UN Millennium Development Goals.

Recent evaluations of the development assistance to the Republic of Serbia in terms of its effectiveness and efficiency shows that coherence is necessary to ensure that all available resources, instruments, stakeholders and their decisions complement and reinforce each other. They also show the leakage of the aid into unproductive expenditures. The providers of the funds should be sensitive towards the priorities of the recipient country and take into consideration their partners' national planning, their institutional, administrative and management capacities. This would also feed into strengthening of the capacities is a condition independence of the country leadership. The management of the EU funds in the role of the beneficiary differs from the use and management of funding from the national resources, causing fragmentation, demanding from the candidate country, in the case of the Republic of Serbia, to put aside their domestic procedures and adopt the donors in order to cope with the requests. This leads to the duplication of functions and of the system.

Contrary to this, most of the funded operations report success. This contrast is known as the micro-macro paradox. This paradox may also be influenced by inadequate evaluation practices. Sometimes evaluation methods emphasize inputs and outputs without taking sufficient account of impacts that take longer time and more dedication that should be measured and assessed. There is also a thesis that suggests that aid is ineffective because it tends to finance consumption rather than investments. Regardless of the elements that might contribute to the lacking success of the funds implementation, prevention in the form of matching and aligning of national, regional and local can produce complementary results leading to both set of objectives.

What is the present framework for development?

Regardless of the accession to the EU, the need for reform is recognized on a national level as a national priority which has also brought the need for more strategic and operational planning inside the state system. European funds are primarily seen as a tool for becoming a full Member State, but this membership has a double effect. One is evident from the beginning of the accession, as a starting point and inspiration for the change, and the other is evident towards the end of the accession process. That is the finalization of the reform process that marks the passage from being a country that receives aid to being the one providing aid, supporting and shaping the politics for the future member states. It also includes the beginning of the use of the cohesion and structural funds instead of IPA funds. The use of cohesion and structural funds is based on the readiness and capacity for independent and decentralised management while goals of the cohesion policy involve joint work and cooperation of the regions and territorial units in different member states through projects and groupings.

The preconditions for using the funds designated for Member States are national ownership of the process and the results, stronger leadership of development policies and further engagement with the stakeholders and citizens. This would leave self-sustainable and self-sufficient construction for the use and the management of the EU funds once the support for accession is over.

The EU has its eyes set on the 2020 goals, a ten-year development strategy. It is more than just overcoming the crisis which continues to afflict many of our economies and that strongly influenced creating these goals at the time of their forming at the end of the first decade of the 21st century. It is addressing the shortcomings of the current growth model and creating the conditions for a different type of growth that is smarter, more sustainable and more inclusive. Europe 2020 will only be a success if it is the subject of a determined and focused effort at both the EU and national levels. This is not only the national level of the Member States but also of the candidate countries and potential candidate countries. At the EU level, key decisions are being taken to complete the single market in services, energy and digital products and to invest in essential cross-border links.

On a national level, the Republic of Serbia has developed the National Plan for Regional Development covering the period of 10 years. One of the tasks set in this document is to set measurable indicators for formulating and applying sectoral policies to produce results on regional level and make basis for coordination of regional development policy with other policies (regional, national, EU). The legal basis for the regional development in the Republic of Serbia is established by the Law on Regional Development. In accordance with this law, the EU development aid is to be harmonised with the national strategic documents and priorities and all the projects financed from the national resources must be implemented in line with the Law on Ratification of Framework Agreement between the Government of the Republic of Serbia and the Commission of the European Communities on the rules for co-operation concerning EC-financial assistance to the Republic of Serbia in the framework of the implementation of the assistance under the Instrument for Pre-accession Assistance (IPA). The Law on regional development also stipulates that all regions must have individual regional development plans for the period of 5 years.

It is evident from what has been said above that the main pillars for the use of European Union for strategic planning are already in place.

I Legal framework on EU and RS side

II Strategic documents

III Existing financial instrument

An integrated and strategic approach must be multi-dimensional, targeting one issue from different directions, all aiming at the same objective. This may mean going beyond traditional way of linear thinking and may require the cooperation

of the levels of government that do not have the experience of direct cooperation and coordination of activities.

The proposal of this paper is to use combined top-down and bottom-up approach on two planes. One plane is between the local and regional strategies and national strategy, where the local and regional is perceived as the bottom part and the national as the top part. The other plane is between the Republic of Serbia and the European Union where the RS is perceived as the bottom part and the EU as the top part. The national level objectives and their fulfilment act as a link between the local strategies and development and the EU ones, working as tooted wheel that transmits needs as well as the success between the local and the EU level.

The "top-down" and "bottom-up" approaches should be understood as mechanisms of data and information processing and channelling, widely applied in a number of fields such as management and organization, but also developing humanistic and scientific theories. In our case, they are a point of view when broaching a subject at hand.

The 'top-down' approach, that is downward design, consists of starting from the whole or from the top and breaking down the system or stepping down the pyramid to gain insight into its building blocks and composition, the way it works and how different level segments communicate. We start from the big picture the overview of the entire system, structure or "organism", take national level and EU level strategies and we break it down into smaller segments. We go downwards from the EU to the national level in one case, and from the national to the local level in other case, dividing and specifying the lower system level. Each of the layers can be further broken down and examined in more detail and there are often many of the lower and lower layers until the entire system is reduced to its very basic elements.

The "top-down" approach in strategic planning is one where stakeholders, a government or other decision-making entity makes decisions on the activities that will be eligible for the funding and that are implemented through a cascade of responsibilities and a chain of command. This approach is a distribution of the decisions made by the highest authority to lower levels in the hierarchy, which are, to a greater or lesser extent, bound by them. If operating alone and if priorities for funding are decided only on the highest level, this approach might become dictatorial and insensitive to the needs of the target groups. That would seriously hamper its chances of delivery and success and diminish the support in the field.

The "bottom-up" approach follows the opposite logic and is an upward design. It starts from the basic elements, the lowest segments of hierarchy and climbs up the pyramid to gain the insight into how the things work. We start from local level in one case and national level on the other and put together parts of the picture to give form to upper, more complex level of the systems, that are national and EU level. Bottom layers are the building blocks of the next level of the system.

In strategic planning, the 'bottom-up' approach means that the single, basic elements of the system are first specified in detail and then put together to form larger subsystems and further along all the way to the top. The activities eligible to receive funding are those selected among the ones proposed on the lower levels by beneficiaries deriving from the identified needs of the target groups. The strategy is to identify and fund all the activities that striving towards certain objective. The risk of this approach is the lack of focus, meaning that efforts may lack in concentration. This approach may lower the effectiveness of the aid.

How can we implement strategies with what we have?

In order to deliver results and operate successfully, these two approaches must work together and complement each other.

The three-level strategies this paper is considering should work as steps of the development. A cascade of the output and outcome indicators for the financed operations should be made. Lower level indicators must be set to fulfil the local needs but also feed into the indicators of the next level. The process of planning must include a clear comparison of the different level indicators followed by the process of matching. There also must be a clear line of communication and broad visibility of how this cascade system works. The message on how to fulfil the local needs leads us to the EU accession and the EU goals must be loud, clear and widely accessible.

This approach would make partners be transparently accountable for each of their own parts of activities. Taxpayers of the donor, meaning the EU, but also taxpayers and beneficiaries of the Republic of Serbia that co-finances the operations, and the broad public too, expect to see the real and tangible results. The state ownership is not possible without a more effective and mutually respectful partnership and this would also mean aligning the principles and procedures, so that the efforts of both partners are coherent and have greater impact on priorities.

It is the fact that the "top-down" approach most often results in a small number of large projects, such as energy and infrastructure, while the 'bottom-up' approach most often results in a larger number of smaller projects based on the immediate needs in the field. Without match and coordination of these smaller, grass roots, bottom up projects may be overlooked and neglected, as they are often regarded as not cost-effective.

The positive side of the 'bottom-up' approach is that it works from the base, in cases where a large number of elements must be brought together, combined and they should work together to bring a certain form of joint product or effect. On the other hand, positive aspects of the "top-down" approaches include their efficiency and overview of the highest level. The negative element is that a certain course of action or, in the case of programming, a certain programme for the implementation

of the EU funds is perceived on lower levels to be imposed and it can be difficult for them to accept the plan. This can be counterbalanced by the "bottom-up" approach that allows for more space for the lower levels and incorporation of the bottom needs in the planning process.

Both of these approaches do already exist in IPA components which are financed by the Republic of Serbia and they will continue to exist in the next financial period, slightly modified but with the same approaches. The "top-down" approach works in the IPA component I and the "bottom-down" approach works in the IPA component II. The IPA component I is mainly based on the 'top-down' approach, where the lower levels are the target groups or the final beneficiaries of the funds implemented by the higher hierarchical levels. The lower level consults and supports the superior level that is fully responsible for all actions. The IPA component II uses the "bottom-up" approach, while the base and the elements and information for the planning and decision-making process are provided from the lower levels. After that, the decision is taken on the next higher, joint hierarchy level, but based on the information, needs and data gathered on the base level.

These two different approaches aiming for the same target can be successfully used to strategically approach and improve planning, programming and implementation of the EU funds. The advantage of the "bottom-up" approach is the level on which information is provided and the specific local experience and expertise that is combined with the strong motivation of each segment and person involved in the process. In those cases, they feel that the progress is their personal responsibility. The advantage of the 'top-down' principle is that governmental, political and institutional responsibilities are clear and evident and the responsibility can be clearly attributed. Disadvantages are that the system triggers de-motivation of segments of the lower levels, which know that their needs might not be heard because of their position and that the highest levels will not make use of the experience, information and expertise they can provide.

By comparing the results of the two planning approaches and the identified joint needs they produce, decision-makers would end up with the most urgent, most clear and most significant needs. Then, the partnership would start by creating this link between the grass root levels and the highest EU levels and would result in a true joint ownership inside the recipient country. The outcome of the exercise of matching and using together these two approaches would be intensive joint work of the different level of government and segments of the society, with highest levels leading towards the focused national objectives that incorporate and respond to the needs of all levels. That is how the EU funds become an instrument to stronger and improved socio-economic environment and ensuring sustainability, and they are not a time limited response to the present issues.

To go back to the Paris Declaration, the proposed approach would ensure avoiding of:

- Duplication
- Conflicting objectives
- Preference to one type of the projects
- Administrative burden,

And it would ensure:

- Ownership
- Alignment
- Harmonisation
- Working for results
- Mutual accountability

The accession process and the process of reform that go in parallel would have greater support and effect since it would be felt as a personal issue and, eventually, personal success. The EU has long ago recognized the importance of that element and the Committee of the Regions ensures that the voices of local communities are heard. The accountability, transparency, ownership of the process and the results on the state and national level including the local self-governments would greatly contribute to the EU funds as a support to the strategic planning for the development of the RS and the improvement of socio-economic environment and ensuring sustainability.

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Bojana SLIJEPČEVIĆ, MA

FONDOVI EVROPSKE UNIJE KAO PODRŠKA STRATEŠKOM PLANIRANJU RAZVOJA REPUBLIKE SRBIJE

Apstrakt: Ovaj rad daje prijedlog najboljeg strateškog korišćenja sredtava EU kao instrumenta za jače i bolje socio-ekonomsko okruženje i osiguranje stabilnosti, ne kao odgovor na trenutne probleme koji ima rok trajanja.
EU je najveći i jedan od najznačajnijih donatora sredstava Republici Srbiji. Kroz IPA i IPA 2, EU će nastaviti da pruža značajna sredstva u periodu 2014-2020, ali uz poštovanje sljedećih zahtjeva:
Povećana harmonizacija sa nacionalnim ciljevima
Strateška analiza u okviru planiranja
Bolja koordinacija zainteresovanih strana
Da bi se osigurali odgovornost, transparentnost i vlasništvo nad procesom, kombinovanje pristupa "od dna ka vrhu" (lokalni i regionalni/nacionalni nivo) i pristupa "od vrha ka dnu" (nacionalni/EU nivo) u planiranju i sprovođenju EU sredstava proizvelo bi višestruke efekte.
Prednosti pristupa "od dna ka vrhu" su specifično lokalno iskustvo, motivisanost, aktivna uključenost i lična odgovorsnot. Prednosti pristupa "od vrha ka dnu" su odgovornost za upravljanje vladom, politikom i institucijama, jasna vizija i jako vodstvo. Kaskadu indikatora proizvoda i rezultata finansiranih operacija treba programirati tako da svaki nivo indikatora doprinosi narednom. Poruka da ispunjavanje lokalnih potreba vodi ka priključenju i ciljevima EU mora biti glasna, jasna i široko dostupna.
Rezultat ovog kombinovanog pristupa bio bi intenzivan zajednički rad različitih nivoa vlasti i segmenata društva, prema harmonizovanim nacionalnim i EU ciljevima koji bi uključivao i odgovarao na potrebe na svim tim nivoima.

Ključne riječi: EU sredstva, nacionalni ciljevi, pristup "od dna ka vrhu", prisup "od vrha ka dnu", strateško planiranje

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HIGH UNEMPLOYMENT RATES AND OTHER CURRENT PROBLEMS OF THE EU LABOUR MARKETS

Miloš SRZENTIĆ, PhD[1]

Abstract: Unemployment rates in many EU member states constantly show very high values. Since mid-2008 and the beginning of the world economic crisis unemployment started to represent one of the major problems for EU economies. Main factors which caused high unemployment rates were as follows: spillover effect of the crisis from the USA to the EU, the fall in production which led to massive layoffs and a rise in public debts in member states significantly above fiscal criteria of convergence. Rapid ageing of population in EU and social problems conditioned by that as well as high rigidity on EU labour markets were also determinants which directly exerted an impact on changes in unemployment rates. In the same period, employment rates also fall significantly. The level of wages and duration of working time decreased in those countries where there was high flexibility on labour markets, despite often pressures from national trade union that their values should stay at the pre-recession levels. Altogether, this led to a decrease in purchasing power and consequently, to a fall in the standard of living of EU citizens. That caused massive protests of workers, followed by other social and age categories of people in the EU.

Key words: unemployment rates, world economic crisis, causes and consequences of unemployment, problems on EU labour markets, anti-crisis measures

INTRODUCTION

Negative influences of the world economic crisis on the EU member countries and their economies were significant. One of the main indirect consequences of that were changes on the EU labour markets. For that reason, the major problem discussed in this scientific paper is consistent high unemployment rates in most of the EU member states.

[1] Miloš Srzentić, PhD, Faculty for International Economics, Megatrend University, Belgrade, Serbia; E-mail: srzenticmil@sezampro.rs.

In the research which preceded this paper, the analysis of several basic variables of labour markets in the EU was done.

The object of that analysis was the monitoring of unemployment rates in the EU countries within the period from the beginning of the world economic crisis until early 2013. Also, the changes of other variables of labour markets were tracked, such as employment, labour productivity, working hours and wages.

The aim of this paper is to determine the basic causes and consequences of such changes. The factors which have most contributed to the increase of unemployment in the EU have been divided to those with macroeconomic and those with microeconomic bases and they will be individually examined in the second part of the paper. In its last part, it will present a group of measures which were applied for overcoming of these negative movements.

Along with its economic influences, the recent crisis also led up to the worsening of social conditions in the EU member states.

According to what has been previously said, the basic hypothesis which was examined in this research is defined as the longer the world economic crisis lasted the changes in unemployment started to get more structural and long-term characteristics, with their rising impact on a broader social environment. The increase in structural and long-term unemployment rates will be examined in the third part of this paper.

A special problem of labour markets is high youth unemployment, so currently, at the average EU level, every fourth young person is unemployed.

1. DEFINNING OF BASIC THEORETICAL ITEMS

In this paper, the rate of unemployment is defined as a percentage of unemployed persons in labour force. Labour force here represents a sum of employed and unemployed persons as a part of the observed labour active population.

The number of unemployed people is defined as the number of persons from 15 to 74 years of life, who during the reference week do not have a job. During four weeks which go ahead of the reference week, unemployed people have an obligation to actively seek for a job and they have to be ready to accept it if appropriate working place is offered to them. This definition is used by the Labour Force Survey of EU within the resident population concept and it is based on methodological principles of ILO.[2]

Employment is here also measured by the resident population concept as a part of the Labour Force Survey for people from 15 to 74 years of life. Employed

[2] Accessed 28 February 2014, from http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/une_esms.htm.

people are defined as residents of the EU member countries in which they are working and they will be considered employed if during the reference week they do their job at least for one working hour. For that work they can receive pay, profit or family gain or they can be temporarily absent from work mostly because of illness, holiday and their participation in programmes of education or training (Eurostat, 2011, p. 11). The rate of employment is defined as a percentage of employed people from 15 to 74 years in population of the same age group.

Basic units of working time which have been monitored during the conducted research are working hours. They are measured on a weekly basis and their number which is determined by the law is mostly around 40 working hours.

Labour productivity on the national economy level is defined as a relation between its annual gross domestic product and total number of employed workers. Beside that, this variable could be defined as a relation of annual gross domestic product of a certain country and total number of working hours in the observed year. Labour productivity in this research is shown in the form of its rate of change in relation to the previous year.

In this paper, tracked movements of nominal and real wages have also been presented. Nominal wages represent a price of labour, but at the same time, the sum of money which average worker receives as a compensation for invested working time. When nominal wages decrease for the level of inflation, this results in real wages. They represent a purchasing power of workers and they are one of basic indicators of the standard of living.

2. CAUSES OF HIGH UNEMPLOYMENT RATES ON EU LABOUR MARKETS

2.1 Increase in unemployment rates determined by macroeconomic factors

The spillover effect of the crisis from the USA to the EU banks bankruptcies related to that represent first of the analysed factors which have caused high unemployment rates.

After 2000, an expansion of subprime credits began that banks started to grant to their clients with low credit rating, with significant grace period. Together with the trend of decrease in interest rates that led to a rise in demand for hypothecary credits.

As a result of the need of banks to respond to these requests in credit demand, the process of securitization of hypothecary credits started. This process consisted of transformation of these credits into bonds and their further selling to financial markets. These conversions were carried out through specialised financial institutions, often subsidized by their governments.

However, because of the stagnation in rise of wages in the USA and increase in prices of food and oil, in mid-2007 serious problems appeared in paying off these hypothecary credits. Since they could not collect their liabilities from clients, these financial institutions started to go bankrupt. Banks which continued to work successfully after these first phases of the global financial and economic crisis became more cautious and started to raise their interest rates. The effect of that was a fall in demand for new bonds based on hypothecary credits and a decrease in their prices.

By the analogue mechanism and often as a result of joint investment and stock exchange trading, beside banks from USA, a certain number of financial institutions from large EU member countries had also significant losses (Kovač, 2011, p. 26). The overall result of that was the spillover effect of the crisis from the USA to the European Union. At the same time, increase in interest rates, according to the standard Keynesian transmission mechanism of fiscal policy, brought to the decline in investment demand and household consumption (Gnjatović and Grbić, 2009, p. 43). This caused additional fall in production and dismissals of employed workers.

That general fall in production, caused by reduction in aggregate demand, represents the next macroeconomic factor which influenced the increase of unemployment in EU. It is measured as a decrease of growth rate and its value in the EU fell from 3% in 2007 to -4.4% in 2009. In the Eurozone, growth rate also fell from 3.1% to -4.2% in the same period. A reduction of industrial production in the Eurozone in 2009 was much higher, with the rate of -13.6% (ECB, 2012a, p. 52). It caused massive layoffs of workers from a large number of enterprises. The biggest dismissals were noted in the sector of construction industry from 2008 to 2010, when over one million of workers lost their jobs. Massive layoffs were also in present in significant percentage in financial institutions. During the same period, the number of employed in the banking sector in the EU decreased for about 6% or for more than 250.000 people (Soriano, 2011, p. 20).

A rise of public debt in most of EU member states is also an important factor in the increase of unemployment rates. The reasons for high levels of public debts were spending of large amounts of public money for recapitalization of banks in the EU after the global financial and economic crisis. These public funds were also used for financing the packages of fiscal stimulus, including expenditures for social protection and direct subsidies for companies and financial institutions.

The realization of these packages of stimulus required substantial financial funds which additionally overweighed budgets of the EU member states. Because of the insufficient amount of available funds, governments increasingly started with taking loans from abroad and the levels of public debts began to rise. In order to slow them down, the EU member countries took measures of saving public

expenditures through the reduction of wages, but also through the decrease in a number of employed people in the public sector.

For example, a number of employed in the public sector of Great Britain decreased for almost 600,000 from 2009 to the end of 2012 and it is estimated that the total number of laid off civil servants will reach one million by the end of 2018, which is about one fifth of the currently employed (Office for Budget Responsibility, 2013, p. 75.). In Ireland, during the period from 2008 to 2012, about 24,750 people who worked in public sector were fired and until 2015, that number will increase for additional 13,000 people (Department of Public Expenditure and Reform, 2011, p. 9). In Spain, a number of people in public administration who lost their jobs since the beginning of the world economic crisis climbed to more than 375,000. During 2010, the government of France decided to fill only every second vacancy after retirement of civil servants, which will cause a general decrease of 150,000 jobs. The EU member country with the highest value of public debt, as a percentage of its, is Greece. Its public debt increased from 131% in 2008 up to 180% of in 2012. Unable to pay off its financial commitments to foreign creditors on time, the Greek government asked for additional funds from the international monetary and financial institutions, such as the IMF and the ECB. One of their main conditions to help Greece was that this country had to lay off a large number of employees in the public sector. It is estimated that the total number of people who will lose their jobs on this basis in the public sector will reach 150,000 until 2015, what is more than 20% of the currently employed.

Altogether, this caused a fall in the number of employees in the public sector in relations to the total number of employed people in the Eurozone from 30% in 2008 to 23.5% in 2012.

2.2 Increase in unemployment rates determined by microeconomic factors

According to projections of Eurostat, the relation of people over 65 and the labour active population in the EU between 15 and 64 could exceed the level of 50% until 2055 (Eurostat, 2008). This relation is called the old-age dependency ratio and has the current value of 26.7%. During the observed period from 2007 to 2012 a number of people older than 65 increased for 5.6 million and at the end of 2012 there were about 90 million of them. The basic factors which led to such an increase in ageing of population in the EU are a rise in the expected lifetime and a fall in the birth rate. Increase of this ratio also implies that in the future period a number of retired workers will continuously rise because the age border for retirement is just about 65 in most EU countries. That will cause a further decrease in labour force and an increase in financial obligations for the current labour active generation which gives most of the money necessary for funding of pensions. For that reason, instead in private sector and productive activities governments of the EU member

states have to provide funds for pensions and other forms of social expenditures, which considerably rose during the world economic crisis.

Despite projections from one decade ago in which it was shown that average expenditures for pensions in EU would not exceed 12.8% until 2050, during 2010, their values already reached 13% of the total for the EU member states (European Commission, 2007, p. 5).

Another important microeconomic factor for a rise in unemployment rates since the beginning of the world economic crisis up to date has been mismatching of education and training with supply and demand for labour force in the EU. On one side, cancelling of numerous jobs in sectors which were particularly under the impact of the crisis such as banking and construction sector, considerably contributed to this. On the other side, workers who ran out of jobs in these sectors could not soon find new employment in those areas which had a need to engage additional labour force. The reason for that was that they had different labour skills from those required. Mismatching like this stops optimal allocation of labour and exerts an impact of slowing down of economic growth. Because of that, eventually it also becomes a reflection of structural imbalance in the economy.

It could be measured by the Index of Mismatching Skills. Since the beginning of the crisis until mid-2009, the value of this index was tripled at aggregate level for the whole Eurozone as well as at national levels of the member states and their regions.[3] At national levels, especially large increases were registered in Spain, Estonia and Ireland.

Along with Greece, Portugal and Italy, in these countries have also been registered the highest levels of total and structural unemployment in the period from the beginning of the crisis until today. As a way of decreasing them, since 2009, their governments have started to implement internal devaluation in order to reduce unit labour costs. Despite considerable success, the existence of high degree of inflexibility on their labour markets (especially in the form of trade unions' disagreement with lowering the wages of workers) has made impossible internal devaluation to reduce unit labour costs up to the needful level for a relatively short period. For that reason, product competition in many European countries has continued to drop (IMF, 2011, p. 7). That has led up to additional decrease in potential economic growth and to further increases in total and structural unemployment.

[3] Skills in this index represent a broader term from the formal level of education and they include knowledge and training acquired during the whole working lifetime. (ECB, 2012b, p. 75).

3. CHANGES IN UNEMPLOYMENT RATES IN EU SINCE THE BEGINNING OF THE WORLD ECONOMIC CRISIS UNTIL TODAY

As a result of the impacts of the analysed factors, the annual unemployment rate in the EU rose from 7.1% in 2008 to 9% in 2009. This increase, measured in absolute figures, included about 4.7 million people who lost their jobs in the EU for just one year. In the Eurozone, the number of unemployed increased for more than 3.1 million people in the same period. During the next several years, unemployment rates were constantly increasing. In 2013, the number of unemployed in the EU exceeded 26.5 million, with the rate of almost 11%, while in the Eurozone unemployment reached maximum values since its creation of almost 19.3 million people, as it is shown in the following table.

Table 1. Total unemployment in the EU and Eurozone from 2007 to 2013 in numbers (millions) and percentages (persons aged 15-74)

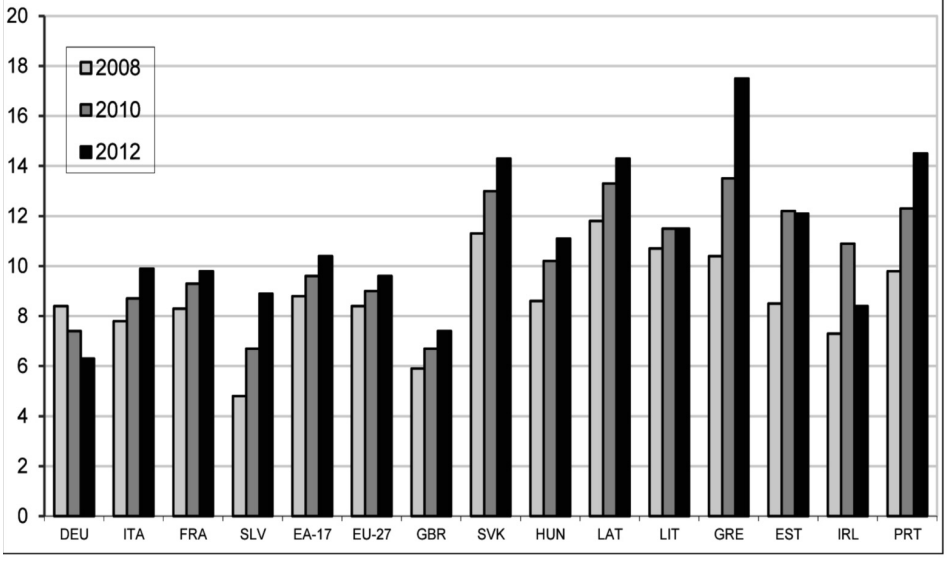
	2007	2008	2009	2010	2011	2012	2013
EU (nb.)	16.98	16.78	21.45	23.08	23.13	25.25	26.56
EU (%)	7.2	7.1	9	9.7	9.7	10.5	10.9
Eurozone (nb.)	11.77	11.94	15.05	15.93	16	18.06	19.28
Eurozone (%)	7.6	7.6	9.6	10.1	10.1	11.4	12.1

Source: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_nb_a&lang=en (28.02.2014).

In parallel with these changes in total unemployment, during the world economic crisis there were also significant increases in structural unemployment. Differences in institutional organization of labour markets, disproportion between qualifications of unemployed and job vacancies as well as mismatching of supply and demand for labour within individual regions were the main factors which caused recent increases in structural unemployment in many EU member states.

The rate of structural unemployment is often measured by the non-accelerating inflation rate of unemployment (NAIRU), which is based on the assumption that in the long-run inflation has just nominal effects. Because of that, this form of unemployment depends only on structural factors. In this research, for measuring the structural unemployment NAWRU (non-accelerating wages rate of unemployment) was used, where instead of inflation of prices, which are controlled by monetary policy of ECB, inflation that was caused by the increase in wages was used. The values found by NAWRU for the EU and several of its member countries are presented in the Figure 1.

Figure 1: Changes in structural unemployment rates in EU from 2008 to 2012.



Source: http://ec.europa.eu/economy_finance/ameco/user/serie/ResultSerie.cfm (11.05.2013).

Labour markets in the EU are also characterized by long-term unemployment. This form of unemployment is an indicator of inefficiency of the economy on macro level like and its employment policy. It is measured by the long-term unemployment rate which shows a percentage share of the people being without work for more than 12 months in total number of unemployed in period from 2007 to 2013. The values of this rate have substantially risen in many EU member states. The highest rise was registered in Ireland, Latvia and Spain where their values were more than doubled during this period. Currently, the average annual long-term unemployment rate in EU is around 44% and in the Eurozone around 46%.

Beside this, a considerable decrease has been noted in the level of human capital and in the level of skills possessed by workers who are unemployed for long term. Because of that, they become less attractive to potential employers. Long-term unemployment also results in pessimism of workers concerning finding of new jobs, so they decrease intensity of searching for it.

A considerable increase was also noted in the rate of youth unemployment. From the total number of employed and unemployed young people in the EU, aged between 15 and 24, at the end of 2012, more than 22.9% was unemployed. The basic reasons for such a trend in movement of youth unemployment are as follows: a) massive layoffs and decrease in hiring of new workers, b) young workers have less experience in doing jobs for which they are applying for than older workers, c) they

are also less experienced in searching for new employment than the older ones, and d) the young are often financially helped by their families, what reduces their need and determination for searching for new jobs. For these reasons, a large number of young people who do not have a job pass into the category of long-term unemployed. In 2012, the percentage of young people in the EU who did not have a job for more than 12 months reached 24.4% of the total number of unemployed young people, while in 2007, it was only 13.8%.

4. OTHER CURRENT PROBLEMS OF THE LABOUR MARKETS IN THE EU THEIR ECONOMIC SOCIAL CONSEQUENCES

Beside high unemployment rates, problems of labour markets in the EU also represent negative changes in several other variables of labour markets which values were also tracked during this research. First of them is employment. In 2008, the number of employed people in the EU had been 221.3 million and until 2010, it decreased for 4.9 million. During 2012, the average number of employed people in the EU was around 216.6 million. In the Eurozone, that fall rose 3.4 million reaching the total of 141.04 million employed in 2010 and it decreased for another 500,000 until 2012. The employment rate in the EU also decreased from 65.8% in 2008 to 64.2% in 2012.

Because of the decrease in aggregate demand and reduction in utilisation of production capacities, the rate of labour productivity in the EU was lowered from -0.4% in 2008 to -2.5% in 2009. Similar changes in labour productivity happened in the Eurozone where this rate fell from -0.3% to -2.3% in the same period. In Germany, the rate of labour productivity in 2009 had also a negative value of -4.7%, in Italy -3.6% and in Great Britain -3.4%. The biggest fall was registered in Latvia where this rate was -8.5% and in Slovenia -6.4% in the same year.

During 2010, in parallel with recovery of European economies, the rate of labour productivity in the EU increased to 2.3%. But, already in 2011, that increase was smaller and this rate was 1.3%, while in 2012, it was only 0.1%. In the Eurozone, the average rates during these three years were similar to those in EU, but again, several large countries recorded negative values considerably below the average. In 2012, the rate of labour productivity in Italy was -2.1%, in Great Britain -0.9% and in Germany -0.2%.[4]

Another tracked variable of labour markets were working hours. From 2008 to 2009, the number of actual working hours per one working week in the EU(27) fell from 39.8 to 39.5, while in the EU(15) in 2009, the working week lasted 39.2 hours (Eurofound, 2011, p. 19).

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[4] Labour productivity was measured by per employed person and its rate shows a percentage change in relation to the previous year. Accessed 04 December 2013, from http://dx.doi.org/10.1787/eco_outlook-v2012-2-en.

During the same period, in Germany the number of actual working hours fell from 41.2 to 40.4. Working week in Italy lasted 37.8 and in Finland 37.3 hours, what represents a decrease of about 1.7 working hours per each in comparison with their values in 2008. These decreases are mainly caused because of the implementation of short time working schemes in these countries during the observed period. In the Eurozone, the number of actual working hours per employed worker had fallen by the rate of -1.7%, while in 2010 that rate was already 0.5%. Despite that, in the next two years, this rate had again negative values of -0.1% in 2011 and 0.6% in 2012.

Along with that, the rate of increase in actual wages in the EU fell from 8.5% in 2008, to only 1.8% in 2009, which negatively affected workers' purchasing power.

A collectively agreed fall in nominal wages was about 1% during that period. On the other side, a relative increase in the inflation rate during 2010 and 2011 also reflected on collectively agreed nominal wages which recorded rise, especially in Belgium from 0.6 to 2.6% (Eurofound, 2012, p. 4).

Changes in these variables, along with high unemployment rates led up to the substantial fall in per capita, as the principal *economic* indicator of standard of living. According to the OECD data, per capita in the EU decreased from 28.530 in 2007 to 27.790 US dollars in 2012. The highest reductions were registered in the countries with the biggest financial problems in repayment of the public debt and the highest unemployment rates. In Greece, per capita fell from 26.225 in 2007 to 20.900 in 2012 with the tendency of further reduction.[5] By that, per capita in Greece fell from 92% of the EU average to 75%. From 2007 to 2012, in Ireland the cumulative decrease of per capita amounted to more than 4,000 US dollars, in Italy for 2,500 and in Spain for about 2,000 US dollars in the same period.

Major *social* consequences of the observed changes in labour markets in the EU are *massive strikes* of employed workers. In the recent period, reasons for them have been opposing to the implementation of government measures of saving and reforms in pension systems, but above, all those have been delays and stoppages of the announced dismissals of employed workers.

Including the other categories of population like young unemployed people and socially vulnerable categories or people above the work-active age border, these protests of workers have started to turn into wider *social protests*.

The biggest danger for functioning of the entire economic and political system of one country is a high risk of their turning into violent *social riots* of high intensity. For the purpose of measuring that risk, the Index of Social Riots is used. It consists of five variables that exert an impact on the probability of future social riots. These variables are confidence in government, the standard of living, local labour markets, political rights and freedoms, access to modern communications.

[5] The data are calculated according to (purchasing power parity) and were used in 2005 as the reference year. Accessed 17 March 2014, from http://stats.oecd.org/index.aspx?queryid=559.

The average value of this index in the EU rose from 34% in 2007 to 46% in 2012 (ILO, 2013, p. 14). In that year, the EU member countries with their highest values were Cyprus, the Czech Republic, Greece, Italy, Portugal, Slovenia and Spain. In parallel with consequences which social riots can cause on the national plan, they also have long-term negative impacts on a reputation of each member state and its economy in international surrounding.

5. ECONOMIC MEASURES USED FOR OVERCOMING THE ANALYZED PROBLEMS ON EU LABOUR MARKETS

In fear of rising inflation during the first half of 2008, ECB had left its referent interest rate on the level of 4%. Such a high value of the interest rate had decreased the number of taken investment and consumption credits, which caused further reduction in production and increase of unemployment in the Eurozone.

With slowing down of inflation at the end of 2008, the use of monetary stimulus in the EU member states started. This measure was above all, taken in the form of: a) capital injections for recapitalization of financial institutions, b) guarantees for banks' liabilities, c) asset support. Since then until May of 2010, the total financial support in the EU amounted to around 26% of the common of its member states from 2008 (Stolz and Wedow, 2010, p. 24).

Implemented packages of fiscal stimulus were directed to increase public consumption of goods and services (especially through rise in social transfers and decrease in taxes), household consumption and subsidies for restructuring of enterprises. In Great Britain, since 2008 to 2010, the decrease in taxes amounted to around 45% of the total fiscal stimulus used in that period, which caused an increase in budget deficit for 1.5% of . In Germany, that share was around 43%, which led up to a rise in its budget deficit for around 1.6% of in the same period (ILO, 2010, p. 7).

Financing of so large deficits, which were caused by taking these monetary and fiscal measures led to significant increases in public debts in most of the EU member countries. As a way of reducing them and helping these countries avoid bankruptcy, the European Financial Stability Facility started to function as well as the European Stability Mechanism that was initiated in 2013. In order to strengthen fiscal discipline in the EU it also started to implement fiscal criteria of convergence from the Stability and Growth Pact into national law regulations. That was enabled by the Fiscal Compact (the Treaty on Stability, Coordination and Governance in the Economic and Monetary union) from 2012 (Grbić et al, 2013, p. 127).

For an increase of competition in the EU member states they should continue with the implementation of structural measures directed to rise in GDP per capita, broader pursuing of labour market policy and rise in labour productivity (McKinsey Global Institute, 2010, p. 15).

Beside that, two most effective measures of policy of employment taken during the crisis in many EU member states were the decrease in the level of wages and implementation of short-time working arrangements.

The results of the research show that thanks to the implementation of short-time working programmes only in Germany the number of people who succeeded in saving their jobs in 2009 was nearly a quarter of a million (Hijzen and Venn, 2011, p. 35). The success of these measures is also confirmed by the unemployment rate in this country with its values of 8.7% in 2007 and only 5.3% in 2013, what is significantly below the EU average in the same period.

The most important long-term measures of the labour market policy within the observed period in the EU were retraining and creation of new jobs. Programmes of retraining are necessary when there is a high rate of structural unemployment in economies. Because of inappropriate qualifications which they possess, fired workers have a need to access to these programmes of retraining, through which they will be enabled to find new employment. The total amount of funds for these purposes in the EU was increased for more than 6.7 billion of euros from 2008 to 2010.

During the same period, as a measure of the active labour market policy, around 13.4% of common public expenditure of the member countries was spent on direct creation of jobs in the EU. The number of people who got the job thanks to the implementation of this measure was about 950,000.

The measures aimed at reducing youth unemployment were often directed to transition of young employed people with temporary working contracts to permanent contracts. During 2012, 42.2% of young employed people aged 15 to 24 were temporarily employed, which was four times more than with adults.

Along with that, the EU member states continuously subsidy self-employment and development of entrepreneurship among young people as a form of flexible employment.

CONCLUSION

The results of the analysis done in this paper show significant changes of unemployment rates and other variables of the labour markets in the EU during the observed period since the beginning of the world economic crisis in 2008 until today.

According to the available empirical data, it could be concluded that their changes represent a confirmation of the basic hypothesis. Movements of these variables in the EU member states have caused a lack of financial funds which are necessary for satisfying basic needs of a large number of unemployed people. This specially refers to long-term unemployed persons who are without a job for more than a year.

Beside that, problems of high unemployment on the labour markets in the EU are within a substantial scale structural in nature. For their resolving, it is essential to implement the common measures of employment policies and policies of labour markets. The creation of new jobs and retraining of dismissed workers in order to increase their professional mobility currently make two most important forms of the labour market policy. In parallel, the application of flexible forms of employment represents in the long run a potentially successful way of decreasing unemployment rates, considering the high degree of rigidity on the EU labour markets.

Together with them, the implementation of macroeconomic measures demands better mutual coordination in their application at the common level of the EU.

The important role in the rise of unemployment had also the monetary policy of ECB, which is traditionally directed to preserve the stability of prices. That has led up to a trade off in movements of inflation and unemployment rates in the Eurozone during the observed period.

The absence of these measures will lead up to further increase in uncertainty of keeping and finding new jobs in the EU member states. Rising poverty and a lack of alternative ways of providing essential material goods for workers and their families will increase the probability of emerging of new social protests and riots in the future periods.

Economic growth along with the creation of new jobs also represents a basic mechanism for prevention of future economic crises. With such strengthening of the real sector, it comes to forming of an economic system which will be more capable of resisting to further instabilities on the financial markets.

For easier implementation of the analysed measures, it is of great importance to continue towards the creation of a fiscal union as a way of maintaining fiscal discipline and towards further political integration in the EU.

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Miloš SRZENTIĆ

VISOKE STOPE NEZAPOSLENOSTI I OSTALI TEKUĆI PROBLEMI TRŽIŠTA RADA U EU

Apstrakt: Stope nezaposlenosti u mnogim zemljama članicama EU konstantno pokazuju vrlo visoke vrednosti. Još od sredine 2008. i početka svetske ekonomske krize nezaposlenost je počela da predstavlja jedan od glavnih problema za ekonomije EU. Osnovni faktori koji su prouzrokovali visoke stope nezaposlenosti su: efekat prelivanja Krize iz SAD u EU, pad proizvodnje koji je doveo do masovnih otpuštanja i rast javnog duga u zemljama članicama značajno iznad fiskalnih kriterijuma konvergencije. Ubrzano starenje stanovništva u EU i socijalni problemi uslovljeni sa time, kao i visoka rigidnost tržišta rada u EU su takođe bile determinante koje su direktno uticale na promene u stopama nezaposlenosti. U istom periodu stope zaposlenosti su takođe značajno opale. Visine nadnica i trajanje radnog vremena su opali u onim zemljama u kojima postoji viša fleksibilnost na tržištima rada uprkos čestim pritiscima od nacionalnih sindikata da bi njihove vrednosti trebalo da ostanu na predrecesionim nivoima. Sve ukupno, ovo je dovelo do smanjenja u kupovnoj moći i posledično do pada u životnom standardu građana EU. To je prouzrokovalo masovne proteste radnika, praćene ostalim socijalnim i starosnim kategorijama stanovništva u EU.

Ključne reči: stope nezaposlenosti, svetska ekonomska kriza, uzroci i posledice nezaposlenosti, problemi na tržištima rada u EU, antikrizne mere.

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Marina KOSTIĆ[1]
Srđan PETKANIĆ[2], M.A.

(RE)ORGANIZATION OF THE MILITARY SECURITY AND INTELLIGENCE SECTOR OF WESTERN BALKAN STATES IN THE CONTEXT OF EUROPEAN AND EURO-ATLANTIC INTEGRATION

Abstract: The security and intelligence sector reform is part of the overall endeavours of the state to adapt itself to the new global security challenges, regional environment and needs of national security and economic strength of each country. In balancing between these three levels of determinants, the state adopts strategic, normative and organizational arrangements of the security and intelligence sector. In the Western Balkan region, this question is even more sensitive and important since the cooperation in the field of security and intelligence is the last indicator of the adaptation and stabilization of this region to the requirements of the European and Euro-Atlantic integration. The basis for cooperation is found primarily in global security threats such as terrorism, organized crime, failed states and proliferation of weapons of mass destruction. To better suit this purpose, the defence sector reform in the Western Balkans has taken place under the auspices of the NATO-sponsored defence reform groups and similar bodies. This is why the same organizational patterns of the military and intelligence sector in the region occurred. They will be presented in the form of an overview of the security and intelligence sector of the Western Balkan states. The

[1] Faculty of Business Studies and Law, Belgrade, marina.kostic@fpsp.edu.rs.

[2] Institute of European Studies, Belgrade, psergio1@yahoo.com.

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pattern has the form of establishing a single civilian, i.e. security and intelligence agency as an independent governmental body and a single military agency/service as an organizational part of the Ministry of Defence. The main issues to be examined in this paper deal with the question how these contemporary trends influence the military security and intelligence sector in Serbia and what might be the alternatives.

Key words: European and Euro-Atlantic integration, security sector reform, military intelligence and security services, Serbia, Western Balkan region.

Introduction

This article observes, explains and suggests possible future relations and models of military security and intelligence services in the Republic of Serbia by using the integration theory and comparative area study, while the region of Western Balkans is the basis and the Republic of Serbia is the special case of the research. The reasons for dealing with this theme are the importance of the topic and frequent announcements of the reorganization of the military security services in the process of security sector reform in Serbia. The aim of the research is to present a scientific description and classification and in some parts, a scientific explanation and prediction related to the future models of organization of military security and intelligence services.

In order to fulfil these objectives, the article deals with the contextual issue of the Western integration as part of the overall globalization process and the framework of the defence sector reform. It continues with explanation of determinants on the global, regional and national level that influence the organization of military security and intelligence sector and emphasizes the domination of those externally, globally and regionally related issues, which predominantly shape the states and their institutions in the context of globalization. In the third part, the article provides an overview of the security and intelligence sector in the Western Balkans states as the basis for conclusions about the trends in the organization of the military security and intelligence sector in the Western Balkans and the most possible scenario for Serbia. In order to give a proper understanding of the debate about the security and intelligence service organization the article deals with the arguments *pro et contra* single services.[3] It should make us

[3] To avoid the confusion in using the terms "single", "security" and "intelligence" when we speak of the "single services" or "security and intelligence services/agencies" of the Western Balkans states, it should be emphasized that the term "single" refers to the combined internal, external, intelligence and counterintelligence component; the term "security" includes the internal, preventive and counterintelligence component of the services and the term "intelligence" refers, primarily, to its external (or foreign) component. In that sense, for example, the civilian Security Informative Agency of the Republic of Serbia is a "single agency", since it comprises internal and external, counterintelligence and intelligence components.

aware of the advantages and shortcomings of both models - separated and single services. At the final part, on the basis of the conclusions from the previous parts the article tries to perceive the future model of relations among the military security and intelligence services in Serbia and provide some alternative models, without the intention to opt for any of them.

European and Euro-Atlantic integration processes as the context of defence sector reform in the Western Balkan states

Globalisation, seen as the process of growing interdependence and deeper integration in the world, influences the role of the states in the international society. They are not any more self-centred and self-help units, but the subjects involved in increasing cooperation and partnership relations within the frame of various regional and global integration processes. These processes tend to make states as similar as possible by providing the same standards and models of functioning of their institutions. In that sense, the enlargement of the existing international institutions – international organizations and regimes – whose net of partnership is almost global, influences the choices of states, especially the small ones. The North Atlantic Treaty Organization (NATO), the European Union (EU) and other Western-made international institutions, became considerably enlarged after the Cold War by including Eastern European states in their membership and many others in their partnership policy. By the enlargement strategies of these organizations a set of principles in the fields of politics, economy, institutional capacity and military operational capabilities for the states wishing to join them was established.

Integration processes, as part of the overall process of globalization, have kept on shaping the national interest, foreign, security and defence policies of the states involved. Within the European Union, it is expected from all member states to harmonize their legal systems and foreign policy decision with the EU common strategies, positions and actions. This is why all EU or NATO candidate states are largely urged to undertake reforms, including the security sector reform and adapt to the common standards and principles. In the defence area, this standardization process is conducted through the establishment of Defence Reform Groups and similar bodies as well as through various bilateral arrangements and assistance.

"Internationalization" of states does not only shape institutional and procedural components of national security architecture, but also the perception of foreign, security and defence priorities. It shapes the national strategies according to the new world agenda set by the main international organizations and states. It is commonly accepted in the security area, that this new agenda has shifted the perception of security challenges, risks and threats from primarily military to security ones like fight against terrorism, failed states, proliferation of weapons of mass destruction,

organized crime, civil wars, environmental changes, etc. Having in mind that defence policy, as part of broader security policy, should also serve in achieving the foreign policy ends, armed forces have changed their role in the new world environment according to the change of the foreign policy objectives. As former United Nations Secretary General Boutros Boutros-Ghali stated in his famous report *Agenda for peace* in 1992: "Armed forces would mainly be used as an instrument of collective security" (Bredow, 2000, p. 45). This is very much true if we look at the objectives of the armed forces reform of Eastern European countries after the Cold War. Namely, since the participation of these forces in the new NATO- or EU-led military interventions and missions was highly expected, achieving interoperability and military professionalization became a top priority for their defence reform.

Changed perception of the role of armed forces has also led to the shift of legitimacy in using military power. In the security environment where aggression is no more seen as the main security threat armed forces "are losing their technical and moral justification to promote national interests and to project national power into the international system" (Bredow, 2000, p. 50). Also, it is officially considered illegal for intelligence services to plan or carry out secret operations abroad for the purpose of achieving foreign policy objectives or protecting the country's national interests (Milosavljević and Petrović, 2009, p. 209). Nevertheless, the use of force after the Cold War and various scandals of interception of telecommunications and tapping have proven that this has applied to everyone else but the leading state and its close allies.

The Western Balkan region has been part of the European and Euro-Atlantic integration processes, although it was struck by the recent civil war and state fragmentation. The states in this region needed to adapt quickly to the new global requirements and after the process of disintegration, entered the process of re-integration.

In this context, it is expected that the arrangement of the military security and intelligence sector follows the changes of the purpose of national armed forces and that it should be organized in accordance with the "collective security" demands and established models.

Determinants of military security and intelligence sector organization

In order to emphasize some of the most important determinants of the military security and intelligence sector we classify them on the global, regional and national level.

The first group of determinants, which are the result of the globalized context of the world politics, operate on the global level. It refers to the changed nature of security challenges, risks and threats after the Cold War, the process of globalization and complex interdependence. These determinants have led to the lesser

importance of traditional military threats and actors and increased influence of non-military security challenges, risks and threats and non-state actors (as the "producers" as well as "solvers" of contemporary security problems). For example, the main security threats listed in the European security strategy (2003) and later in the Report on implementation of European Security Strategy (2008) are terrorism, proliferation of weapons of mass destruction, regional conflicts, failed states and organized crime. In order to counter these threats states need strong security services and a comprehensive approach. Globalization, also, led to the lesser importance of geographical distance and changes of the purpose and use of armed forces, as it was mentioned previously.

Fading of the division of threats to military and non-military, the shift of legitimacy of using armed forces as well as the need for a comprehensive approach to the new security challenges, risks and threats may be the reasons for consideration of models of organization of security and intelligence sector in the way that combines security and intelligence components into one civilian and one military security and intelligence agency/service, or even military and civilian components into one intelligence and one security agency taking into consideration the military component within them. For example, in the contemporary context, some small country could rationalize its security intelligence sector by establishing: (1) Civil security and intelligence agency and military security and intelligence agency (or service within the Ministry of Defence) or (2) National Intelligence Agency and National Security (Counter-Intelligence) Agency, both combining the military and civilian component in the same nature of activity. The first model is the pattern in the Western Balkan states. Beyond any doubt, the presented models are, proposed only to small and economically weak countries which, at best, could rely on the defence protectionism of much stronger allies and organizations.

At the regional level, determinants of the security and intelligence sector include the nature of security environment, conflict potential of the specific region and the role of international organisations in the given region. The increasing integrative processes and cooperation in the security and defence field has led to the increase of multilateral intelligence cooperation and standardization of procedures in their activities. Standardization of intelligence procedures and systems of communication are the precondition for intelligence support of multinational operations (Lazović, 2013, p. 52-53). International standards, created by international organizations such as the EU or NATO, are promoted through multilateral and bilateral assistance and arrangements and regional initiatives and organizations and adopted through bilateral and multilateral agreements and intelligence sharing.

The indicators of this process could be found in the establishment of cooperation among the Western Balkan states in the fields of security, defence and intelligence. As the facilitators of this process, the Western sponsors have created

several regional initiatives and organizations such as the Regional Cooperation Council (RCC), South-East Europe Defence Ministerial (SEDM), Forum for Western Balkan Defence Cooperation-SEEC, RACVIAC- Centre for Security Cooperation etc. Initiatives taken in the RCC, for example, include the South East European Military Intelligence Chiefs (SEEMIC) Forum and South East European Counter-Intelligence Chiefs Forum (SEECIC). The Republic of Serbia participates in the SEEMIC and its fifth conference was held in September 2013 in Split, Croatia. In 2010, in Belgrade, at the initiative of the RCC and under the patronage of the Director of the European Union Military Intelligence Staff, the chiefs of nine military intelligence agencies from South East Europe (SEE) signed the statement on cooperation and improving intelligence sharing among them. This cooperation cannot be separated from the EU enlargement process and mutual response to the European and global security challenges, where the region of the Western Balkan has a special place because of its geopolitical position.

Since all states of the Western Balkan region are members or partner countries of the NATO and members or associate members of the EU, they are organised in line the recommendations and standards of these organizations in order to become liberal-democratic states embedded in the new world order paradigm. The paradigm of liberal order and its creation has led to the formation of the so called "policy transfer mechanisms". They include the transfer of characteristics, shared norms and values, standards and prescriptive solutions to many problems from the Transatlantic Alliance to the states in transition (Forester, 2002, p. 27). For example, the reform of the security and intelligence sector in Serbia is carried out by the Intelligence and Security System Reform Team, which is part of the larger Defence System Reform Team of the Ministry of Defence and the Serbian Armed Forces. This team works within the framework of the Serbia-NATO Defence Reform Group (Kovač, 2007, p. 81-82). It is officially stated that: "The group was jointly established in February 2006 to provide advice and assistance to the Serbian authorities on reform and modernisation of Serbia's armed forces, and to build a modern, affordable, and democratically-controlled defence structure" (NATO). This Group has participated in the creation of the strategic and doctrinal documents and will probably be the main protagonist of the future creation of the single Law on Security and Intelligence Services of Serbia, which is expected to be adopted in the years to come. In Bosnia and Herzegovina, the defence reform is carried out by the Defence Reform Commission where the NATO military headquarters in Sarajevo have a leading role. These examples provide the reason to consider the NATO the leading creator of standards in the field of defence, security and security and intelligence system in the Western Balkan region. According to the diffusion theories, the same centre of influence provides the same model of solutions which can be applied to the organization of the military security intelligence sector. The proclaimed purpose of the policy transfer and cooperation is the restoration of trust and breaking down the barriers

between former enemies in the Western Balkans and the creation of democratic states which could serve as part of the collective security efforts.

The last group of determinants, which is at the national level, comprises the size of the state, strength of the national economy, national security challenges, risks and threats and the state's own experiences in this field. The perception of these determinants largely depends on the state's national foreign policy objectives. Determinants on the national level should influence the prioritisation of security challenges, risks and threats, the ways and possibilities of collecting data and the choice of security strategies. For small and economically undeveloped states, it is recommended to have single services (Laml-Novák, 2003). In that case, the negative aspects of single services should be taken into consideration. Almost all states of the Western Balkan region have the model of single, security and intelligence, civilian agencies and military services.

As far as national security challenges are concerned, the National Security Strategy and the National Defence Strategy of the Republic of Serbia (2009) define as the main security and defence threats the unlawful unilateral declaration of independence of Kosovo, separatist aspirations of some ethnic and religious groups, armed rebellion and terrorism. These Strategies consider aggression "unlikely", which points to the predominance of the civil components of national security. The Croatian National Defence Strategy (2002) states that the conventional military threats as the dominant source of insecurity in the Europe of the Cold War, lost its primacy, so greater emphasis is now put other sources of their emergence – social, economic, political, etc.

At the end, the nature and experiences of creation of single civilian services in the states of the Western Balkan region should be also taken into consideration when thinking about eventual reorganization of military security and intelligence services. The main dilemma and source of tensions could be in the experience that, in these single services, the security and counterintelligence component is dominant and that intelligence part is usually in the function of security one (Jevđović, 2009, p. 58). In Serbia, the tasks of the Security and Informative Agency are the protection of security of the Republic of Serbia and detection and prevention of activities aimed at undermining or disintegrating of the constitutional order of the Republic of Serbia; search, collection, processing and evaluation of security and intelligence data that are of concern for the Republic of Serbia's security and informing the relevant authorities of these data as well as other activities determined by the Law (Article 2, the Law on the Security Information Agency). The Croatian Law on the Security and Intelligence System (Art. 23, tab. 2) pays more attention to the intelligence component and defines the tasks of the Security Intelligence Agency as collection, analysis, processing and evaluation of data of political, economic, scientific-technological and security and of nature that refers to *foreign states* (italic by M.K.), organisations, political and commercial alliances, groups and persons,

especially those who indicate intentions, possibilities, covered plans and secret activities aimed at threatening national security and data that are important for national security of Republic of Croatia. These two examples point to the fact that in case of single services, the security and intelligence component should be clearly divided.

Given overview of the global, regional and national determinants of the security and intelligence sector in the Western Balkan region is not exhaustive and final, but tends to include those most influential. It has helped us perceive the net of external and internal pressures that affect the choices of states when it comes to institutional arrangements. In our analysis, the external, structural dimension prevails. According to our conclusion that global and regional determinants tend to create or impose the same pattern of the security and intelligence sector arrangement in the whole Western Balkan region it is clear that it is only a false dilemma whether the Serbian military services will stay separated or become unified.

Another argument for this conclusion comes from the description of the military security and intelligence sector of the Western Balkan states which is presented in the following section.

An overview of the security and intelligence sector organization in the Western Balkans

Under the influence of global and regional determinants, plenty of ex-Soviet bloc states as well as the Western Balkan states have implemented the model of single civilian and single military agency/service. In these cases, the division line is on the civil-military axis. Also, some of them have organized the functioning of the security and intelligence sector in the legally comprehensive way.

Security and intelligence services as parts of the security and intelligence sector fall under the strategic, normative and organizational reform frameworks of each country. Like other countries of the former Yugoslavia and Eastern Europe, the Republic of Serbia has, organized its services in accordance with the contemporary democratic principles and standards, since they have been a prerequisite for its multilateral integration. As we have already mentioned, regional cooperation in all fields is seen as a precondition for the proclaimed top priority – integration in the European Union.

The contemporary arrangement of the security and intelligence sector of the Republic of Serbia,[4] including the military security and intelligence services, started with its independence and the new Constitution in 2006. The first, strategic

[4] In Kosovo, there is the so-called Kosovo Intelligence Agency as an independent administrative unit covered by the Law on Kosovo Intelligence Agency (2008). Also, within the Ministry for the Kosovo Security Forces there is the Intelligence and Security Department (Qehaja, F. and Vrajolli M., 2012, p. 111).

phase of the security sector reform had been finished after the adoption of the National Security Strategy and Defence Strategy in 2009. The second phase started with the creation of the normative framework and implementation of adopted laws related to this issue – the Law on Foundations for Regulations of Security Services in the Republic of Serbia (2007), the Law on the Security Information Agency (2002/2007) and the Law on the Military Security Agency and the Military Intelligence Agency (2009). Organisational reform of the Serbian security and intelligence sector, as the last and narrowest phase in this reform, is underway. In Serbia, there is one civilian single agency embracing an internal and external, intelligence and counter-intelligence component. What could be expected is the creation of the same model of military security and intelligence service, i.e. single service in the near future. This objective was already announced for the period from 2008 to 2010, but it has not yet been achieved. Anyway, mistakes made in the establishment of the civil security and intelligence agency (Bezbednostno-informativna agencija (BIA) – The Security Information Agency), like the unclear and insufficient differentiation of its functions, should be avoided (Petrović, 2012, p. 3).

The strategic framework of the Croatian security sector is defined by the National Security Strategy and National Defence Strategy adopted in 2002. The security and intelligence sector of the Republic of Croatia is covered by the Law on Security Intelligence System (2006). This Law provides for two security-intelligence services: the Security Intelligence Agency (SOA) and the Military Security Intelligence Agency (VSOA). As the result of the merger of the two previously mentioned agencies that have existed from 2002 – the Croatian Intelligence Agency and the Croatian Counter-intelligence Agency, SOA, has both intelligence and counter-intelligence tasks which they carry out in and out of the country. On the other hand, the previous Military Security Agency was renamed the Military Security Intelligence Agency, since it can operate abroad. Beside the establishment of these agencies, the Croatian Law on the Security and Intelligence System regulates oversight, control and coordination of security services, their organization and management, as well as, status, rights, duties and responsibilities and the ways of payments for the employees of the Agencies. It could be stated that, although run by one director, intelligence and counter-intelligence activities of the VSOA are clearly determined and defined.[5] What is similar to Serbia is that,

[5] "VSOA collects, analyses, processes and evaluates data on armed forces and defence systems of other states, external pressures which could influence the defence security, and on activities abroad that are directed to threatening the defence security of the country." (Art. 24, tab. 2). "VSOA in the area of the Republic of Croatia collects, analyses, processes and evaluate data on intentions, possibilities and plans of certain persons, groups and organisations in the country which as their objective have the threat of defence capability of state, and take measures of detection, tracking and countering these activities."(Art.24, tab.3), The Law on Security intelligence System of 2006, NN 79/06 i 105/06.

although being an organizational part of the Ministry of Defence, VSOA is called "agency" and not "service". What is different is the number of laws that regulate this issue, since in Serbia there are three laws that regulate security and intelligence sector. It should be noticed that in February 2013, at the extraordinary session of the Serbian National Assembly, the adoption of a single law that would regulate the security and intelligence sector was announced. Also, at the same session, there were some voices that called for military security and intelligence services merger (National Assembly of the RS, 2013).

In Albania, the main security strategic documents are the National Security Strategy (2004) and the National Defence Strategy (2007). Two main security and intelligence services are the State Intelligence Service (SHISH) and the Military Intelligence Service (SHIU). They are covered by two separate laws – the Law on National Intelligence Service (1999) and the Law on the Military Intelligence Service (2003). Similarly to the Serbian and Croatian models, SHISH operates as an autonomous agency. On the other hand, the SHIU is part of the Ministry of Defence. Minister of Defence and Prime Minister have direct responsibility for the control of the SHIU. In the case of Albania, the dominance of global and regional determinants are proven by the fact that in October 1997, the United States Central Intelligence Agency sent a team of experts to assist the government in restructuring the National Informative Agency, the predecessor of SHISH, as well as in the processes of appointment and dismissal of the Directors of the two services.

Strategic documents of Bosnia and Herzegovina include the Security Policy (2006) and the Defence Policy (2008). It has, as the civilian agency, Intelligence and Security Agency which was established under the Law on Intelligence and Security Agency in 2004 as an independent administrative organization. Similarly to the previously mentioned states, B&H has the Department for Security and Counter-intelligence Affairs and the Department for Intelligence Affairs and Strategic Analysis within the Sector for Intelligence and Security Affairs of the Ministry of Defence.

The strategic framework of security sector in Montenegro includes the National Security Strategy and Defence Strategy, which were both adopted in 2008. In regard to the security and intelligence services, within the Ministry of Defence of Montenegro the Department for Military Intelligence and Security Activities operates as an independent organisational unit, which is defined by the Law on Defence. Also, as the civilian security service, there is the National Security Agency whose activities are regulated by a special law. In March 2014, the Government of Montenegro adopted the Draft Law on Foundations for Regulation of the Intelligence Security Sector of Montenegro.

In Macedonia, as the strategic document, there are National Security Strategy (2008) and Strategy of Defence (2010). As civilian services, Macedonia has the Intelligence Agency (IA), which is an independent intelligence service under

authority of the President and the Directorate for Security and Counter-intelligence (DBK) within the Ministry of Internal Affairs. As the military service, there is the Army Intelligence and Counter-Intelligence Unit within the Ministry of Defence. In case of Macedonia, the military service is single, but the civilian is divided along the intelligence-counter-intelligence axis, where the security and counter-intelligence component is within the framework of the Ministry of Internal Affairs. The work of the Intelligence Agency is defined by the Law on Intelligence Agency (1995). The Law on Interiors defines the work of DBK which carries out security and counter-intelligence tasks like prevention from espionage and counter-terrorism.

Some authors stress that all these services, which are similarly organized throughout the region, have the same characteristics - dominance of the security and counterintelligence component - and that intelligence work which should be dominant in the strategic level is almost invisible and in the function of the security component (Jevdjović, 2009, p. 58). Analogue to the examples from the region, it could be expected that the same model, i.e. military security and intelligence (or single) service, as part of the Ministry of Defence, is going to be established in Serbia. We have come to this conclusion without affirmation of the given pattern and only by following the trend established by the global and regional determinants in the Western Balkan region.

Nevertheless, it is desirable to estimate arguments for and against the security and intelligence services merger in order to examine possible consequences and alternatives to the established model.

Arguments pro et contra military security and intelligence services merger in Serbia

From 2002, the Law on Security Services of FR Yugoslavia had regulated the security and intelligence sector. It enabled the civilian control of the Federal Government of Yugoslavia over the military security and intelligence services, since they were removed from the General Staff and established as organizational units of the Federal Ministry of Defence. This Law established the Military Intelligence Service and the Military Service of Security. In the State Union of Serbia and Montenegro (2003-2006) military services existed as organisational units of the Ministry of Defence and, by the ministerial order from September 2003, they were renamed to the Military Intelligence Agency (VOA) and Military Security Agency (VBA). In this period, from 2003 to 2006, one of the biggest problems in the security and intelligence sector was the coordination and competitiveness of military and civilian security and intelligence services, since the military services operated at the federal level and were under control of the Federal Ministry of Defence, while the civilian services operated at the level of each member state of the State Union.

In 2006, with the dissolution of the State Union, VOA and VBA became directly subordinated to the Minister of Defence of the Republic of Serbia. Although the Law on Military Intelligence Agency and Military Security Agency from 2009 defined them as organizational units of the Ministry of Defence, they continued to be "agencies" and not military "services".

According to the counter-intelligence nature of the Military Security Agency, the Law on Military Intelligence Agency and the Military Security Agency defines its objectives as security and counter-intelligence protection of the Ministry of Defence and Armed Forces of Serbia within which it performs general security, counter-intelligence and other duties and tasks of importance for the Republic of Serbia's defence (Article 5). On the other hand, the Military Intelligence Agency of Serbia performs intelligence tasks such as collection, analysis, evaluation, protection and delivery of data and information on potential and real dangers, activities, plans and intentions of foreign states and their armed forces, or international organisations, groups and persons (Article 24). Although the merger of these two services was announced for the period before 2010, it has not yet happened most of all because of the resistance of the services themselves, but, also, because of the strength of the arguments against the merger. Still, during the discussion on changes of the Law on VOA and VBA, in February 2013, dilemmas over this topic emerged (CEAS, 2013).

The arguments that are most frequently mentioned in favour of the creation of a single military, i.e. security and intelligence service are the size of the state and rationalization of the state budgetary costs. Besides, it is necessary to consider if the state in question is small or large, economically developed or undeveloped, with a defensive or offensive national strategy of security and defence. In the case of a small country with defensive strategy, the establishment of single civilian and military services is recommended (Laml-Novák, 2013). Also, the advantages of security and intelligence services could be as follows: better coordination of activities of services in the field, obtaining of uniform reports and a more efficient response to contemporary challenges, risks and threats (Petrović, 2009, p. 13.). Single services carry out intelligence and counter-intelligence tasks abroad as well as in the state, which gives them a full insight into the information they obtain. That creates a complete security and intelligence cycle and could provide an efficient response to the recognized security challenges, risks and threats.

On the other hand, the most frequent arguments against merger of security and intelligence services are the lack of competition and mutual control i.e. the non-existence of various sources of information as well as the different nature of activities, crafts and personnel which performs intelligence and counter-intelligence tasks. Methods and objectives of military intelligence and security services could be complementary, but it does not have to be the case. VOA, for example, carries out primarily foreign intelligence tasks and VBA covers the area

of state, performing security and counter-intelligence duties. The creation of a military security and intelligence service is, also a "political question whose implementation needs a lot of time" (CEAS, 2013).

According to the Ehrman categorization of intelligence services to external, internal and single, i.e. those which combine external and internal components, the strong argument against a single service is that, from the historical point of view, they existed primarily in totalitarian states and represented strong instruments of repression (Ehrman, 2009). According to this attitude, only in consolidated democracies with low level of security challenges, risks and threats, like Canada, single services can have a meaningful role, although even they realize the need for a strong foreign intelligence rather than a single one (Parkinson, 2008). Poland, for example, in 2006, despite the NATO objection and because of the large number of irregularities in work, abolished the previous Military Information Service and created two independent military services – the Military Counter-Intelligence Service and Military Intelligence Service. This is the example which quite opposite to the trends in the region of the Western Balkans.

Conclusion: propositions for further research

The research which has been carried out in this paper shows that the global and regional, i.e. external determinants prevail in determining which model of security and intelligence sector organization would be implemented. That is because the choice of the model depends on what security objectives should be fulfilled – national or hegemonic/international.

Types of services, i.e. models that can be established originate from the possible combinations of the civil-military and intelligence-counterintelligence components. All states of the Western Balkan region have applied the model that separates civilian and military agencies/services and combines the intelligence-counter-intelligence component. Civilian agencies have been founded as independent administrative units and military services as organizational parts of the Ministries of Defence, usually regulated by the Law on Defence. It should be expected that the same model would be implemented in Serbia, probably with the adoption of the single Law on Security and Intelligence System. It is also possible to maintain the *status quo,* where Serbia would maintain one civilian security and intelligence agency and two military, security and intelligence, services. That would create, for sure, the lowest political risk.

On the other hand, alternative models could combine other components depending on the security and intelligence determinants and arguments. Their relation can range from simple coordination to full integration. According to the EU aspirations of Serbia, it is desirable to have in mind the European intelligence structure that supports the Common Foreign and Security Policy, which embraces

the EU Intelligence Analysis Centre (EU INTCEN) and the EU Military Intelligence Directorate (EUMS INT DIR), which is part of the EU Military Staff. Both of them are parts of the European External Action Service (EEAS). These bodies gather intelligence and security information provided by the EU member states and have some of their own intelligence capacities. The civilian and military analyses and productions of EU INTCEN and EUMS INT DIR are pooled by the Single Intelligence Analysis Capacity (SIAC) in order to deliver single, all source, military-civilian analyses. In this case, the division of civilian and military intelligence units is preserved, but the single mechanism which combines their products emerged as the result of the EU's ambition to take a comprehensive approach to managing crisis – "essentially merging the civilian and military elements of its missions" (Fägersten, 2014, p. 97).

Being implemented on some particular states this could mean the creation of a single Foreign Intelligence Agency which would embrace civilian-military intelligence products, and the National Security Agency which would carry out civil-military security and counter-intelligence tasks. This model would combine civil-military components and preserve the division on intelligence and counter-intelligence tasks and internal-external areas of operation. This model could also be justified by negative arguments on intelligence-counter-intelligence merger and determinants of security and intelligence sector. In this case, resources and information would be gathered in activities of the same nature with clear distinction between intelligence and security/counter-intelligence tasks. The idea of the creation of a single Foreign Intelligence Agency is not new and was presented in the Democratic Left Alliance parliamentary election campaign in Poland in 2001 (Nowak, 2013). Ukraine, for example, established the Foreign Intelligence Service of Ukraine (FISU) as the main intelligence government body and the Security Service of Ukraine (SSU), which includes military counter-intelligence bodies, continuing to operate as the main state counter-intelligence government body. Both of them combine military and civilian personnel. It is interesting to know that at this moment, the head of the FISU is a military officer and the head of the SSU is a diplomat.

The model of creation of the Foreign Intelligence Agency and the National Security Agency comes, above all, from the global determinants of security and intelligence sector. A comprehensive approach to security, where military determinants do not prevail, requires overcoming of the division going along the military-civilian axis and specialization of activities going along the axis intelligence/counter-intelligence axis (if the rationalization is necessary). The danger of the absence of competition and mutual control of services could be overcome by strengthening of internal control. In this way, a country could get two strong agencies – intelligence and counter-intelligence – that would be directed not only to the protection of the Ministry of Defence and Armed Forces, but also to the whole country in all dimensions. This kind of changes would require a political decision,

consensus of all relevant actors, patience, as well as overcoming of particular interests and culture of military and civilian subjects. Anyway, the question of alternative models of a security and intelligence sector organization demands further research on theoretical and practical levels.

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Marina KOSTIĆ
Srđan PETKANIĆ, M.A.

(RE)ORGANIZACIJA VOJNOG BEZBEDNOSNO-OBAVEŠTAJNOG SEKTORA DRŽAVA ZAPADNOG BALKANA U KONTEKSTU EVROPSKIH I EVRO-ATLANTSKIH INTEGRACIJA

Abstract: Reforma bezbednosno-obaveštajnog sektora je deo ukupnih nastojanja država da se prilagode novim globalnim bezbednosnim izazovima, regionalnom okruženju i potrebama nacionalne bezbednosti, kao i svojoj ekonomskoj snazi. U balansiranju između ova tri nivoa determinanti, država usvaja strateške, normativne i organizacione aranžmane bezbednosno-obaveštajnog sektora. U regionu Zapadnog Balkana ovo pitanje je još osetljivije i značajnije budući da je saradnja bezbednosno-obaveštajnih agencija/službi država regiona poslednji pokazatelj njegove adaptacije i stabilizacije u odnosu na zahteve evropskih i evro-atlantskih integracija. Osnov za saradnju se, pre svega, nalazi u borbi protiv globalnih bezbednosnih pretnji, kao što su terorizam, organizovani kriminal, „propale" države ili širenje oružja za masovno uništenje. Kako bi na jedinstven način odgovorile na ove zahteve, reforma sektora odbrane u državama Zapadnog Balkana odvija se pod okriljem NATO sponzorisanih grupa za reformu odbrane i sličnih tela. To je jedan od razloga zbog kojeg je došlo do stvaranja istog obrasca vojnog obaveštajno-bezbednosnog sektora u regionu po kome je u državama ovog regiona stvarana jedna civilna bezbednosno-obaveštajna agencija, kao posebna organizacija Vlada ovih država, i jedna vojna bezbednosno-obaveštajna služba/agencija, koja se organizaciono nalazi unutar ministarstava odbrane ovih država. Prikaz ovog sektora država Zapadnog Balkana biće predstavljen u posebnom delu članka. Istraživački problem kojim se ovaj članak bavi je način na koji će navedeni trend u organizaciji vojnog bezbednosno-obaveštajnog sektora u državama Zapadnog Balkana uticati na Republiku Srbiju i moguće alternative takvom scenariju.

Ključne reči: Evropske i evro-atlantske integracije, reforma sektora bezbednosti, vojne bezbednosno-obaveštajne službe, Srbija, region Zapadnog Balkana.

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DOCUMENTS

CONFERENCE ON ACCESSION
TO THE EUROPEAN UNION
- SERBIA

ANNEX

Ministerial Meeting Opening the Intergovernmental Conference on the Accession of Serbia to the European Union[1]

GENERAL EU POSITION

EU OPENING STATEMENT FOR ACCESSION NEGOTIATIONS

1. On behalf of the European Union, I am delighted to welcome here today the distinguished representatives of Serbia to the opening of accession negotiations of your country to the European Union.
2. This is a historically important moment for us all. Enlargement remains a key policy of the European Union. The opening of accession negotiations is not only an important step in Serbia's relations with the EU but it is also a clear testimony of the EU's continued commitment to the European perspective of the Western Balkans. Opening of the accession negotiations also further demonstrates that, when conditions are met, the EU delivers on its commitments. The prospect of accession drives political and economic reforms, transforming societies, consolidating the rule of law and creating new opportunities for citizens and business in those European countries who want to become part of the project of an ever closer union. It strengthens the process of stability and reconciliation in the region, demonstrating the transformative and stabilising effect of the enlargement process for the benefit of both the EU and the region as a whole.
3. Serbia is already a close partner of the European Union as part of the Stabilisation and Association Process. The Interim Agreement on trade and trade-related matters, which was signed in April 2008, entered into force on 1 February 2010. Furthermore, the Stabilisation and Association Agreement recently entered into

[1] Government of Republic of Serbia, European Integration Office. Accessed June 03, 2014, from http://www.seio.gov.rs/documents/agreements-with-eu.896.html.

force on 1 September 2013. Prior to this, the Commission has maintained an intense dialogue with your authorities with a view to monitoring the implementation of the EU reform agenda and key priority set out in the Commission's opinion of October 2011 on Serbia's application for accession. Courageous steps have been taken to reach a First Agreement on the principles governing the normalisation of relations between Serbia and Kosovo* and positive progress has since been made in the implementation of its main elements.

4. All in all, our dialogue and cooperation has been very intense in the last years. The European Union has noted that Serbia implemented the Interim Agreement well and has contributed to the smooth functioning of the various joint institutions. Moreover, as stated in our first Stabilisation and Association Council, held on 21 October, the entry into force of the SAA marked a new qualitative stage in bilateral relations. The SAA will further reinforce the already clearly visible positive benefits of the Interim Agreement especially in the area of trade. This implies significant new obligations and engagement for Serbia in areas including justice, freedom and security, free movement of workers and the right of establishment and free movement of capital and services, which now have a contractual character.
5. The benefits for both sides of the improved quality of our relations are already materialising. Travel to the EU, for example, has become easier for citizens of Serbia since visa liberalisation entered into force in 2009. The EU also provides financial assistance to Serbia under the Instrument for Pre-Accession Assistance (IPA). Moreover, Serbia participates in several EU programmes. Our political and economic dialogue will now further develop, notably within the SAA bodies.
6. As was noted by the Council in its conclusions of 11 December 2012 and most recently of 25 June and 17 December 2013, which were endorsed by the European Council of 27/28 June and [of 19/20 December 2013 respectively], Serbia has achieved the necessary degree of compliance with the membership criteria, and notably the key priority of taking steps towards a visible and sustainable improvement of relations with Kosovo. Serbia sufficiently fulfils the political criteria and conditions of the Stabilisation and Association Process, and has taken important steps towards establishing a functioning market economy. Serbia should be in a position to take on the obligations of membership in the medium term in nearly all acquis fields.
7. Today's launch of accession negotiations represents a turning point in the evolution of our relationship. Your country is part of our shared European history, heritage, values and culture,and we look forward to intensifying our already close ties.
8. Our negotiations are based on Article 49 of the Treaty of the European Union and, accordingly, take account of all relevant Council conclusions, in particular the conclusions of the June 1993 European Council in Copenhagen and the renewed consensus on enlargement agreed by the December 2006 European Council. The

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

EU attaches great importance to the coherent implementation of the renewed consensus on enlargement, which is based on consolidation of commitments, fair and rigorous conditionality, better communication, combined with the EU's capacity, in all its dimensions, to integrate new members, with each country being assessed on its own merits. A credible enlargement policy is key to maintaining the momentum of reform in the countries concerned, and public support for enlargement in the Member States. The Council remains firmly committed to taking the enlargement process forward on the basis of agreed principles and conclusions.

9. As requested by the European Council of 27/28 June 2013, and confirmed by the European Council of [19/20 December 2013], the Council has adopted on 17 December 2013 a general Negotiating Framework, in line with the renewed consensus on enlargement approved by the European Council in December 2006 and established practice. It incorporates the new approach proposed by the Commission as regards the chapters on judiciary and fundamental rights, and on justice, freedom and security, as well as the issue of normalisation of relations between Serbia and Kosovo.
10. The Negotiating Framework, which we present to you today, takes account of the experience of past enlargements and on-going accession negotiations, as well as the evolving acquis, and duly reflects Serbia's own merits and specific characteristics. The negotiations are aimed at Serbia integrally adopting the EU acquis and ensuring its full implementation and enforcement.
11. The Negotiating Framework takes particular account of the experience acquired in relation to the negotiating chapters on judiciary and fundamental rights and to justice, freedom and security. Both chapters will be tackled early in the negotiations to allow maximum time to establish the necessary legislation, institutions and solid track records of implementation before the negotiations are closed. Screening reports to be prepared by the Commission for these chapters will provide substantial guidance, including on the tasks to be addressed in the action plans to be adopted by the Serbian authorities, which will constitute the opening benchmarks. These action plans setting out Serbia's reform priorities should be developed through a transparent process of consultation with all relevant stakeholders to ensure maximum support for their implementation.
12. The Negotiating Framework also takes account of Serbia's continued engagement and steps towards a visible and sustainable improvement in relations with Kosovo. This process shall ensure that both can continue on their respective European paths, while avoiding that either can block the other in these efforts and should gradually lead to the comprehensive normalisation of relations between Serbia and Kosovo, in the form of a legally binding agreement by the end of Serbia's accession negotiations, with the prospect of both being able to fully exercise their rights and fulfil their responsibilities.
13. The acquis includes, inter alia, the objectives and principles on which the Union is founded, as set out in the Treaty on European Union. As a future Member State, we expect you to adhere to the values on which the Union is founded.

Furthermore, EU accession implies the timely and effective implementation of the entire body of EU law or acquis, as it stands at the time of accession. The development of sufficient administrative and judicial capacity is key in fulfilling all obligations stemming from membership.

14. As mentioned earlier, Serbia should be in a position to take on the obligations of membership in the medium term in nearly all acquis fields. On the path towards accession, Serbia will need to continue its efforts to align its legislation with the acquis and to ensure full implementation of key reforms and legislation, in particularly in the areas of the rule of law, including reform of the judiciary and the fight against corruption, the independence of key institutions, and further improving the business environment; special attention should be given to the rights and inclusion of vulnerable groups, particularly the Roma, as well as to the effective implementation of legislation on the protection of minorities, the non-discriminatory treatment of national minorities throughout Serbia, and tackling discrimination on the basis of sexual orientation or gender identity.
15. Serbia has also been affected by the global economic and financial crisis, which has highlighted the interdependence of national economies both within and outside the EU. In this regard, we recall the importance of strengthening economic recovery as well as the EU's commitment to continue assisting with policy advice and financial assistance. Further efforts to, deliver structural reform, fiscal consolidation and EU-related reforms, including embracing Europe 2020, should accelerate this recovery and growth and increase competitiveness as well as improve economic governance, and help to prepare for the new surveillance procedures in the Economic and Monetary Union.
16. Regional cooperation and good neighbourly relations remain essential parts of the enlargement process as well. Serbia should also continue to constructively engage in inclusive regional cooperation and strengthen relations with neighbouring countries. Furthermore, progress will be measured against Serbia's undertaking to resolve outstanding issues and legacies of the past, in line with international law and relevant Council conclusions, and in conformity with the principle of peaceful settlement of disputes in accordance with the United Nations Charter, including, if necessary, the compulsory jurisdiction of the International Court of Justice or arbitration mechanisms.
17. Let us also recall that parallel to the accession negotiations, the Union will continue its civil society dialogue and cultural cooperation with Serbia, with the aim of bringing people together and ensuring the support of citizens for the accession process.
18. In conclusion, at the end of the process, it will remain up to the Member States to decide whether conditions are right for the conclusion of the negotiations, bearing in mind developments in the acquis since the date of the opening of negotiations, and Serbia's readiness for membership. The accession negotiations we open today will be demanding. With determination, we are confident in your capacity to bring it to a successful conclusion. We will support you in your efforts and we look forward to welcoming you as a fully-fledged member of the European Union.

NEGOTIATING FRAMEWORK

Principles governing the negotiations

19. The accession negotiations will be based on Article 49 of the Treaty on European Union (TEU) and, accordingly, take into account all relevant European Council conclusions, in particular the renewed consensus on enlargement agreed by the December 2006 European Council and the conclusions of the 1993 European Council in Copenhagen.

20. The negotiations will be based on Serbia's own merits and the pace will depend on Serbia's progress in meeting the requirements for membership. The Presidency or the Commission as appropriate will keep the Council fully informed so that the Council can keep the situation under regular review. The Union side, for its part, will decide in due course whether the conditions for the conclusion of negotiations have been met; this will be done on the basis of a report from the Commission confirming the fulfilment by Serbia of the requirements listed in point 23. The shared objective of the negotiations is accession. By their very nature, the negotiations are an open-ended process whose outcome cannot be guaranteed beforehand. In the field of CFSP, the High Representative is responsible, in close liaison with the Member States, and the Commission where appropriate, for screening, making proposals in the negotiations and reporting regularly to the Council.

21. Negotiations are opened on the basis that Serbia respects and is committed to promoting the values on which the Union is founded, referred to in Article 2 TEU, namely the respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities.

    Negotiations are also opened on the basis that Serbia has achieved a high degree of compliance with the membership criteria, notably the political criteria set by the Copenhagen European Council in 1993 and the Stabilisation and Association Process conditionality established by the Council in 1997. The Union expects Serbia to continue to work towards full respect of these criteria and conditions; and to ensure full implementation of key reforms and legislation, in particular in relation to judiciary reform, the fight against corruption and organised crime, public administration reform, independence of key institutions, media freedom, anti-discrimination and the protection of minorities. The Union and Serbia will continue their intensive political dialogue. Progress across all membership criteria will continue to be closely monitored by the Commission, which is invited to continue to report regularly on it to the Council.

22. In the case of a serious and persistent breach by Serbia of the values on which the Union is founded, the Commission will, on its own initiative or on the request of one third of the Member States, recommend the suspension of negotiations and propose the conditions for eventual resumption. The Council will decide by qualified majority on such a recommendation, after having heard Serbia, whether

to suspend the negotiations and on the conditions for their resumption. The Member States will act in the Intergovernmental Conference in accordance with the Council decision, without prejudice to the general requirement for unanimity in the Intergovernmental Conference. The European Parliament will be informed.

23. The advancement of the negotiations will be guided by Serbia's progress in preparing for accession, within a framework of economic and social convergence. This progress will be measured in particular against the following requirements: the Copenhagen criteria, which set down the following requirements for membership:
    - the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
    - the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union; the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union and the administrative capacity to effectively apply and implement the acquis.

    The conditionality of the Stabilisation and Association Process, which remains the common framework for relations with all Western Balkan countries up to their accession, in particular Serbia's commitment to good neighbourly relations and the strong contribution expected from Serbia to the development of closer regional cooperation, in accordance with the Thessaloniki Agenda for the Western Balkans adopted in June 2003 and taking into account the relevant Council conclusions, Serbia's continued engagement, in line with the Stabilisation and Association process conditionality, towards a visible and sustainable improvement in relations with Kosovo*. This process shall ensure that both can continue on their respective European paths, while avoiding that either can block the other in these efforts and should gradually lead to the comprehensive normalisation of relations between Serbia and Kosovo, in the form of a legally binding agreement by the end of Serbia's accession negotiations, with the prospect of both being able to fully exercise their rights and fulfil their responsibilities.

    Specifically, Serbia is expected to continuously:

    a) Implement in good faith all agreements reached in the dialogue with Kosovo;

    b) Fully respect the principles of inclusive regional cooperation;

    c) Resolve through dialogue and spirit of compromise other outstanding issues, on the basis of practical and sustainable solutions and cooperate on the necessary technical and legal matters with Kosovo;

    d) Cooperate effectively with EULEX and contribute actively to a full and unhindered execution by EULEX of its mandate throughout Kosovo.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

The issue of normalisation of relations between Serbia and Kosovo will be addressed under chapter 35: "Other issues" as a specific item, which should be tackled early in and throughout the accession negotiations process and in duly justified cases in other relevant chapters as set out in paragraph 38 below.

Serbia's undertaking to resolve any border disputes in conformity with the principle of peaceful settlement of disputes in accordance with the United Nations Charter, including, if necessary, the compulsory jurisdiction of the International Court of Justice or arbitration mechanisms.

The fulfilment of Serbia's obligations under the Stabilisation and Association Agreement, as well as Serbia's progress in addressing areas of weakness identified in the Commission's Opinion.

24. An overall balance in the progress of negotiations across chapters should be ensured. Given the link between the chapters "Judiciary and fundamental rights" and "Justice, freedom and security" and the values on which the Union is founded, as well as their importance for the implementation of the acquis across the board, should progress under these chapters significantly lag behind progress in the negotiations overall, and after having exhausted all other available measures, the Commission will on its own initiative or on the request of one third of the Member States propose to withhold its recommendations to open and/or close other negotiating chapters, and adapt the associated preparatory work, as appropriate, until this imbalance is addressed. The Council will decide by qualified majority on such a proposal and on the conditions for lifting the measures taken. The Member States will act in the Intergovernmental Conference in accordance with the Council decision, without prejudice to the general requirement for unanimity in the Intergovernmental Conference.
25. The procedure as set out in paragraph 24 shall apply mutatis mutandis in case progress in the normalisation of relations with Kosovo, dealt with under chapter 35, significantly lags behind progress in the negotiations overall, due to Serbia failing to act in good faith, in particular in the implementation of agreements reached between Serbia and Kosovo.
26. In the period up to accession, Serbia will be required to progressively align its policies towards third countries and its positions within international organisations with the policies and positions adopted by the Union and its Member States.
27. Serbia must accept the results of any other accession negotiations as they stand at the momentof its accession.
28. Enlargement should strengthen the process of continuous integration in which the Union and its Member States are engaged. Every effort should be made to protect the cohesion and effectiveness of the Union. In accordance with the conclusions of the European Council in December 2006, stressing the importance that the EU can maintain and deepen its own development, the pace of enlargement must take into account the Union's capacity to absorb new members, which is an important consideration in the general interest of both the Union and Serbia.

29. Parallel to the accession negotiations, the Union will continue its civil society dialogue and cultural cooperation with Serbia, with the aim of bringing people together and ensuring the support of citizens for the accession process.
30. In order to strengthen public confidence in the enlargement process, decisions will be taken as openly as possible so as to ensure greater transparency. Internal consultations and deliberations will be protected to the extent necessary in order to safeguard the decision-making process, in accordance with EU legislation on public access to documents in all areas of Union activities.

Substance of the negotiations

31. Accession implies the acceptance of the rights and obligations attached to the Union and its institutional framework, known as the "acquis" of the Union. Serbia will have to apply this as it stands at the time of accession. Furthermore, in addition to legislative alignment, accession implies the timely and effective implementation of the acquis, including enforcement. The acquis is constantly evolving and includes in particular:
    – the content, principles, values and political objectives of the Treaties on which theUnion is founded;
    – the acts adopted by the institutions pursuant to the Treaties, as well as the case law of the Court of Justice of the European Union;
    – any other acts, legally binding or not, adopted within the Union framework, such as inter-institutional agreements, resolutions, statements, recommendations, guidelines;
    – international agreements concluded by the Union, by the Union jointly with its Member States, and those concluded by the Member States among themselves with regard to Union activities.

    This applies mutatis mutandis to the Treaty establishing the European Atomic Energy Community (Euratom) and any acts adopted and agreements concluded pursuant or within the framework of that treaty, to which Serbia shall also adhere.

    Serbia will need to produce translations of the acquis into Serbian in good time before accession, and will need to train a sufficient number of translators and interpreters required for the proper functioning of the EU institutions upon its accession.
32. The resulting rights and obligations, all of which Serbia will have to honour as a Member State, imply the termination of all existing bilateral agreements between Serbia and the Union, and of all other international agreements concluded by Serbia which are incompatible with the obligations of membership.
33. Serbia's acceptance of the rights and obligations arising from the acquis may necessitate specific adaptations to the acquis and may, exceptionally, give rise to transitional measures which must be defined during the accession negotiations. Any provisions of the Stabilisation and Association Agreement which depart from the acquis cannot be considered as precedents in the accession negotiations.

Where necessary, specific adaptations to the acquis will be agreed on the basis of the principles, criteria and parameters inherent in that acquis as applied by the Member States when adopting that acquis, and taking into consideration the specificities of Serbia.

The Union may agree to requests from Serbia for transitional measures provided they are limited in time and scope, and accompanied by a plan with clearly defined stages for application of the acquis. For areas linked to the extension of the internal market, regulatory measures should be implemented quickly and transition periods should be short and few; where considerable adaptations are necessary requiring substantial effort including large financial outlays, appropriate transitional arrangements can be envisaged as part of an on-going, detailed and budgeted plan for alignment. In any case, transitional arrangements must not involve amendments to the rules or policies of the Union, disrupt their proper functioning, or lead to significant distortions of competition. In this connection, account must be taken of the interests of the Union and of Serbia. Transitional measures and specific arrangements, in particular safeguard clauses, may also be agreed in the interest of the Union, in line with the second bullet point of paragraph 23 of the European Council conclusions of 16/17 December 2004.

34. Detailed technical adaptations to the acquis will not need to be fixed during the accession negotiations. They will be prepared in cooperation with Serbia and adopted by the Union institutions in good time with a view to their entry into force on the date of accession.

35. Serbia will participate in economic and monetary union from accession as a Member State with a derogation and shall adopt the euro as its national currency following a Council decision to this effect on the basis of an evaluation of its fulfilment of the necessary conditions. The remaining acquis in this area fully applies from accession.

36. With regard to the area of justice, freedom and security, membership of the European Union implies that Serbia accepts in full on accession the entire acquis in this area, including the Schengen acquis. However, part of this acquis will only apply in Serbia following a Council decision to lift controls on persons at internal borders taken on the basis of the applicable Schengen evaluation of Serbia's readiness, taking into account a Commission report confirming that Serbia continues to fulfil the commitments undertaken in the accession negotiations that are relevant for the Schengen acquis.

37. In all areas of the acquis, Serbia must ensure that its institutions, management capacity and administrative and judicial systems are sufficiently strengthened with a view to implementing the acquis effectively or, as the case may be, being able to implement it effectively in good time before accession. At the general level, this requires a well-functioning and stable public administration built on an efficient and impartial civil service, and an independent and efficient judicial system. More specifically, this will require the necessary capacity and structures for the sound management and efficient control of EU funds, in accordance with the acquis. In order to assist Serbia to improve its institutions, management and enforcement

capacity, and administrative and judicial systems, including for the fight against corruption and organised crime, and to align to the EU acquis in this respect, the EU will provide the country with technical assistance, making full use of the available pre-accession funds.

38. In all areas of the acquis, Serbia must ensure that its position on the status of Kosovo does not create any obstacle nor interfere with Serbia's implementation of the acquis. Any such obstacles will be addressed in the course of the negotiations in the context of the chapter of the acquis concerned. As part of its efforts to align with the EU acquis, Serbia shall in particular ensure that adopted legislation, including its geographical scope, does not run counter to the comprehensive normalisation of relations with Kosovo.

Negotiating procedures

39. The substance of negotiations will be conducted in an Intergovernmental Conference with the participation of all Member States on the one hand and Serbia on the other.

40. The Commission will undertake a formal process of screening the acquis, in order to explain it to the Serbian authorities, to assess the state of preparation of Serbia for opening negotiations in specific areas and to obtain preliminary indications of the issues that will most likely come up in the negotiations.

41. For the purposes of screening and the subsequent negotiations, the acquis will be broken down into a number of chapters, each covering a specific policy area. A list of these chapters is provided in the Annex. Any view expressed by either Serbia or the EU on a specific chapter of the negotiations will in no way prejudge the position which may be taken on other chapters. Policy areas in which particularly serious efforts are required by Serbia to align legislation with the acquis and to ensure its implementation and enforcement will be addressed at an early stage in the accession negotiations. Also, agreements reached in the course of negotiations on specific chapters, even partial ones, may not be considered as final until an overall agreement has been reached for all chapters.

42. Building on the Commission's Opinion on Serbia's application for membership, on subsequent Progress Reports and in particular on information obtained by the Commission during screening, the Council, acting by unanimity on a proposal by the Commission, will lay down benchmarks for the provisional closure and, where appropriate, for the opening of each chapter. For the chapters "Judiciary and fundamental rights" and "Justice, freedom and security", interim benchmarks will also be set according to the same procedure. The Union will communicate such benchmarks to Serbia. Depending on the chapter, precise benchmarks will refer in particular to legislative alignment with the acquis and to a satisfactory track record in the implementation of key elements of the acquis demonstrating the existence of an adequate administrative and judicial capacity. Where relevant, benchmarks will also include the fulfilment of commitments under the Stabilisation and Association Agreement, in particular those that mirror requirements under the acquis.

43. Given the challenges faced and the longer-term nature of the reforms, the chapters "Judiciary and fundamental rights" and "Justice, freedom and security" should be tackled early in the negotiations to allow maximum time to establish the necessary legislation, institutions, and solid track records of implementation before the negotiations are closed. They will be opened on the basis of action plans to be adopted by the Serbian authorities. Screening reports to be prepared by the Commission for these chapters will provide substantial guidance, including on the tasks to be addressed in the action plans, which will constitute the opening benchmarks. Where justified by exceptional circumstances arising during the screening process, the Council or the Commission, each in accordance with their respective roles, may determine that the action plans should include measures to address the identified shortcomings within a specific timeframe, including where necessary as a matter of urgency. Once the Council is satisfied, on the basis of an assessment by the Commission, that the opening benchmarks have been met, the Council will decide on the opening of these chapters and lay down interim benchmarks in the EU opening positions. These interim benchmarks will specifically target, as appropriate, the adoption of legislation and the establishment and strengthening of administrative structures and of an intermediate track record and will be closely linked to actions and milestones in the implementation of the action plans. Subsequently, the Council will lay down in an interim position closing benchmarks requiring solid track records of reform implementation.
44. The Commission will keep the Council duly informed and report to the Council twice yearly on the state of advancement of negotiations under the chapters "Judiciary and fundamental rights", "Justice, freedom and security". Where problems arise in the course of negotiations under these chapters, the Commission may propose updated benchmarks throughout the process, including new and amended action plans, or other corrective measures, as appropriate. In this respect, any measures to adjust pre-accession assistance may only be taken in accordance with applicable rules and procedures.
45. As regards the issue of the normalisation of relations between Serbia and Kosovo, which should be addressed as a specific item under chapter 35 "Other issues", similar procedures as set out in paragraphs 42, 43 and 44 will apply mutatis mutandis, with a particular focus on the setting and updating of interim benchmarks, including to take into account developments in the normalisation of these relations.
46. The Commission and the High Representative will monitor closely and continuously Serbia's efforts towards nonmalisation of its relations with Kosovo and report as appropriate, and at least twice yearly, on this issue; dealt with under chapter 35, to the Council.
47. Where negotiations cover a considerable period of time, or where a chapter is revisited at a later date to incorporate new elements such as new acquis, the existing benchmarks may also be updated.
48. Serbia will be requested to indicate its position in relation to the acquis and to report on its progress in meeting the benchmarks, including by providing reliable

and comparable statistical data on reform implementation as required. Serbia's correct transposition and, where appropriate, implementation of the acquis, including effective and efficient application through appropriate administrative and judicial structures, will determine the pace of negotiations.

49. To this end, the Commission will closely monitor Serbia's progress in all areas, making use of all available instruments, including on-site expert reviews by or on behalf of the Commission, and the dialogue under the Stabilisation and Association Agreement. The Commission will regularly inform the Council of Serbia's progress in any given area in the course of the negotiations, and in particular when presenting draft EU common positions. The Council will take this assessment into account when deciding on further steps relating to the negotiations on that chapter. In addition to the information the EU may require for the negotiations on each chapter and which is to be provided by Serbia to the Conference, Serbia will be required to continue to provide regularly detailed, written information on progress in the alignment with and implementation of the acquis, even after the provisional closure of a chapter. In the case of provisionally closed chapters, the Commission may recommend the re-opening of negotiations, in particular where Serbia has failed to meet important benchmarks or to implement its commitments.

ANNEX I TO THE ANNEX

PROCEDURE FOR AND ORGANISATION OF THE NEGOTIATIONS

1. Chairmanship

In accordance with the practice in bilateral negotiations between two delegations, each led by a head, the question of electing a President of the Conference does not arise.

The practical work involved in chairing meetings will be performed by the head of the Union delegation in his capacity as head of the host delegation.

2. Frequency of meetings at ministerial level and deputy level setting up of working parties

It is planned that there should be at least one meeting per six month period at ministerial and deputy level, on the understanding that the frequency could be adjusted if this were felt necessary.

The negotiations will remain centralised at ministerial and deputy level. The setting up of working parties should not be envisaged except to meet objective requirements of the negotiations. Any such working parties will operate under the authority of the deputies, on the basis of explicit terms of reference and in accordance with a specific timetable.

3. Venue for the meetings

Meetings will be held in Brussels, but during April, June and October any ministerial meetings will be held in Luxembourg.

4. Organisation

(a) Secretariat

Conference secretariat services will be provided, under the authority of the SecretaryGeneral of the Council of the European Union or his representative, by a team consisting of officials of the General Secretariat of the Council and officials appointed by the delegation of Serbia.

(b) Operating expenses of the Conference

Each party will bear its own travel and subsistence expenses and also the salaries of staff who are put at the disposal of the Secretariat.

The operating expenses of the Conference (rents, office furniture and supplies, telecommunications, interpreting, translation, auxiliary staff recruited for the Conference, etc.) will be met by advances made by the Council of the European Union.

These expenses will be entered in the Council's budget under a special budget heading.

The General Secretariat of the Council will submit, as appropriate, an annual financial management report to the Conference on the operating expenses. These expenses will be divided among the participants in accordance with procedures to be mutually agreed.

(c) Preparation of meeting documents

Without prejudice to other special documents which the Secretariat might be asked to draw up, the following arrangements have been adopted on the understanding that they could, if necessary, be modified in the light of experience.

(d) Ministerial meetings

Preparation, after each meeting, of a summary of conclusions. to be finalised by the deputies on the basis of a draft produced by the Secretariat and submitted to the next ministerial meeting for formal approval.

(c) Meetings at deputy level

Preparation of a summary of conclusions after each meeting.

– Preparation of reports for submission to ministerial meetings, if necessary, on thebasis of drafts produced by the Conference Secretariat.

(f) Working parties

– Preparation of reports for the deputies on the basis of drafts produced by theConference Secretariat.

ANNEX H TO THE ANNEX

PRELIMINARY INDICATIVE LIST OF CHAPTER HEADINGS

(Note: This list in no way prejudices the decisions to be taken at an appropriate stage in the negotiations on the order in which the subjects will be dealt with.)

1. Free movement of goods
2. Freedom of movement for workers
3. Right of establishment and freedom to provide services
4. Free movement of capital
5. Public procurement
6. Company law
7. Intellectual property law
8. Competition policy
9. Financial services
10. Information society and media
11. Agriculture and rural development
12. Food safety, veterinary and phytosanitary policy
13. Fisheries
14. Transport policy
15. Energy
16. Taxation
17. Economic and monetary policy
18. Statistics
19. Social policy and employment
20. Enterprise and industrial policy
21. Trans-European networks
22. Regional policy and coordination of structural instruments
23. Judiciary and fundamental rights
24. Justice, freedom and security
25. Science and research
26. Education and culture
27. Environment and climate change
28. Consumer and health protection
29. Customs union
30. External relations
31. Foreign, security and defence policy
32. Financial control
33. Financial and budgetary provisions
34. Institutions
35. Other issues

REPUBLIC OF SERBIA
GOVERNMENT

INTERGOVERNMENTAL CONFERENCE ON THE ACCESSION OF THE REPUBLIC OF SERBIA TO THE EUROPEAN UNION

The Opening Statement of the Republic of Serbia[1]

Brussels, 21 January 2014

1. The decision of the European Council of 28 June 2013 to launch accession negotiations with the Republic of Serbia and the convening of the first Intergovernmental Conference open a new chapter in the relations between Serbia and the European Union.
2. The start of the EU accession negotiations has historic importance for the Republic of Serbia and its citizens. It is therefore a great honour and privilege to be here today and present the Opening statement that Serbia's process of accession to the European Union will be based upon. Serbia's endeavours to become a member of the European Union are a result of its strong commitment to the fundamental ideas, values and achievements the European Union is founded on. The EU membership is a strategic goal of the Republic of Serbia and, at the same time,a means forSerbia to modernise its legal, economic and institutional system. In addition to its historic importance for Serbia, the decision of the European Council also has a wider significance. The start of accession negotiations between the Republic of Serbia and the EU is an affirmation of success of the EU enlargement project and shows the commitment of the European Union to continue the process and fulfil the obligations undertaken.
3. The decision of the Republic of Serbia to join the EU is based on its firm determination to fully engage in a half-a-century old wish of the European peoples to build a Europe of peace, justice, freedom, solidarity and security. Just like the EU Member States, the Republic of Serbia strives to build a society whose key values are pluralism, tolerance, solidarity, non-discrimination, the rule of law and strengthening democratic institutions as a guarantee that these values will be

[1] Government of Republic of Serbia, European Integration Office, Accessed June 03, 2014, from http://www.seio.gov.rs/upload/documents/pristupni_pregovori/the_opening_statement_of_the_republic_of_serbia.pdf.

cherished and enhanced. The Republic of Serbia is, to an extent, already integrated in the European economic processes. Serbia wants to take its place in the EU, respecting the market economy rules and social justice and building its own capacities so that once it has joined the EU it is a prepared and competitive European economy. The Republic of Serbia is ready to fully transpose the EU law, and build efficient administrative and judicial capacities for its full implementation. In this regard, the Republic of Serbia sees the EU accession as a mechanism for changing and adjusting to the conditions required from all EU members, and as a way to improve the overall efficiency and competitiveness of the EU, as well as its own reputation both in Europe and worldwide. The accession process gives a great boost to the political and economic reforms in Serbia.

4. Simultaneously, Serbia's membership in the European Union will contribute to the stability in the region and to the accomplishment of a zone of peace, justice, freedom and security in Europe. The start of accession negotiations with the Republic of Serbia sends a strong message to the other countries of the Western Balkans to persevere in their efforts to overcome the remaining obstacles, whether they are internal, structural issues or bilateral issues with their neighbours, and to commit to the reforms whose aim is the EU membership for the entire region.
5. Fully understanding the challenges that the EU and its Member States are facing at the moment, we wish to point out that, in its opinion on Serbia's application for the membership of the European Union in 2011, the European Commission stated that "Serbia would be in a position to take on the obligations of membership in the medium term", and that "Serbia's accession would have a limited overall impact on European Union policies and would not affect the Union's capacity to maintain and deepen its own development".
6. As part of the former Socialist Federal Republic of Yugoslavia, Serbia's political and economic relations with the European Economic Community developed after the signing of theTrade Agreement in 1970,and over the course of the 1970s and 1980s, which proves decades-long relations and connections between Serbia and the EU Member States.
7. As part of the Federal Republic of Yugoslavia, Serbia became a participant in the Stabilisation and Association Process in November 2000, having accepted the main principles that the process is based upon, and that its movement towards the EU will depend on the individual progress in meeting the Copenhagen criteria and implementing the Stabilisation and Association Agreement, with a special focus on the importance of regional and good neighbourly cooperation between the Western Balkans countries.

At the summit of the EU Member States and the Western Balkans countries in Thessaloniki, which took place in June 2003, it was made clear that the future of the Western Balkans lies within the European Union. The European perspective of the Western Balkans was reiterated in the conclusions of the European Council of December 2005, December 2006 and June 2008, and as such it

should continue to constitute a foundation for the permanent political and economic stability and development of the region.

Serbia believes that the historic process of the EU enlargement cannot be complete until the entire Western Balkans is included in the European Union. In this light, Serbia wants to contribute to the region's stabilisation and the continuation of the EU enlargement process across the Western Balkans and to help its neighbours on this path.The Stabilisation and Association Agreement (SAA) negotiations between the Republic of Serbia and the EU were officially launched on 10 October 2005 and successfully finalised when the SAA was initialled on 7 November 2007. The SAA and the Interim Agreement on Trade and Trade-Related Matters (IA) were signed at the meeting of the EU General Affairs and External Relations Council in Luxembourg on 29 April 2008. The National Assembly of the Republic of Serbia ratified both agreementson 9 September 2008.Meeting the obligations under the Interim Agreement, the Republic of Serbia unilaterally began the application of the Interim Agreement and liberalisation of trade with the EU on 30 January 2009. On 7 December 2009, the Council of Ministers of the EU adopted a decision to start the application of the Agreement with the Republic of Serbia. Under the same decision, the Council recognised Serbia's unilateral application of the Interim Agreementas a proof of its preparedness and capacity to apply the Agreement smoothly.

8. The Stabilisation and Association Agreement entered into force on 1 September 2013, giving Serbia associated country status. The first meeting of the Stabilisation and Association Council was held in Luxembourg on 21 October 2013. It was a new stepin the relations between Serbia and the EU. The applicationof the Interim Agreement and the Stabilisation and Association Agreement has been smoothto date. As from 1 January 2014, the trade between the EU and Serbia is completely tax free except for some particularly sensitive agricultural products for both parties.

9. By signing the Stabilisation and Association Agreement Serbia has committed to gradually aligning its legislation with the EU acquis and to consistently applying it. Complying with this provision, Serbia adopted the National Programme for Integration of the Republic of

   Serbia in the European Union (NPI) as early as October 2008, which contained a plan of legislative activities to enable Serbia to align its legislation with the EU acquisas much as possible by the end of 2012. As a continuation of this process, in February 2013 the Serbian

   Government adopted the National Programme for the Adoption of the EU Acquis(NPAA) for the period 2013-2016.

   The NPAA is currently being revised with the aim to achieve full internal alignment of the Serbian national legislation with the EU acquisby the end of 2018, taking into consideration the requirements and dynamics of the EU accession negotiations. In addition to the legislative measures, the National Programme for the Adoption of the Acquiswill also define the necessary institutional and financial preconditions for their implementation.

10. The progress Serbia made towards the free movement of its citizens in the Schengen countries is of equal importance. Visa facilitation and readmission agreements, signed in May 2007, were an important step on this journey. These were followed by the visa liberalisation dialogue, duringwhich great efforts were made towards meeting the Road Map requirements. The decision of the EU Council of Ministers of 30 November 2009 enabling Serbian citizens visa- free travel was much more than a symbolic act, for it was a strong signal of political acceptance, certainty of Serbia's European perspective and a confirmation that the fulfilment of obligations leads to progress in the integration process. In cooperation with the EU Member States and with the support of the European Commission, the Republic of Serbia makes sincere and concrete efforts to prevent any attempts to circumvent the procedures and abuse the visa-free travel regime.
11. Recognising the importance of producing a national version of the EU acquis as one of the conditions for the EU accession, the Serbian Government has set up a system for drafting the national version of the EU acquis. The translation of the European Union's primary legislation is in its final stage. So far, over 50,000 pages of European regulations have been translated into Serbian. The Republic of Serbia is ready to put its current and future results in this area at the disposal of all interested parties inthe region with a view to improving regional cooperation.
12. Serbia has been and remains fully committed to improving the cooperation in the Western Balkans, with regional cooperation as one of the key pillars of Serbia's foreign policy.

    Serbia has confirmed its commitment to regional cooperation by actively participating in the work of the numerous regional organisations and initiatives, such as: the Regional Cooperation

    Council (RCC), the EU Strategy for the Danube Region (EUSDR), the Danube Commission, the International Sava River Basin Commission, the Tisza Group, Adriatic-Ionian Initiative (AII), the Southeast European Cooperation Initiative (SECI), the Organisation of the Black Sea Economic Cooperation, the Southeast European Law Enforcement Centre(SELEC), the Southeast Europe Police Chiefs Association(SEPCA), the Migration, Asylum, Refugees Regional Initiative (MARRI), the EU Strategy for the Adriatic and Ionian Region (EUSAIR), the South-East European Cooperation Process (SEECP), the Central European Initiative(CEI), the Brdo Process and the Regional Rural Development Standing Group in South Eastern Europe(SWG RRD). Serbia is also actively participatingin aboutfifty regional initiatives, which, although autonomous, are linked to the Regional Cooperation Council. Signing the CEFTA 2006, the Energy Community Treaty and the European Common Aviation Area Agreement added to the strengthening of cooperation between the signatories.
13. Having regard to the geographical positionof the Republic of Serbia, its accession to the EU will greatly contribute to connecting the Trans-European Transport and Energy infrastructure networks. Serbia is an important transport

hub with Belgrade as a meeting point of the road, air, river and railway transport of the Southeast Europe. With Serbia's accession to the European Union the Danube will become, in its entirety, an EU inland waterway.

14. For the period of 2007-2013, under the Instrument for Pre-accession Assistance, the Republic of Serbia received various forms of financial assistance with the aim of implementing political and economic reforms, building institutional capacity, and strengthening cooperation and economic and social development. For the current financial period, Serbia has successfully managedthe IPA funds. The assistance was well directed towards aiding the alignment of the Serbian legislation with the EU acquisin order to get closer to the accession negotiations with the EU.

    Serbia has successfully completed the programming of the IPA for the period 2007-2013 worth EUR1.5 billion. Its experience in the absorption of the IPA fundshas been positive with the annual use of the IPA funds of 98%.The elements of the sectoral approach have been established and the transfer of responsibilities to the Serbian authorities for decentralised management of the IPA funds is expected.The Republic of Serbia has accepted to usethe IPA for gradual adjustment and establishment of the best European practices in the areas ofstrategic planning, good financial management and creation and implementation of various investment programmes in the domestic system as the best way to prepare the Republic of Serbia for the participation in the EU Cohesion Policy. The EU Cohesion Policy is a specific example of solidarity among the EU Member States and an important driving force of their economic recovery and convergence. After the accession, along with the co-financing from the states, the EU Cohesion Policy has a very significant share in total public investment in a country and adds considerably to the economic strengthening and realisation of common European goals.

15. Unlike the previous EU candidates negotiatingthe EU accession, the Republicof Serbia is in a specific situation. In good faith and wishing to find sustainable and long-term solutions, and notwithstanding the complexity of the challenge it is facing, Serbia participates in a high-level dialogue with Pristina that is facilitated by the High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton. Since 19 October 2012 when the first dialogues at the highest political level were held, there have been 20 meetings. The most significant achievement is the First Agreement of Principles Governing the Normalisation of Relations between Belgrade and Pristina, which was signed in Brussels on 19 April 2013. With the facilitation ofthe High Representative for Foreign Affairs and Security Policy, Belgrade and Pristina also agreed on the implementation plan on 22 May 2013. The application of the First Agreement of Principles Governing the Normalisation of Relations and the overall normalisation of relations between Belgrade and Pristina largely depend on the results of local elections on Kosovo and Metohia and on the establishment of a Community of Serb Municipalities in accordance with the citizens' electoral will.

Fully understanding that the EU accession process and normalisation process should run parallel and support one another, Serbia will remain entirelycommitted to the continuation of the normalisation process and its dialogue with Pristina.

16. The rule of law, judicial independence and fightingcorruption and organised crime, a comprehensive reform of the public sector, reinforcing the independence of key institutions, protection and strengthening the freedom of the media and respecting human and minority rights, especially the rights of vulnerable social groups, is what the Republic of Serbia aims for. By adopting the judicial reform strategy, strategies to fight corruption and prevent and protect against discrimination (June2013), strategic foundations for further strengthening of the rule of law were established, as well as guidelines to create plans, measures and activities that will translate strategically defined goals into concrete activities. Establishing high criteria and meeting them when it comes to the rule of law, as a precondition for the accession to the European Union, is a key objective of the Republic of Serbia that guarantees security and equality of all its citizens.
17. In the Republic of Serbia, there is a wide social and political consensus of all relevant political actors concerning its future membership in the European Union. The consensus is embodied in the 2004 Resolution of the National Assembly of the Republic of Serbia on the Accession of the Republic of Serbia to the European Union. It was recently reaffirmednin the Resolution of the National Assembly on the Role of the National Assembly and the Principles of Serbia's Accession Negotiationsin December2013.
18. The Republic of Serbia fully shares the values of the European Union defined under Article 2 of the Treaty on European Union, and it fully accepts the goals of the European Union defined under Article 3 of the Treaty on the European Union. The Republic of Serbia wants to be an active and a constructive Member State whose actions will contribute to the realisation of the goals and values that the EU is based upon.
19. Serbia's national and cultural identity is a part of the common European cultural heritage and the EU, based on the motto "United in diversity". The use of the Serbian language as one of the official languages of the European Union and the Cyrillic script as one of the official scripts of the European Union will add to the broadening of the cultural richness and develop diversity that the European Union rightfully fosters, and to the preservation of the national identity of the Serbian people and the Republic of Serbia as a future EU Member State. Serbia also fosters common European values. As a state which has over twenty national minorities in the population of its citizens, Serbia fully encourages the culture of respecting diversity, equality and partnership among states and advocates preservation of cultural identities, languages and traditions of all nations.
20. In the accession negotiations, the Republic of Serbia will strive to ensure that its political, economic and financial position as an EU Member State is proportionate tothe EU Member States of the similar size.
21. The Republic of Serbia is well aware that the internal market is a cornerstone of the European Union. Serbia will continue to harmonise its legislation with the

acquis communautairewith a view to removing obstacles to the free movement of goods, workers, services and capital.

22. In framework of the accessionmprocess, the most important objective of Serbia's economic policy is to strengthen the competitiveness of its economy with a view to strengthening the capacity to cope with the competitive pressure on the single market and reduction of unemployment by creatingnew job posts.

    Therefore, we expect that the outcome of the negotiations will provide conditions for the stable financial and macroeconomic environment and a competitive market economy with the strong industrial and agricultural sector.

23. Serbia will negotiate its accession to the EU bearing in mind the need to improve social and economic cohesion with a view of reducing the regional disparities and developing underdeveloped regions, which are also the objectives of the Union's Cohesion Policy.

24. The Republic of Serbia shares the objectives of the Economic and Monetary Union (EMU) and will continue to take further steps to harmonise its monetary and fiscal policy with the policy of the European Union in order to reachthe EMU goals.

    After meeting the Maastricht Criteria, Serbia will be ready to take part in the Economic and Monetary Union.

25. The Republic of Serbia accepts the EU acquis in the area of justice, freedom and security. In this context, the Republic of Serbia intends to fully contribute to the efforts of the EU in fighting organised crime, drug trafficking, money laundering, illegal migrations and illegal employment. We are aware that until the accession to the EU of other countries of the Western Balkans the Republic of Serbia will make part of the external border of the European Union, and we are ready to provide the efficient functioning of that border.

26. The Republic of Serbia shares the goals of the Common Foreign and Security Policy of the European Union. It is dedicated to intensive cooperationwith the EU and it actively contributes to its implementation. Serbia's contribution in the field of foreign and security policy of the EU reflects in supporting declarations and other international acts of the EU in this area.

27. Through its participation in the missions under the EU's Common Security and Defence Policy, the Republic of Serbia contributes to the international peace and security and to promoting the stability in the crisis areas. Serbia and the EU entered into two important agreements in 2011: an agreement on Serbia's participation in the EU missions and an agreement on the exchange of classified data with the EU institutions (both entered into force on 1 August 2012). These agreements allow for the engagement of our military and civilian representatives in the EU operations and for the exchange of classified data with the EU institutions. Serbia is currently involved in the EU missions in Somalia, Uganda and in the naval Operation ATALANTA, and it will soon join the EU mission in Mali. On 13 December 2013, Serbia signed the Administrative Arrangement with the European Defence Agency (EDA) that enables closer cooperation with

the EU in the area of defence industry by including the Serbian Ministry of Defence in the EDA projects and programmes.

28. The aim of the accession negotiations is the membership of the Republic of Serbia in the European Union with all the rights and obligations stemming from the membership. We expect the negotiations to run smoothly and in good faith, and its results to be mutually beneficial for both Serbia and the EU. We also expect that Serbia's accession to the European Union will protect the vital interests of its citizens.
29. The Republic of Serbia has a favourable starting position in the accession negotiations bearing in mind that it has started organised Approximation of its legislation with the EU acquis as far back as 2004. Meeting its IA and SSA obligations, implementing the 2008-2012 National Program for Integration of the Republic of Serbia into the European Unionand the 2013-2016 National Programme for the Adoption of the EU acquis, Serbia has largely aligned its legislation with the EU acquis.
30. Over the course of the accession negotiations Serbia will ask for transition periods for those sectors where, at the moment of its accession to the European Union, full approximation and implementation of obligations pertaining to the EU membership will not be possible. These periods will be of limited duration and scope and they will be accompanied by plans with clearly defined phases for the fulfilment of membership obligations.
31. Fully understanding the new methodology of conducting accession negotiations laid down in Chapters 23, 24 и 35, and the importance of these chapters for the dynamics of negotiations, the Republic of Serbia will pay special attention to the approximationwith the acquis and international standards, and to the application of the agreements reached in the following areas:

1) Agriculture and rural development

Serbia's strategic goal in the field of agriculture is to increase the competitiveness of agricultural production for Serbian agriculture so that it makesa transition from being a base of raw-materials to being a modern sector producing high-quality agricultural and food products that will find their place on the European market and be recognised for their quality and geographical origin.

We will strive forthe results of negotiations to bring the same benefits for our farmers as those enjoyed by the farmers in other Member States participatingin the Common Agricultural Policy. At the same time, we will work on capacity building at all levels of decision-making and implementation of the Union's Common Agricultural Policyto be an equal partner in its creation and implementation.

2) Environmental protection and climate change

Environmental protection is acknowledged as one of the most demanding and the most complex chapters when it commes to approximation of legislation,

investments needed and adopting technologiesnecesary to reach EU standards. In addition to the Alignment of national legislation in this area with the EU standards, setting up and enforcement of the institutional system, when it comes to the infrastructure in the field of environment the priorities will be to establish the system of was the management,improve air quality, water management and water protection, nature protection, industrial pollution prevention and controland chemicals management.

Among priorities in this area are also activities concerning the fight against climate change.

3) Energy

The Draft Energy Sector Development Strategy of the Republic of Serbia by 2025 with Projections by 2030, adopted on 3 January 2014, introduces new priorities and development directions of the energy policy such as to ensure energy safety and develop the energymarket, and envisages an overall transition to sustainable energy.

Strategic directions of the Serbian energy sectordevelopment are reflected in the use of own resources, especially renewable sources of energy, enhanced energy efficiency,establishment of a budget fund for energy efficiency,launching of big infrastructure projects and opening the market of electric energy and gas.

4) Cohesion policy

Chapter 22,Regional Policy and Coordination of Structural Instruments, is essentially a country's development policy after Joining the EU (the so-called Cohesion Policy) implemented with the help of the Structural Funds and the Cohesion Fund. Fully Understanding the nature of the requirements of the Union's Cohesion Policy, preparations for this chapter will be intensive and complex and directed towards the establishment of appropriate institutional framework, strategic planning, public procurement, financial control.

Successful programming of IPA 2007-2013 and a high level of absorption of funds as well as the expected transfer of responsibilities for the management of IPA funds demonstrate thatSerbia is preparing well for Chapter 22. Republic of Serbia is also committed to better and constant building of the institutional and programme framework necessary for the efficient management of the Structural Funds and the Cohesion Fund,which will require intensive and committed cooperation with the EU.

5) Industry

The main strategic direction in this area focuses on the corporatisation of management of public enterprises and continued restructuring and privatisation process. In order to create a safe, stable and efficient business environment and

establish a legal framework for investment, a continued process of harmonisation with the EU standards in thisarea is required.

The emphasis will be on alleviating the levy on personal income and on creating favourable business conditions, primarily forsmall and medium enterprises.

6) Transport

The Republic of Serbia follows the Transport Policy of the EU and is preparing for an overall improvement of its transport marketoperation by removing the main transport barriers, improving safety and protecting the environment.

Therefore, Serbia's strategic direction in this area focuses on the liberalisation of rail transport market, creation of the quality surrounding for road operators and general enhancement of the multimodal transport capacity. Republic of Serbia will continue to realise projects and objectives defined under the General Master Plan for Transport in Serbia, which is in line with the White Paper on European transport, with a view to making the main transport axes in Serbia part of the Trans-European Transport Network.

32. Endorsing the 2003 Thessaloniki conclusions of the European Council, the Republic of Serbia fully accepts and supports the principle of individual progress as a basis of the accession process. The Republic of Serbia is aware that the duration of the negotiations will largely depend on its readiness to fully respect the EU membership obligations and therefore intends to be fully prepared to become the member of the European Union. In the European Commission's opinion of 2011 it is stated that Serbia has made considerable progress towards fulfilling the political criteria concerning the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of the rights of minorities, as well as the conditions of the Stabilisation and Association Process, stating that Serbia's constitutional, legislative and institutional framework generally corresponds to European and international standards. Commission stated thatSerbia will be in a position to take on the obligations of membership in the medium term (i.e. five years) in nearly all fields of acquis, provided that the approximationprocess continues and that further efforts are made to ensure the implementation and enforcement of legislation.
33. Considering all of the above, our aim is for the Republic of Serbia to be fully prepared to take on the obligations of the EU membership by the end of 2018 in order to become the EU Member State at the beginning of the next EU budgetary period.
34. The accession negotiations and Serbia's progress in this process will be regularly monitored by the National Assembly of the Republic of Serbia, as defined in the Resolution of the National Assembly on the Role of the National Assembly and the Principles of Serbia's Accession Negotiations of 2013. Civil society organisations will have a special role in the accession negotiations. In this way the process will get full legitimacy and it will be come the ownership of all citizens of the Republic of Serbia.

35. Upon the signing of the Accession Treaty between the Republic of Serbia and the European Union, the final decision on the accession of the Republic of Serbia to the European Union will be made by the citizens of the Republic of Serbia at the referendum.
36. We believe that the accession negotiations that we are opening today are of historic importance for the relations between the Republic of Serbia and the European Union, and that the enlargement process itself is of utmost importance for the EU Member States as well as for Serbia.

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Vukasović, V. (2005). Ugovor o Zajednici za energiju zemalja Jugoistočne Evrope i Evropske unije [The Treaty on the Energy Community in South East Europe and European Union]. *Evropsko zakonodavstvo, 14*, 25–37.

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