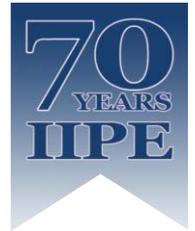


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THE REVIEW OF INTERNATIONAL AFFAIRS

BELGRADE, VOL. LXVIII, No. 1168, OCTOBER–DECEMBER 2017



INTERNATIONAL ECONOMICS

*Nataša STANOJEVIĆ,
Mahmoud MASADEH*

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Ivan DUJIĆ

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CONSEQUENCES FOR INTERNATIONAL RELATIONS
IN EUROPE AND GLOBALISATION AFTER BREXIT

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Contents

A WORD FROM THE EDITOR 5

INTERNATIONAL ECONOMICS

Nataša STANOJEVIĆ, Mahmoud MASADEH,
THE ADVANTAGES AND CHALLENGES
OF JAPANESE MEMBERSHIP IN THE TRANS-PACIFIC PARTNERSHIP 7

Slavica STAMENIĆ, Mitko ARNAUDOV
CHALLENGES FOR NAFTA:
RENEGOTIATION OR DISINTEGRATION 23

Katarina ZAKIĆ, Bojan RADIŠIĆ
THE RESULTS AND CHALLENGES OF CHINESE
“GO GLOBAL” POLICY 36

INTERNATIONAL RELATIONS

Vladimir TRAPARA
DOES TRUMP HAVE A GRAND STRATEGY? 56

Jelena VUKOVIĆ
MIGRATIONS AND MULTICULTURALISM
– THE FUTURE OF ETHNIC POLITICS IN EUROPE 71

Ivan DUJIĆ
THE UK AT A CROSSROADS: RE-PUZZLING OVER
THE FUNCTIONING OF INTERNATIONAL RELATIONS
IN EUROPE AND GLOBALISATION AFTER BREXIT 86

INTERNATIONAL LAW

Jelica GORDANIĆ

STRENGTHENING THE INSTITUTIONAL MEMORY
OF THE OFFICE OF THE PRESIDENT OF THE GENERAL ASSEMBLY 102

AMBASSADORS FORUM

PEACE, STABILITY AND DEVELOPMENT:
GOALS OF THE ALGERIAN REGIONAL DIPLOMACY,
H.E. Mr. Abdelhamid CHEBCHOUB Ambassador of Algeria 117

BOOK REVIEWS

Deepshikha Shahi: UNDERSTANDING POST-9/11 AFGHANISTAN:
A CRITICAL INSIGHT INTO HUNTINGTON'S CIVILIZATIONAL
APPROACH, *Nevena ARSIĆ* 125

PUBLIC POLICY CHALLENGES – EUROPEAN AND REGIONAL
DIMENSIONS, *Jelica GORDANIĆ, Dragana DABIĆ* 127

A word from the Editor

Welcome to the fourth issue in 2017 of the journal Review of International Affairs. I would like to address the readers with a few notes. This year is significant for both the journal and the Institute of International Politics and Economics (IIPE) as a journal publisher. I want to commend a fact that the journal has entered the ERIH PLUS, and also to point out the fact that IIPE marks 70 years of existence.

The Institute of International Politics and Economics was founded in 1947 in Belgrade and is one of the oldest institutes of its kind in the Balkans. Up to the present day, research in the fields of political, economic and law sciences have been at the core of its activities. IIPE has a rich research tradition, very fruitful scientific and publishing activities, and so far, has published over 500 books, monographs, proceedings and documentation papers. This year, IIPE is celebrating the 70th Jubilee of work.

The journal Review of International Affairs is dedicated to international legal, economic, political and security relations. Established in 1950, the Review of International Affairs is one of the oldest and best-known periodicals in the Balkans that covers research in International Relations. Earlier, the journal was published in Serbo-Croatian, French, Spanish, German and Russian language (Međunarodna politika, Revue de politique internationale, Política internacional, Internationale Politik, Meždunarodnaja politika). Then, for a certain period of time, the journal was published bilingually, and finally in 2009 it grew into two separate scientific journals: the Review of international affairs and Međunarodna politika. The Review of International affairs is the leading journal of national importance, classified M51, according to the classification by the Ministry of Education, Science and Technological Development of the Republic of Serbia. For the quality of the published works, we are particularly grateful to the authors and reviewers who perform this difficult task in a quality and conscientious manner.

In the year of IIPE anniversary, the Review of International affairs has been approved for inclusion in the ERIH PLUS (European Reference Index for the Humanities and Social Sciences) <http://erihplus.nsd.no/>

I would like to wish you success in your future work and I invite you to publish your works in our journal.

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Sanja Jelisavac Trošić, Ph.D.

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Original Scientific Paper

THE ADVANTAGES AND CHALLENGES OF JAPANESE MEMBERSHIP IN THE TRANS-PACIFIC PARTNERSHIP

Nataša STANOJEVIĆ¹
Mahmoud MASADEH²

Abstract: Joining of Japan to the Trans-Pacific Partnership has attracted the attention and launched controversy in the Japanese and international community. The essence of the disagreement is a question whether the membership in this wide integration will provide more benefits or disadvantages to the highly developed, but also highly protected Japanese economy.

The advantages of joining of Japan to the TPP have been identified using two basic quantitative tools: the *real effective exchange rate*, which suggests the potential export markets, relying on its purchasing power, and second, the *coefficient of conformity* to calculate structural adjustment between the Japanese export and the import of the suggested markets. The results of both analyses, like a previous analysis of other authors and institutions, show a great opportunity for Japanese industry.

Some of the expected challenges for Japanese economy are also analysed, especially the danger of excessive opening of some of the most protected sectors of the Japanese economy and weak agriculture facing strong competition from other members.

This paper shows the sidedness and simplification of both kinds of previous assessment about “great” perspective of Japanese industry, but also of the “collapse” of Japanese agriculture.

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Second, the same results of the research show that, in the light of the recent abandonment of Partnership by new American President Donald Trump, Japan found itself in an unenviable position. Further implementation of the Agreement can have only harmful consequences on the Japanese economy.

Key words: Trans-Pacific Partnership, Japan, tariffs, agriculture, industry.

JEL codes: F15, F17

INTRODUCTION

The Trans-Pacific Partnership (TPP) has its origins in a trade agreement established in 2006 between Singapore, New Zealand, Chile, and Brunei. Seeing the potential gains of a rule-based international order in Asia, the United States, Australia, Peru and Vietnam joined the negotiations in March 2010. They were followed by Malaysia, Mexico, Canada, and finally, Japan which began the talks on participating in the TPP with other countries in 2011 and formally joined the negotiations in July 2013.

In October 2015, twelve participating countries reached an agreement and the TPP Agreement was signed on 4th February 2016. Today the Trans-Pacific Partnership is the largest existing free-trade area, bigger than the European Union, with around 40% of the world GDP.

Like other trade deals, the Trans-Pacific Partnership implies a significant reduction of tariffs and other barriers between the member countries. The Preamble of TPP Agreement states that "the Parties resolving to establish a comprehensive regional agreement that promotes economic integration to liberalize trade and investment, economic growth and bring social benefits, create new opportunities for workers and businesses, contribute to raising living standard, benefits consumers, reduce poverty and promote sustainable growth." Simply said, the objective of Trans-Pacific Partnership is relaxing regulations for foreign companies entering the partners' markets. Each member country, including Japan, expects that the membership will provide the new opportunities to their companies.

The most important goal is to identify potential markets and domestic products which can increase Japanese export as a result of opening the markets of TPP members. This will be calculated by two standard economic tools: competitiveness indicator and coefficient of conformity.

The general opinion is that trade liberalization would deepen the gap between its "winning" and "losing" industries. The benefits can be expected from eased export regulations and the rise in domestic production of automobiles, electronic, optical and photo equipment, steel products could be expected.

However, Japanese economic activities are weak, uncompetitive and overprotected. One example is agriculture. When it comes to farm products, the increase in import and devastation of domestic production is expected.

The potential advantages and challenges of eliminating tariffs and tariff-rate quotas in Japan and other TPP members will be assessed. The aim of this research is not just to investigate and describe the potential benefits and disadvantages of Japanese membership in TPP, but to show sidedness and simplification of both perceptions.

Further, following a decision of the new president of USA Donald Trump, from January 23, 2017 to leave the TPP (just one month after the adoption of the resolution on joining the TPP in the Japanese parliament), the second aim of this research is to assess whether there are still reasons for Japan's membership in the Partnership.

PREVIOUS ASSESSMENT OF EFFECTS OF JAPANESE MEMBERSHIP IN TPP

According to the Japanese government forecast, the participation of Japan in the TPP will increase the growth of GDP by 0.66% (Cabinet Secretariat, 2013). The assessment is based on a standard equilibrium model and includes direct impacts of lowering or removal of trade and investment barriers. The positive effects, such an increase of export of favourite Japanese industries (around 6 trillion yen), a possible growth of import in weak parts of the Japanese economy, particularly agriculture, and decrease of agriculture production for 3 trillion yen, is calculated.

In one of the significant researches of the TPP effect on the Japanese economy, Lee and Itakura (2014) used a dynamic general equilibrium model, similar to a standard general equilibrium used by the Japanese government. The difference between the static and dynamic general equilibrium model is in the inclusion of ownership and international capital mobility in the dynamic model. In this way “it captures important FTA effects on investment and wealth that are missed by a static model” (Lee and Itakura, 2014, p. 4). The results are similar. These authors estimated the income gains to be 0.8 percent.

Kawasaki K. (2011) has also got similar results of 0.8% of Japanese GDP growth. “Trade liberalization would not boost the economy by around 1% each year, and its effects should not be overestimated.”

Some other researchers are more optimistic. Petri and Plummer (2012) included some other factors such an inward investment and improving services productivity in their model. They estimate that Japan's GDP in 2020 will be about 2% bigger if Japan participates in the TPP (Petri and Plummer, 2012, p. 80).

All of the authors mentioned ignore the exchange-rate impact. The absence of exchange-rate in many actual researches is noticed only by Kawasaki (2011) who said: “Furthermore, with regard to effects on prices, the impact of exchange-rate fluctuations is probably larger than that of the removal of tariffs.”

Therefore, we will use the standard economic tools, such a *competitiveness indicator* for eliminating too uncompetitive economies like potential markets for Japanese products, and *coefficient of conformity*, which will show the compatibility between the export of Japan and the import of other TPP member countries.

ASSESSMENT OF JAPANESE ADVANTAGES OF TPP MEMBERSHIP

One of the basic tools for assessing a potential export of one country to another is the competitiveness indicator - the ratio of currency of potential trading partners (the real effective exchange rate). The competitiveness indicator will give us a preliminary assessment about a potential export of Japan to other members of TPP. Since the other members of TPP will also deregulate and open their economies, it is necessary first to separate “rich” from “poor” economies from the perspective of Japan and, in fact, to assess their capacities for import of Japanese products. If some TPP member countries have extremely lower value of currency than Japanese yen, they will be left out from further research.

The real effective exchange rate as one of the basic competitiveness indicators is calculated using the following formula:

$$q = E \times P / P^* \quad (1)$$

where:

q = real effective exchange rate

E = nominal effective exchange rate (currencies per unit of JPY in December 2016)

P = index of domestic prices in Japan

P* = index of foreign prices

The expected results are strong competitiveness of Japan in economies with higher purchasing power: Brunei, with the highest income per capita among the TPP members, followed by the USA, Australia and Canada. The other members have a weaker performance per capita than Japan, but that does not necessarily show weak competitiveness in these markets because it is highly dependable on the nominal exchange rate.

The real effective exchange rate is already given in the World Bank Database, but we cannot use it for two reasons. First, there are no data for three out of the twelve member countries of TPP: Vietnam, Peru and Brunei. Second, the latest

data in the WB Basis are related to 2014, and as we see later, the currency of some members, including Japanese yen, was significantly decreasing, with the TPP negotiations coming to an end.

A price level is the average of current prices across the entire spectrum of goods and services produced in the economy. The most common price level index is the Consumer Price Index (CPI), but in this case, maybe a more appropriate (but not too different) is the *Producer Price Index*- the average change in the price of goods and services sold by manufacturers and producers in the wholesale market. It will be used during the last quarter of 2016.

The results of competitiveness indicator (given in table 1) are partly unexpected.

Table 1. The real effective exchange rate of Japan and other members of TPP

Country	E	P	P*	RER
Australia	0.012	99.5	106.1	0.011
Canada	0.012	99.5	109.1	0.011
Malaysia	0.037	99.5	99.6	0.037
Mexico	0.161	99.5	105.8	0.151
Peru	0.031	99.5	104.10	0.030
US	0.009	99.5	109.6	0.008
Vietnam	208	99.5	99.3	208.419
Chile	6.19	99.5	109.8	5.609
Brunei	0.013	99.5	103.2	0.013
Singapore	0.013	99.5	71.4	0.018
New Zealand	0.013	99.5	103.7	0.012

Source: Author's calculation based on Trading economics for P and P*

The expected results are that Japanese goods are not competitive in the market of Vietnam and Chile due to their weak economies and therefore a low value of their currency (Vietnamese Dong - VND and Chilean peso – CLP). The expected results are also the competitiveness of Japan in economies with higher purchasing power: Brunei, the USA, Australia and Canada. But, Japanese competitiveness in Malaysia, Peru, New Zealand, and even in Mexico is really surprising. The explanation is (again) in undervalued Japanese yen.

So, the real effective exchange rate suggests Japanese competitiveness in the markets of New Zealand, the USA, Brunei, Singapore, Malaysia, Canada, Mexico

and Peru. These nine economies will be taken for further analysis. The remaining two will not be analyzed in this part of research because of extremely lower real effective exchange rate and low competitiveness of Japan in these markets. Economies of Vietnam and Chile have a great advantage over Japan because of the significantly lower price. These economies will appear rather as an exporter to Japan, and a serious threat to Japanese producers.

Using the competitiveness indicator, we find WHERE Japan has a chance to increase its export, but it is not enough for a successful trading strategy. It is necessary to find WHAT Japan can export to each of the selected countries. The next analysis relates to the structural compatibility of Japanese export with the import demand of the selected nine members of TPP. That could be explained by a classical statistical economic apparatus, using a *coefficient of conformity* (CC), which is calculated according to the following formula:

$$CC = \frac{\sum_{i=1}^n X_i M_i}{\sqrt{(\sum_{i=1}^n X_i X_i)(\sum_{i=1}^n M_i M_i)}} \quad (2)$$

where:

X is exports,

M is imports,

i shows different product groups.

The coefficient of conformity of Japanese export will be applied on nine TPP members, marked as targets for increasing export. But, the calculation of export potential for the all Japanese goods in these countries is too extensive and useless. Instead, the focus will be on five most important export products of Japanese industry, which already have a significant advantage and a special place in the world market. This product group is the only one that is expected. This is the only group likely to increase the export to the selected TPP members.

We defined these groups of products on the basis of UN Comtrade data on the export of particular products, and by calculating its share in overall Japanese export. Table 2 shows only the average value since the complete data on the value and share of import of selected goods in the TPP partners in the 2012-2015 period will be given in Annex 1.

Table 2. Share of the key Japan export commodities in overall export (%)

Year	HS 87	HS 85	HS 90	HS 72, HS 73	HS 89
2012	20.390	15.745	6.799	6.883	2.784
2013	20.773	15.119	6.584	6.823	2.151
2014	20.648	15.053	6.904	6.727	1.871
2015	21.447	15.271	6.821	6.043	1.825

Source: Author calculation based on UNCOMTRADE database

Legend

HS 90 - Optical, photo, medical apparatus

HS 87 - Vehicles other than railway, tramway

HS 72 - Iron and steel

HS 73- its` articles

HS 85 - Electrical, electronic equipment HS 89 - Ships, boats and other floating structures

The most competitive and the most developed Japanese industries, measured by its share in overall Japanese export are the following: vehicles industry, electronic equipment and machine production, optical, photo and medical apparatus, iron and steel products, and ships and boats industry. The significant advantage of the chapter of the Agreement allows buying more parts from Asia, even from non-TPP members. Japan expects benefits for its auto-industry, buying cheaper parts from countries such as China, and then selling vehicles with reduced tariffs to the markets such as the U.S.

On the basis of these data, the *coefficient of conformity* for every of five selected types of goods in every of nine potential export partners in the TPP will be calculated. Theoretically, the value of the coefficient of conformity is in the 0-1 range, where the value closer to 1 signifies the higher structural similarity between the export of the one country and import of another country. In other words, the higher the values of the conformity coefficient, the more compatible the export/import structures of the two countries will be.

Table 3. Contribution of selected commodities to the CC between Japanese exports and TPP member-countries

	HS 87	HS 85	HS 90	HS 72,HS 73	HS 89
Australia	0.9935	1.0000	0.9989	0.9990	0.9376
Brunei	0.9996	0.9914	0.9886	0.9715	0.5974
Canada	1.0000	0.9998	0.9997	0.9972	0.9866
Malaysia	0.9983	0.9998	0.9977	0.9950	0.9635
Mexico	0.9998	0.9999	0.9985	0.9966	0.8894
New Zealand	0.9979	0.9994	0.9999	0.9999	0.9335
Peru	0.9943	0.9970	0.9985	0.9981	0.9222
Singapore	0.9981	0.9998	0.9993	0.9999	0.8072
USA	0.9991	0.9995	0.9997	0.9980	0.9743
Average	0.9978	0.9985	0.9979	0.9950	0.8902

Source: Author calculation based on the UN COMTRADE data

As it is expected, the most important industries of Japan show an extremely high structural similarity between Japanese export and other members' import. When it comes to cars, electronics, optical and photo equipment and iron and steel, the coefficient of conformity is almost 1, which is the highest possible value. The production of ships and boats alone has a slightly lower value of CC, amounting 0.89, which is also very high. By inclusion of the remaining two countries, Vietnam and Chile, we will probably get a similarly high value of the coefficient of conformity because these countries also have a significant import of cars and electronics, but not from Japan.

The high coefficient of conformity itself does not mean that Japan will increase export to the TPP member countries simply by joining this integration. In reality, there are some circumstances which complicate this seemingly shiny perspective of Japanese industry. Actually, international economic relations (trade and investment) between Japan and the analysed countries have specificities-some of them support, and some deny the statistical results obtained, and some are very blurry for an accurate prediction. So, Japan has to make a particular export strategy for each analysed country. Despite the high coefficient of conformity, it does not have a prospect for increasing export in all of these countries.

In the first part of the research, we have excluded Vietnam and Chile due to the elementary competitiveness indicators - the real effective exchange rate. Mexico and Peru also have relatively weak economies and the overall import. The prediction

about increasing export of Japanese relatively expensive products on these markets is not realistic.

The main specificity of trade relations between Japan with North and South America is the Japanese production at the territory of the United States. So, the coefficient of conformity shows that Japanese export perfectly matches Canada and Latin Americas` countries, it is close to the maximum of 1. But, in reality, these countries import a relatively low number of vehicles from Japan. In the case of Mexican or Peruvian import of Japanese goods, it happens across the USA, and thus is not visible in trade statistics. Let us take Mexico, for example. According to the data of the UN Comtrade, the overall value of imported vehicles in Mexico in 2015 was around 37 billion USD, but the import of vehicles from Japan was only 3.7 billion USD, or 10%. However, the import from the US was 20 billion USD, respectively more than 55%. Canada imported in 2015 cars for 67 billion USD, and 44 billion or 66% was imported from the USA.

The trade of electronics additionally reinforces the fact that Japanese products are actually not a significant part of the import of TPP countries. According to the UN Comtrade, Canada and Australia import around 55-60% of electronics from the USA and China, while the import from Japan amounts only 0.025%. It is important to point out that the coefficient of conformity of electrical and electronic equipment for Canada is 0.9998.

According to the theory, the facts we have calculated and displayed – a favourable real effective exchange rate, high value of coefficient of conformity and disproportional low value of export should be and can be interpreted as the unused potential of Japanese industry in these countries, with recommendation for Japan to find ways to increase export to them. But this would sound like a very simple conclusion.

A range of the TPP agreement in the respect of promoting Japanese industry is quite limited.

First, the main target of Japanese industry is the U.S. and Canada, but its tariffs on electronics, cars and automobile parts were relatively low and before the TPP agreement, so further lowering of customs cannot provide a significant export increase. Besides, the phase-out period for the duty on cars, specified in the TPP agreement is too long (25 years in the U.S.). On the other hand, the tax on other targeted industries such as trucks, pickups and commercial vans, will remain 25% in the U.S. for the next 30 years.

The second reason for the absence of optimism for the increasing export of Japanese industry is the fact that Japanese cars are usually made in the place of demand. In the contemporary globalized, “borderless” world, as Kenichi Ohme called it, the trade statistics and consequently the most economic tools manifested many weaknesses.

When it comes to Japanese vehicles, a great deal of them that is imported from South and North America is actually the import from Japanese car companies which are based in the US - Honda, Nissan, and Toyota. Japanese FDI in the United States started an impressive growth during the 1980s and continued to increase until now. The cumulative Japan's FDI in the United States in 2013 was 342 billion USD (OII, 2014, p. 3). These were mostly investments of Japanese electronics companies and auto producers. According to official reports of these Japanese companies, about 94% of all Honda vehicles, 71% of all Toyota vehicles and 76% of Nissan vehicles sold in the U.S. were made in the U.S. That means that a certain amount of Mexican 55% and Canadian 66% import from the U.S. is actually the import of Japanese vehicles.

As we can see, the U.S. appears as a major producer in the region, but it is well known that the U.S. no longer manufactures that much at home. Even the production of foreign companies in the U.S. is a small part of the goods which American firms produce in the less developed countries and sell worldwide.

Back in 1990, in his famous books *Borderless world* and *The End of the Nation State*, Kenichi Ohme revealed that there is neither American trade deficit nor Japanese surplus in their exchange, as is commonly thought. He said: *the flows of activity measured by official trade statistics represent a tiny and steadily diminishing share of the economic linkages between the two countries. These data, remember, do not count the revenues from services, license or from goods manufactured by U.S. firm in third countries but sold in Japan, or from goods both manufactured and sold in Japan by U.S. firms* (Kenichi, 1996, p. 17). It is clear that this also applies to the opposite situation—the Japanese goods manufactured and sold in the U.S. or manufactured in the U.S. and sold to the third countries which are not included in any statistics.

Similar doubts are present in the case of Japanese export to Asian countries—Malaysia, Singapore, and Vietnam. The origin of all produced, exported and imported goods is under a question in these countries. Namely, a few countries of East and Southeast Asia besides Japan, such as China, South Korea, Singapore, Hong Kong, Taiwan, and partly Thailand, Malaysia, Philippines, are so intertwined that they make a global production chain of electric devices (TV, computers, mobile phones, etc.) and parts for those electric devices, automobile and automobile parts, including those made of iron and steel, as well as car electronics, etc. So, a lot of countries are involved in the production of goods selected as favourites of Japanese industry, and all of them have cheaper production than Japan.

However, it is not our intention to deny the advantage that provides matching Japan's exports and imports of the TPP countries, as well as the reduction of tariffs and non-tariff barriers in the context of integration. We intend only to point out the rather limited positive effect of international integration general.

THE ASSESSMENT OF JAPANESE CHALLENGES OF TPP MEMBERSHIP

The management of the Japanese economy has always been largely centralized. The close cooperation of the Government and the private industrial sector is one of the most important features of the Japanese economy.

The policy of industrialization carried out by the Japanese government has led to the emergence of excessive borrowing (the practice which continues nowadays) and which implies that the central bank has issued loans to city banks that lend to industrial conglomerates.

The government granted bank loans and import licenses to favoured industries and companies, which would protect them from foreign competition in the initial period. The aim was to improve this branch of the domestic market first, and then focus on large export activity. During this period, companies have been worried about profitability because the government stood behind their business. “Japanese companies did not care much about the share price or market confidence since they are rarely funded by selling their shares or bonds” (Krugman, 2010, p. 61) because they are funded by central bank loans.

Because of high profit of healthy and strong Japanese industries, the government had resources for keeping alive unprofitable industries. The weak parts of the Japanese economy, protected from any kind of competition, have never grown and through the decades became just more dependent on state subsidies.

The radical opening within the TPP can be a serious threat to Japanese uncompetitive industries. We should have in mind that Japan has the highest protective measures (tariff and non-tariff barriers) since the existing barriers in the US, Canada and Australian market are already quite low. So, removing all barriers is a big opportunity for the US, Canadian and Australian highly productive agricultures to take advantage of the Japanese market, with their twice cheaper agricultural products. The usual consequences (temporarily theoretical) of deregulation and elimination of subsidies are “high unemployment, declining tax income, an extensive corporate restructuring – this is not the kind of to which the Japanese system can easily adapt” (Kenichi, 1996, p. 66).

The discussions between the United States and Japan focused on trade in automobiles and car parts, seen as a Japanese advantage since manufacturing is not so important in American business, but also in insurance and other financial services and market access to agricultural goods, which are the strengths of the American economy (Congress, p. 12).

Agriculture is the most sensitive part of the Japanese economy and society. The main characteristic of Japanese agriculture is the fragmentation of landholdings (the average size of a rural possession ranges from 0.7 ha to 3.5 ha from south to

the north of the country), which is a major obstacle to productivity. The government encourages agriculture by national security, in order to have a certain degree of self-sufficiency in the supply of food. Subsidies are much higher than in other developed economies and the customs and non-tariff restrictions on the import of certain products have reached the world record.

Japan has agreed to abolish tariffs on 81% of 2,328 agricultural, forestry and fisheries imports. This is more than in any other free trade agreement concluded by Japan, but it is lower than any other participating country. Tariffs will be “abolished to 30% of imports and the five so-called *sensitive* categories (rice, wheat and barley, beef and pork, dairy products, and sugar)” (Mulgan, 2015).

Rice is the most important and most widespread agricultural product. This is also the most important food of the Japanese population. Import of rice is thus the most protected, the tariffs are extremely high (778%). Also, the import is quantitatively limited. The long history of excessive state support and protection, in addition to small plots and old population, which is typical of the entire Japanese agriculture, has resulted in the uncompetitive and poorly equipped production of rice, although intense, in comparison with other sectors of the Japanese economy and with international development. The international rice prices are about half of the domestic ones. This may force some Japanese buyers to give up the procurement of local varieties of rice. The influx of cheaper rice may lower the price of the domestic variety, and a further decline would harm the producers.

That is the reason why Japanese farmers, especially rice farmers, and their representatives argued against the TPP membership. The Japan Agricultural Cooperative (JA) organization also took the offensive. That organization claims that farmers will certainly face the competition with major exporters such as the United States (Mulgan, 2015). They believe that, in the case that Japan’s government did not put the high tariffs and other protective measures on food import, Japanese agriculture would be significantly harmed by foreign competition (Cooper, 2014, p. 12).

In contrast to the general panic and negative expectations of Japanese farmers and their organizations, the Ministry of Agriculture, Forestry and Fisheries (MAFF) concluded that there will be no significant increase in imports. That conclusion is based on the fact that Japan, during the negotiations, achieved an important advantage by lowering tariffs on agricultural products significantly less in comparison with other members. The Japanese government summarized the obligation tacked under the TPP agreement and Akira Amari, the economy minister in charge of the TPP negotiations, announced (October 20, 2015) that only about 30% of 586 sensitive (agriculture) products will become tariff-free.

In the TPP negotiations, Japan adhered to the position of not allowing the elimination of its rice tariffs, just to increase import quotas (TPP Deal, Appendix A, p. 41). The potentially higher import will be weighed with the same tariff (778%)

so, it will be uncompetitive for Japanese production like it was before joining the TPP. Safeguard measures are predicted for oranges, rice, and soya powder.

The only serious problem for Japanese farmers is the import of meat. Joining the TPP, Japan agreed to decrease the customs duty on beef imports from the current 38.5% to 27.5% in the first year after the TPP takes effect, and will then be gradually lowered to 9% (TPP Deal, Appendix B1). This is a significant reduction in customs and, according to the assessment of US Congressional Research Service (McMinimy, 2016, p. 2) “Japan is likely the leading agricultural market opportunity (for American farmers) in the TPP due to its highly-protected farm and food markets, large population, and high per capita gross domestic product.” Japan is even now a leading market in the world for U.S. wheat, beef, pork and pork product exports and second for rice export.

5. CONCLUSIONS

The “shiny” perspective of Japanese industry, the “collapse“ of agriculture, especially rice production as an “Achilles Heel” of its economy, expected in the Japanese and the world public, predicted in the majority of previous researches and proved in this one, are a bit blurred.

Speaking of weak industries, we mentioned that Japan’s tariff elimination on some vulnerable agriculture productions under the TPP is smaller than those of other members. Just about 30% of sensitive products will become tariff-free. Additionally, in the TPP negotiations about the trade status of rice, as more important Japanese crop, food, and a source of great social turmoil and protests, Japan has succeeded in requesting a huge advantage of not allowing the elimination of its rice world record customs duties, just a slight increase in import quotas. Japan provided relatively high protection to other important agricultural products, so it is not realistic to expect any agricultural disasters.

Despite the results of many statistical analyses using dynamic and standard general equilibrium, and two different statistical analyses in this research, it is not realistic to expect that the Japanese industry will become significantly more competitive in the market of developed TPP members just because of certain tariff reductions in these countries. The all cited and calculated statistical analyses are correct, but this can be used just as an indicator for potential export markets and products, and not as a solution or a conclusion.

There are a few economic and non-economic factors which undermine the assumptions.

First, in the contemporary globalized world, because of the “borderless” production, the trade statistics show many weaknesses in the reality of every open world economy. The benefit of Japanese membership in the TPP is not the

inevitability, which would have been the case earlier, before the process of globalization that has led to almost erased borders in economic activity. Today, the majority of Japanese products of the automobile, electronic and steel industry, which are sold in other TPP member countries, are not exported but produced on the territory of demand country or in the third countries. That is the reason why lowering already low customs duties in the USA, Canada, Australia, does not have a special significance.

Second, as a compensation for a special treatment of its weak parts of the economy, Japan will remove tariffs to almost all of its “strong” industrial products imported from the TPP nations. Additionally, there is one more disadvantage for the Japanese automobile industry. It has increased quotas for import of American automobiles, which means that all the potential benefits in this industry will be probably annulled.

In fact, it is more realistic to expect the advantage of non-member countries in the production chain of East and Southeast Asia, which will sell their semi-products and various parts to the TPP market over Malaysia, Singapore and Vietnam more easily.

As we have shown, the economic benefits of Japanese TPP membership are modest and involve many risks. But, it is not our intention to argue that Japan entered the Trans-Pacific Partnership carelessly without any benefits. The Japanese government is never careless, and it joined the TPP after years of doubt, planning, making strategies, and struggles with internal resistance. Judging by the measures undertaken (devaluation of yen, agreements with non-member countries in the region, introducing Japanese technology in the value chain out of the region and the TPP group, etc.), the Japanese government is perfectly aware of the potential losses that some weaker sectors of agriculture will suffer. It is probably also aware that the economic benefits for Japanese favourite industries are not so significant.

The only explanation of Japanese joining to the TPP is that its motivation is not just economic by its nature. The great importance of the Trans-Pacific Partnership lies more in its strategic potential than in trade liberalization. A great Japanese problem, but also American, is a growing China’s economic and security role in the Asian-Pacific region for more than 20 years, significantly degrading Japanese and American regional leadership role. The Japanese government gave a priority to strengthening relations and the security alliance with the USA.

Following the decision of the new US President Donald Trump to give up on the TPP membership, Japan stays without the only promised advantage – a potential expansion to the highly attractive American market. On the other hand, the risks of “opening” of agriculture as the weakest sector, will not disappear, due to the stronger competition of all other member countries.

In light of the abandonment of the Trans-Pacific integration by the USA, it can be said that the further implementation of the TPP agreement could have disastrous consequences for the Japanese economy.

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PREDNOSTI I IZAZOVI JAPANSKOG ČLANSTVA U TRANS-PACIFIKOM PARTNERSTVU

Apstrakt: Pridruživanje Japana Trans-pacifičkom partnerstvu (TPP) privuklo je pažnju i pokrenulo brojne kontroverze u japanskoj ali i međunarodnoj zajednici. Okosnica neslaganja je pitanje da li pridruživanje ovoj širokoj međunarodnoj integraciji donosi više koristi ili šteta visoko razvijenoj, ali i veoma zaštićenoj japanskoj privredi.

Prednosti ulaska Japana u TPP su identifikovane korišćenjem dva osnovna kvantitativna alata: realni efektivni kurs, koji predlaže potencijalna izvozna tržišta, oslanjajući se na kupovnu moć, i drugo, koeficijent podudarnosti, kojim se izračunava strukturna usaglašenost japanskog izvoza sa uvozom predloženih tržišta. Rezultati obe analize, kao i prethodnih istraživanja drugih autora i institucija, ukazuju na značajne mogućnosti za napredovanje japanske industrije.

Takođe su analizirani neki od očekivanih izazova za japansku privredu, naročito opasnost od prekomernog otvaranja nekih od najzaštićenijih sektora japanske ekonomije i slabe poljoprivrede, koje bi se suočile sa snažnom konkurencijom drugih članica TPP.

Ovaj rad ukazuje na jednostranost i pojednostavljenje prethodnih procena o „sjajnoj” perspektivi japanske industrije, ali i „kolapsu” japanske poljoprivrede.

Drugo, isti rezultati istraživanja pokazuju da se, u svetlu nedavnog napuštanja Partnerstva od strane novog američkog predsednika Donalda Trampa, Japan našao u nezavidnom položaju. Dalja primena Sporazuma može imati samo štetne posledice na japansku ekonomiju.

Ključne reči: Trans-pacifičko partnerstvo, Japan, carine, poljoprivreda, industrija.

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CHALLENGES FOR NAFTA: RENEGOTIATION OR DISINTEGRATION

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Abstract: Economic cooperation and integration on regional level represent a very attractive phenomenon in the period after World War II. The first examples of such integration we can notice on the European continent between states of the western European hemisphere. If we analyze from the economic point of view, we can draw a conclusion that cooperation between states which are geographically closer is always productive and fulfilled with positive effects for all parties. The North American Free Trade Agreement also represents an example whose main objective was deepening and widening the economic cooperation between the USA, Canada and Mexico. This article represents discussion on the topic of justification of the U.S. President Donald Trump decision to renegotiate NAFTA. It stresses the problem with the equality in free market trade. Although the idea of eliminating trade barriers between aforementioned neighbouring countries should have only positive results, this example of trade liberalization also showed negative impacts. It is primarily because it was not equally accepted and implemented by all partners, during 23 years, but also because of differences in the level of economic development and wage divergence between countries signatories. The authors concluded that there is no doubt that NAFTA should be renegotiated, but it should be transparent and in accordance with a common interest for all three member states.

Key words: North American Free Trade Agreement, NAFTA, international trade, renegotiation

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INTRODUCTION

NAFTA represents an acronym for the North American Free Trade Agreement, i.e. a treaty between the United States, Canada and Mexico, whose implementation started in 1994 and which is still the world's largest free trade agreement. Although it had been promised that NAFTA would enhance social and economic development and reduction in international migration in all three North American partners, especially in less developed Mexico, that commitment has not been fulfilled. Even though the major econometric forecasts on NAFTA effects estimated that the benefits of the agreement would be bigger for Mexico in comparison to the other two countries (Escobar Latapi and Janseen, 2006), each country has coped with some significant disadvantages of NAFTA.

Recently, political leaders of the United States - the world's only superpower and the second largest economy, announced the start of renegotiation of this 23-year-old agreement with the aim to assure the U.S. national interests. The Trump's administration has already taken the measures not only to stop negotiations about the Transatlantic Trade and Investment Partnership (TTIP), but also to withdraw the United States from the Trans-Pacific Partnership (TPP), which still has not been ratified but ought to become the world's new largest FTA. President Donald Trump, who obviously prefers bilateral trade agreements, at the beginning of his mandate, pledged that his administration will renegotiate or even abolish NAFTA in accordance with the Article 2205 of the NAFTA agreement, justifying that initiative with an intention to protect the rights of American workers.

If the withdrawal scenario happens, it could provoke reducing the income of the largest U.S. companies in many industries where companies tend to rely on imported raw materials from Canada or Mexico, such as automotive, agricultural, and textile. Changes could potentially trigger a return to the World Trade Organization most-favored-nation tariffs which certainly would have implications on the profitability of companies primarily from the U.S. (Terino, 2017). Considering that the U.S. President, Donald Trump, promised in his presidential campaign that protectionist measures and change in the trade policy will be implemented, reforming the NAFTA agreement became one of the most controversial topics in different academic and public debates.

NAFTA THROUGH HISTORY

When the idea about NAFTA saw the light of day, it was 1980 and there were presidential elections in the United States. The then-presidential candidate, Ronald Reagan, came out with an idea of unifying North America in the terms of trade. Supporters of that idea defended it as an opportunity for fighting against the main trade competitors, such as the EU or China, and improving conditions for the

market appearance of North American countries in the global marketplace. (Amadeo, 2017) Later, President Reagan explained the idea of the creation of NAFTA trade area with the aim of making better economic perspectives for all those three countries: the United States, Canada and Mexico and soon after the negotiations started. First, the United States and Canada started bilateral negotiations about free trade and it resulted in the agreement between these two countries that was signed in 1989. Later, in 1991, the U.S. started negotiations with Mexico, and Canada later joined, so three years later, after the ratification by all three parties NAFTA entered into force.

The interesting fact about NAFTA is that it is a bipartisan agreement because it was negotiated under President George H.W. Bush and Republican Party, but signed and implemented by Democratic President Bill Clinton. The first stage of NAFTA implementation comprised eliminating of trade tariffs by the U.S. and Canada on many Mexican agricultural and automotive products and dropping the trade barriers on American and Canadian autos from 20 to 10% by Mexico. The second stage was four years after the implementation and it included eliminating tariffs on cotton and wheat produced in Mexico by the U.S., but also nullifying of export taxes on many U.S. fruits. In this stage, the U.S. and Canada mutually eliminated many remaining agricultural tariffs. The next stage was in the 2007-2008 when Canada cancelled taxes on Mexican sugar, meat and flour and Mexico nullified the remaining tariffs on cars and auto parts from Canada and the U.S. During this period, the U.S. and Mexico mutually eliminated tariffs on dairy, rice and some vegetables. Until 2008, most of the remaining trade barriers were eliminated and North American economic relations were fundamentally reshaped.

During the 2008 presidential campaign in the United States, NAFTA was blamed by President Barack Obama for growing unemployment rate in the U.S. and he had promised to renegotiate NAFTA if he became U.S. President, but he did not keep the promise during his presidential mandate. However, it is not first, but also not the last time, NAFTA was attacked during presidential campaigns. Earlier, in 1992, before the agreement was ratified, a presidential candidate Ross Perot pointed out some disadvantages of NAFTA and predicted that workers in the U.S. would be displaced by lower cost workers from Mexico. On the other side, supporters of this FTA claimed that it would create conditions for opening hundreds of thousands of new jobs, and Mexican President Salinas saw NAFTA as an opportunity to develop and modernize the economy of Mexico. The agreement represented a watershed in global trade policy, not just because of the size of the free trade area it created, but also with regard to the comprehensiveness of the agreement, which covered not just merchandise trade but also issues related to investment, labor markets, and environmental policies.

OVERVIEW OF NAFTA

As the aforementioned, the main objectives of creating NAFTA agreement were making political, legal and business conditions for trade exchange and attracting foreign direct investments in the region of North America. Article 102 of the agreement specifies seven goals that NAFTA fulfilled and justified its purpose of existence. One of the advantages of NAFTA agreement is that it grants an equal treatment to all its signatories. It is especially important for foreign direct investments because countries signatories neither can offer better conditions to domestic investors than foreign ones, nor they can give better treatment to investors from countries that are not NAFTA signatories. This agreement provides eliminating trade barriers between three countries and facilitates movement of goods and services among their borders.

Many experts estimate that NAFTA provides many benefits to the North American region. Besides positive impacts on the regional trade that increased from \$290 billion in 1993 to more than \$1.1 trillion in 2016 (Villarreal and Fergusson, 2017), NAFTA influenced cross-border investments. For instance, the U.S. foreign direct investments in Mexico increased in that period from \$15 billion to more than \$100 billion (Villarreal and Fergusson, 2017). However, some economists draw attention on other factors that also influenced this macroeconomic indicator in the same period of time such as trade expansion with China and other emerging economies and rapid technological change and internal developments of these countries (Autor, Dorn and Hanson, 2016).

Most of the NAFTA estimations agree that it had a positive impact on GDP of the U.S. but the effect was modest, i.e. less than 0.5 %, or a total addition of up to \$80 billion dollars upon full implementation. The developed economy of Canada had many benefits in the NAFTA era. The U.S. and Mexican FDI in Canada increased by three times. For example, the U.S. is the largest investor in Canada and its investments increased from \$70 billion in 1993 to over \$368 billion in 2013. Canadian exports to the U.S. increased from \$110 billion to \$346 billion, while imports from the U.S. grew reciprocally. Since Canada is the leading importer of agricultural products from the United States, their agricultural trade has tripled after 1994.

Mexican government saw both, liberalizing trade and NAFTA, as a chance to accelerate reforms to the Mexican economy. They achieved change in the country's economic model, stabilized inflation, reducing the public debt and the country's foreign reserves at a satisfying level. (García Zamora, 2014)

Thus, when it was hit by the global economic crisis in 2008 it recovered relatively quickly. Mexican farm exports to the U.S. tripled after the NAFTA implementation, hundreds of thousands of manufacturing jobs have been created and the NAFTA agreement also had a positive effect on the productivity of Mexican workers and consumer prices. (Villarreal and Fergusson, 2017)

It is not difficult to conclude that the absence of import tariffs caused decreasing prices. Considering that oil is one of the most significant factors for production and the economy, NAFTA helped the U.S. to reduce its reliance on oil imports from Venezuela and OPEC countries with a cheaper import of oil from Mexico and Canada. It resulted in reducing costs of production, so it lowered overall prices. It is important to highlight that NAFTA enhances protection of intellectual property rights and promotes conditions of fair competition. This trade agreement also establishes procedures for the resolution of trade disputes in order to protect businesses from unfair situations and facilitate to all parties the interpretation of complex rules and procedures of the NAFTA agreement. Also, NAFTA creates a framework for further regional and multilateral cooperation which expand the trade agreement benefits.

However, obviously the most noticeable thing about NAFTA is that two developed economies, such as the United States and Canada, signed a free trade agreement with Mexico which stands for a developing country. Some opponents of NAFTA agreement asserted there is a huge discrepancy between these countries, especially in terms of wage amounts, because at the moment of negotiation about NAFTA, Mexico's GDP *per capita* was about 30% of the United States. (Blecker, 2014)

Although NAFTA obviously created the largest free trade area in the world, increased trade exchange more than four times between the NAFTA members and consequently it has had a positive impact on their economic growth, GDP and foreign direct investments, NAFTA has many significant shortcomings. First of all, it provoked losing many jobs in the United States, mostly in the manufacturing industry in the states like New York, California, Texas and Michigan. Some economists assess that this caused the loss of 600,000 U.S. jobs during two decades of the NAFTA agreement. Companies had to move their factors of production, especially in the sectors such as textile, automotive, computer and electrical appliance, to cheaper destinations to lower costs and enhance competitiveness. Mexico, as a developing country with a lower living standard and a cheaper labor force, was recognized by many manufacturing companies from the U.S. and Canada as an excellent opportunity for reducing expenses and increasing competitive advantage. With offshoring not only parts of the production but also jobs in Mexico, many companies cut their costs and Mexico decreased its unemployment rate. However, it also had an impact on losing jobs or lowering wages of blue-collar workers in the U.S. and increasing the U.S. trade deficit with Mexico. Experts who support NAFTA estimated that plenty of jobs, about fourteen million, in the U.S. mostly relied on the trade relations with Mexico and Canada and that benefit from created jobs was larger than the damage from the jobs that were lost. (Hills, 2014) However, some researchers assumed that China's joining the WTO in 2001 had a bigger negative impact on jobs in the United States (Autor, Dorn and Hanson, 2016) They agree that the decline in manufacturing jobs is primarily attributable to

underlying technological changes and trade with China. (Autor, Dorn and Hanson, 2016). The aforementioned authors added that NAFTA helped the U.S. automotive sector to compete with China, because NAFTA improved competitiveness of the workforce in the U.S., increased productivity and lowered costs.

Secondly, the NAFTA agreement has had bad implication on the Mexican workforce too. They suffered exploitation in the maquiladora program which comprised that companies from the United States employ workers from Mexico near the border to transport goods that is made in Mexico to consumers in different parts of the United States. Today this program includes about one-third of the Mexican labor force and these workers had “no labor rights or health protections, they work in sub-standard conditions”. (Hufbauer and Goodrich, 2001.) When negotiations for NAFTA began it has been promised that NAFTA would help the integration of Mexico with the high-wage economies, and in accordance with it was expected to achieve the “wage convergence” between Mexican and U.S. wages and to increase the living standards in Mexico. On the contrary, poverty in Mexico remains at the same level as before NAFTA and NAFTA indirectly influenced the massive illegal migration of working-age Mexicans. Migration to the United States started to be considered an attractive life choice because real average wages of workers in Mexico have fallen below levels they were before implementing the NAFTA agreement.

Third, but not the last, the disadvantage of the NAFTA agreement is reflected in the fact that NAFTA allowed the U.S. government to subsidize farm products that it has been exporting to Mexico so it obviously resulted in putting out of business numerous Mexican farmers. This measure had a consequence of losing jobs for almost two million small rural Mexican farmers, especially those who were corn producers and were not highly subsidized such as American farmers and could not offer competitive prices for some agricultural products. (Economist, 2008.)

This also provoked floods of illegal migrations to the United States after 1994, with the peak in 2008 because of the economic downturn. In addition, we could not neglect that U.S. companies influenced the degradation of the Mexican environment intentionally to keep costs low. On the other hand, NAFTA provides protections for multinational corporations giving them rights to exploit low-wage countries and their labor force and territory for the purpose of maximizing profit.

USA ECONOMY FACTS

Despite facing challenges at the domestic level along with a rapidly transforming global landscape, the U.S. economy is still the largest and most important in the world. The U.S. economy represents about 20% of total global output and is still larger than the Chinese. (Focus Economic, 2017.) According to the numerous

analyses, a generator of the American economy represents the sector of services. The most productive and efficient sectors are technology, financial services or banking, healthcare and retail. However, one of the most important parts of American economy represents the manufacturing sector, which comprises roughly 15 percent of American output. The U.S. is the second largest manufacturer in the world and a leader in higher-value industries such as automobiles, aerospace, machinery, telecommunications and chemicals. (Focus Economic, 2017.) The United States mainly exports high-value capital goods and manufactured products, including industrial machinery, airplanes, motor vehicles and chemicals. In 2015, the U.S. exported USD 1.510 trillion in goods. (Focus Economic, 2017.) The biggest percent, around 80% of total American import is goods. Roughly 15% of these imports are in the form crude oil, fuel oil and petroleum products. (Focus Economic, 2017.)

In the years since NAFTA, the U.S. trade with its North American neighbors has more than tripled, growing more rapidly than the U.S. trade with the rest of the world. (Council on foreign relations, 2017.) However, within the American society thoughts are still separated to the effects of NAFTA. During the huge economic crisis which started in 2008, American citizens have been demanding the USA government withdrawing from this agreement. Even during the presidential campaign of the last autumn, a Republican candidate Donald Trump said that if he won the elections, he would start renegotiating of the agreement. The U.S. President Donald Trump delivered a formal notice to the Congress on May 18 that the administration will renegotiate the agreement, following a 90-day consultation period. Trump repeatedly attacked it during his campaign, promising a renegotiation and warning that if the results “aren’t satisfactory, we’re going to tear it up.” (Investopedia, 2017.)

Most estimates conclude that the deal had a modest but positive impact on U.S. GDP of less than 0.5 percent, or a total addition of up to \$80 billion dollars to the U.S. economy upon full implementation, or several billion dollars of added growth per year. (Council on foreign relations, 2017.) A 2014 PIIE study of NAFTA’s effects found that about 15,000 jobs net are lost each year due to the pact—but that for each of those jobs lost, the economy gains roughly \$450,000 in the form of higher productivity and lower consumer prices. (Council on foreign relations, 2017.)

MEXICO ECONOMY FACTS

Analyzing the case of the Mexican economy, researchers find out that it is possible unilaterally to become a part of world economic flows. Its economic output, as measured by gross domestic product was \$2.2 trillion in 2015. This was much less than its primary trading partner, the United States (\$17.9 trillion) but

larger than its other NAFTA partner, Canada (\$1.6 trillion). (The balance, 2017.) It unilaterally liberalized foreign trade and investment policies in the 1980's and then enacted NAFTA in 1994, which further reduced trade barriers and helped lock in reform by enshrining it in a multilateral treaty. (Gordon H. Hanson, 2003.) At the beginning of the 21st century this state was deeply integrated within so-called North-American economic zone. For example, in 2000 Mexico sent 88,7% percent of its domestic production to the United States market and from the other side, 73,1% of Mexican imports were from the United States. Greater openness has helped increase the share of trade in Mexico's GDP from 11.2% in 1980 to 32.2% in 2000. (Gordon H. Hanson, 2003.) Trade with the United States and Canada has tripled since the implementation of the North American Free Trade Agreement in 1994. More than 90 percent of Mexico's trade is under 12 free trade agreements with over 40 countries. (The balance, 2017.)

NAFTA gave Mexico a considerable preferential tariff advantage. There was a substantial increase in the volume of Mexican exports entering into the U.S. market duty free as the share of imports from Mexico entering duty free increased from approximately 50 percent in 1993 to more than 85 percent in 2001. (M. Ayhan Kose, Guy M. Meredith, and Christopher M. Towe, 2004.) For numerous researchers of the Mexican economy and its trends, NAFTA represents a continuation of Mexico's comprehensive market liberalization. Also, this country has continued with the internal economic reform strategies. "Mexico's trade with the NAFTA partners has increased significantly since the inception of NAFTA. For example, Mexico's exports to the United States and Canada more than doubled in dollar terms between 1993 and 2002. Mexico's trade (the sum of exports and imports) with the NAFTA partners rose from 25 percent of its GDP in 1993 to 51 percent in 2000. Mexico's trade (the sum of exports and imports) with the NAFTA partners rose from 25 percent of its GDP in 1993 to 51 percent in 2000. (M. Ayhan Kose, Guy M. Meredith, and Christopher M. Towe, 2004.) While the growth of trade has slowed down since 2000, Mexico's trade with the NAFTA partners still accounted for more than 38 percent of its GDP in 2002. Approximately 90 percent of total exports of Mexico went to the partner countries in 2002, while imports from the partner countries constituted more than 65 percent of total imports." (M. Ayhan Kose, Guy M. Meredith, and Christopher M. Towe, 2004.)

CANADA ECONOMY FACTS

Canada's economic output, as measured by gross domestic product, was \$1.67 trillion in 2016. This was just one-tenth of its primary trading partner, the United States (\$18.5 trillion) and slightly less than its other NAFTA partner, Mexico (\$2.3 trillion). (The balance, 2017.) Actual data said that the Canadian economy is moving forward and that it will provide impressive results during 2017. Because

Canadian northern half is so cold for so much of the year only 4,3 percent of its land is suitable for farming, compared to 16.9 percent of land in the United States of America, and 12.9 percent in Mexico. Canada is the 12th largest exporter in the world. It exports amounted \$402 billion in 2016. Three-fourths of this goes to the United States. Trade with the United States and Mexico has tripled since 1994, thanks to NAFTA. Canada is America's largest supplier of energy. That includes oil, gas, uranium and electric power. (The balance, 2017.)

Interesting fact about the Canadian economy represents the discovery of oil sands in Alberta. That gave it the third largest oil reserves in the world or concretely 173.1 billion barrels, which means that Canadian oil reserves fit this state behind Saudi Arabia and Venezuela. On the other hand, Canada's reliance on oil exports may throw it into a recession. That is because oil prices fell from \$100 to \$25 a barrel in 2014. (The balance, 2017.) The new Canadian Prime Minister Justin Trudeau has started his governing with liberal measures. He is planning further to stimulate the Canadian economy through 60 billion dollars in new infrastructure. This plan will increase the budget deficit, but that might be paid for taxes on marijuana which Trudeau plans to legalize. (The balance, 2017.)

Canada did enjoy a 243% real increase in FDI from the U.S. between 1993 and 2013, and real GDP per head grew faster – just barely – than its neighbors from 1993 to 2015, though it remains about 3.2% lower. (Investopedia, 2017.) Overall, NAFTA was neither devastating nor transformational for Canada's economy. Opponents of the 1988 free trade agreement had warned that Canada would become a glorified 51st state. While that did not happen, Canada did not close the productivity gap with the U.S. either: Canada's productivity per hours was 74% of the U.S.'s in 2012, according to the OECD. (David Floyd, 2017.)

CONCLUSION

From the beginning of existence of NAFTA, there were different opinions about its effects. Numerous American researchers and economists have thought that this agreement cannot bring positive implications on the American economy. They were convinced that this agreement will have a positive influence on the Canadian economy and a huge economic profit for the Mexican economy. From the beginning, critics of NAFTA were concerned the Agreement would result in U.S. jobs moving to Mexico. (Investopedia, 2017.) Between 1994 and 2010, the U.S. trade deficits with Mexico totaled \$97.2 billion. During the same period, 682,900 U.S. jobs went to Mexico. However, 116,400 of those jobs were displaced after 2007. The 2008 financial crisis could have caused them instead of NAFTA. (Kimberly Amadeo, 2017) That suppressed the wage growth. Between 1993 and 1995, 50 percent of U.S. manufacturing companies in industries that were moving to Mexico used the threat of closing the factory. By 1999, that rate grew to 65

percent. (Kate Bronfenbrenner, 2000.) Such trends, especially within economic relations between the United States of America and Mexico, lead American citizens to demonstrations and expressions of dissatisfaction. The American labor market has become determined by economic flows in Mexico. For each administration in Washington such trends were negative point during its governing.

From the other side, the Mexican economy has also had huge challenges. Thanks to NAFTA, Mexico lost 1.3 million farm jobs. The 2002 Farm Bill subsidized U.S. agribusiness by as much as 40 percent of net farm income. When NAFTA removed trade tariffs, companies exported corn and other grains to Mexico below cost. Rural Mexican farmers could not compete. (The balance, 2017.) However, considering the fact that more than a third of U.S. exports flow to Canada and Mexico, business and labor groups were watching closely to see what Trump's team would prioritize in the negotiations. Companies that export products to Canada and Mexico are wary of anything that could limit their future access to those markets. Firms that have struggled against foreign competition, as well as labor groups that have seen their members' wages undercut by foreign workers, were hoping for measures that would give them a leg up. (Ana Swanson, 2017.)

The new NAFTA objectives and a requirement to begin talks on updating the agreement contain the first specifics for the Trump's administration that has made bold promises on trade. Trump has pledged to recover factory jobs and boost wages by crafting new trade deals. Supporters note that NAFTA enabled companies to charge cheaper prices for products that range from cars to vacuum cleaners, helping many U.S. consumers. (Josh Boak, 2017.) After few months of Trump's presidential mandate seems that it is not so dangerous for sustainability of the open market.

The Trump's administration is pushing up the plan for the renegotiation of NAFTA, but in correlation with American Congress, they become aware that it is not just one step decision. Advancement and strengthening the economic ties between those three partners within NAFTA do not mean unilateral decisions and alternatives, but common, comprehensive and cohesive decisions which will allow a better economic basis for all interested sides. During the process of renegotiation, American officials should consider national interests of other two member-states in this contract, Mexico and Canada. If the U.S. officials enter into the process of renegotiation led exclusively by their own egoistic and mercantilist interests, they could face with the dissatisfaction of the other two countries and the impossibility of achieving consensus. It could consequently provoke disintegration of the NAFTA agreement which would contribute to negative economic and commercial implications to all three partners.

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IZAZOVI PRED NAFTA SPORAZUMOM: PONOVNO PREGOVARANJE ILI RASKID SPORAZUMA

Apstrakt: Ekonomska saradnja i integracija na regionalnom nivou predstavlja veoma atraktivan fenomen u periodu nakon Drugog svetskog rata. Prve primere takve integracije možemo da uočimo na evropskom kontinentu između država koje se nalaze u zapadnoj evropskoj hemisferi. Ako analiziramo sa ekonomske tačke gledišta, možemo zaključiti da je saradnja između država koje su geografski bliske uvek produktivna i ispunjena pozitivnim efektima za sve strane. Severno-Američki sporazum o slobodnoj trgovini (NAFTA) predstavlja još jedan primer čiji je glavni cilj produbljavanje i širenje ekonomske saradnje između Sjedinjenih Američkih Država, Kanade i Meksika. Ovaj članak predstavlja svojevrsnu diskusiju na temu opravdanosti odluke novog američkog predsednika Donalda Trampa o ponovnom pregovaranju Sporazuma NAFTA. On je naglasio problem jednakosti pristupa odnosno trgovine na otvorenom tržištu. Iako je ideja o otklanjanju trgovinskih granica i barijera između gorepomenutih susednih država trebalo bi da implicira samo pozitivne rezultate, ovaj primer trgovinske liberalizacije je takođe pokazao svoje manjkavosti i negativne posledice. Takve posledice su uočene prvenstveno zbog toga što ovaj Sporazum nije bio jednako prihvaćen i implementiran od svih strana potpisnica u poslednje 23 godine, ali takođe zbog velikih razlika u nivou ekonomske razvijenosti i platne nejednakosti između država potpisnica. Autori su zaključili da ne postoje sumnje da NAFTA sporazum treba da bude ponovni predmet pregovaranja između država članica, ali ovi pregovori bi trebalo da budu transparentni i u skladu sa zajedničkim interesom za sve zainteresovane strane.

Ključne reči: Severno-Američki sporazum o slobodnoj trgovini, NAFTA, unutrašnje tržište, ponovno pregovaranje.

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THE RESULTS AND CHALLENGES OF CHINESE “GO GLOBAL” POLICY

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Abstract: “Open Door Policy” marked the turning point in the history of the economic development of China, since it meant that China was opening to the foreign investments. Since 1979 until today China has become one of the top countries in the world to receive foreign direct investments (FDI). Chinese economy is the second largest economy in the world, with one of the strategic goals of the Chinese Government being to become number one.

In order to achieve that result, China shifted its previous focus from FDI to OFDI (outward foreign direct investment). It started to implement completely different strategy, and tried to spread its business abroad. During the implementation of the 10th (2001-2005) and 11th Five-Year Plan (2006-2010) the “Go Global” policy was emphasized as one of the most important strategic policies in China. Because of that Chinese OFDI started to rise, and in 2016 they reached impressive US\$ 247 billion.

This paper will analyze the historical development of “Going Global” policy, and look upon the effects, results, changes and challenges that have appeared in the process so far.

Key words: China, *Going Global*, history, policy, strategy, effects, results, changes, challenges

SHORT HISTORY OF GOING GLOBAL POLICY

Chinese opening to the foreign investments was defined by “Open Door Policy” in 1979, and was developed under the leadership of Deng Xiaoping, the successor of late President Mao Zedong. His vision of the future China’s

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development was different from the one that Mao had had. When he was officially established as a new Chinese leader, one of his first decisions was to open Chinese economy to the foreign investors. Since 1978 until today China has become the third largest foreign direct investments (FDI) recipient, with a net inflow of US\$170 000 million in 2016. Only the USA and the UK received more FDI (<https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD>, accessed September 11th 2017). Deng's vision was not only to open China for foreign investments, but he also wanted to spread business of Chinese enterprises abroad. It took more time to realize this part of his vision and plan than bring FDI to China. According to available data, China started to invest abroad in 1982, but it was not until 2002 that the real boost of China's outward foreign direct investment (OFDI) started to happen. Joint report made by UNCTAD and MOFCOM showed that from 1982 to 1989 China's OFDI were around US\$ 450 million per year and those investments were usually to Asia - the countries relatively close to China (<https://www.oecd.org/investment/investmentfordevelopment/41792683.pdf>, accessed September 11th 2017). There were many reasons why several Chinese Governments did not engage so much in OFDI. First, their main goal was to see how FDI would affect their domestic economy; second, there was an agreement at governmental level that the profits that were made in China, should stay and be invested in China; thirdly, there were doubts how China would control business of their companies abroad.

During the 1990s there was further progress in launching Chinese OFDI, but the results were modest. This was the reason why Deng Xiaoping took his famous visit to southern part of China (the so called "southern route") during which he stressed out once again the importance of China's opening to the world. Although at that time Deng was retired, he wanted to further support the reforms that he started some 14 years ago. After that China did open more to the FDI and changed its domestic economy, but remained cautious regarding OFDI.

In 1999 there were official statements about the need to have Chinese companies which would be able to "go out or go global", but besides that nothing happened. At that time there were other things that were more important, such as China's trying to join WTO, and it finally succeeded in 2001. That was a turning point in changing Chinese perspective for spreading their investments abroad. Once again Deng Xiaoping's teachings about being globally active and being able to change were remembered and emphasized. So during the promotion of the 10th and after that the 11th Five-Year Plan, "Going Global" policy was stressed out as one of the priorities in China. It was a strategic move of Zemin's Government that was a signal to Chinese companies to be prepared and seek business opportunities outside China.

The opportunity to go first outside was given to state owned companies. By doing that Chinese Government had complete control over those investments:

where they would go (countries), what sectors they would invest into, under which financial conditions and so on.

The private companies were not given the permission to go abroad until 2003 (Buckley at all, 2007, p. 3). That is the reason why today so many Chinese private companies are aggressively buying a lot of companies abroad. This has resulted in impressive results in recent years. According to the data presented in World Investment Report 2017 (http://news.xinhuanet.com/english/2017-06/08/c_136350164.htm, accessed September 18th 2017), China rose to the position of the second-largest source of outward foreign direct investment (FDI) for the first time in 2016.³ It is evident from the report that FDI outflows from China increased 44 percent year-on-year to US\$ 183 billion last year, and this was done mostly through cross-border mergers and acquisitions of Chinese companies.

In April 2016 the PRC State Council presented to the Government a view on the historic development of the *Go Global* policy: “In the “Go Global” era 1.0, more than 10 years ago, when many Chinese enterprises started setting up overseas sales networks, most of them simply engaged in low-end international trade.

It was followed by the “Go Global” era 2.0, when many state-owned enterprises reached out to the overseas market, mainly aiming at properties such as oil and natural gases and overseas infrastructure projects.

Private enterprises’ rise turned out to be the highlight of “Go Global” era 3.0, as they directly invested in foreign markets, set up factories overseas, employed local labor, and acquired foreign companies and infrastructure. Over this period, China’s manufacturing bases gradually moved outside domestic markets and “Made in China” was gradually received by the overseas markets.

With examples of Lenovo’s acquisition of IBM and Geely’s purchase of Volvo, Chinese private enterprises triumphed in many industries.

Now, with “Go Global” era 4.0 coming, private enterprises are becoming the main driving forces, with investment diversity and upgrade of their position within global value chains. According to data from the Ministry of Commerce, Chinese non-financial investment in 2015 amounted to US\$118.02 billion, a growth of 14.7 percent year-on-year, and continuing growth in outbound investments over the past 13 years.” (http://english.gov.cn/news/top_news/2016/04/11/content_281475325205328.htm, accessed September 18th 2017)

Looking at these references it can be seen that Chinese Government is in the fourth stage of the implementation of *Going Global* policy, which is characterized by diversification of investments abroad, and giving the lead to Chinese private enterprises.

³ The report was jointly released by: United Nations Conference on Trade and Development (UNCTAD) and the Chinese Academy of International Trade and Economic Cooperation under the Ministry of Commerce.

THE RESULTS OF GOING GLOBAL POLICY

State owned companies versus private companies

In the last 10 years we have witnessed the rapid growth and development of Chinese companies in foreign markets. Many Chinese enterprises, following the Going Global policy, have decided to redirect the business of their companies beyond the borders of their own country. This is primarily achieved through great influence and support of the Chinese Government, which wants to have the expansion of its companies on the global level.

Until 2008 Chinese state-owned companies were leaders in OFDI, but from 2010 the situation changed so that role was taken over by Chinese private investment funds and private companies. (Huiyao and Lu, 2016, p. 172-173)

*Table 1 - Top 3 Chinese **state** companies that have biggest investments abroad from 2005-2016, in billion US\$*

Company name	Main activities	Total overseas investments from (2005-2016)
China Petrochemical Corporation (Sinopec)	Gas and oil exploration and extraction; petroleum refining, storage and transportation; production of petrochemicals and related products, including fibers and fertilizers.	US\$ 79,5 billion
China National Offshore Oil Corporation (CNOOC)	Offshore oil and gas exploration and extraction.	US\$ 37,9 billion
China Minmetals	Mining, production and trading of minerals and metals.	US\$ 34,6 billion

Source: The authors' research is based on: China's Top 500 Enterprises and China Global Investment Tracker

As it can be seen from table 1, the leading state-owned Chinese companies on the global markets are primarily oriented towards traditional energy sector. Their main investments are going to subsectors such as: gas and oil exploitation, processing and trade of certain oil products, precious metals and minerals. It should also be noted that those Chinese companies are investing in Africa and

the Middle East, primarily due to their primary business activities. Lately there has also been an increase of Chinese SOE's presence in the countries of the former SSSR such as Kazakhstan, Turkmenistan and Tajikistan.

*Table 2 - Top 3 Chinese **private** companies that had the biggest investments abroad from 2005-2016, in billion US\$*

Company name	Main activities	Total overseas investments from (2009-2016)
HNA Group	Commercial passenger airlines (Hainan Airlines and other carriers); logistics, including airport operation and cargo services; tourism and hospital	US\$ 28,4 billion
Dalian Wanda	Real estate, entertainment, tourism...	US\$ 21,6 billion
Legend Holdings, Ltd	Financial and property investment; IT - including computer production (Lenovo computers is a wholly owned Legend subsidiary)	US\$ 19,8 billion

Source: The authors' research is based on China's Top 500 Enterprises and China Global Investment Tracker

Unlike Chinese state-owned companies that invest mainly in traditional energy sources on the global markets, as table 2 indicates, private Chinese companies are mainly oriented towards tertiary sector. Private companies primarily invest in entertainment, tourism, IT sector, logistics and transport. In a way they are concentrated on new (modern) types of economy, while state-owned companies prefer traditional economy to invest into. Also, regions in which they invest are different. For state-owned companies the dominant areas of investment are Africa and the Middle East, while the preferred markets for the private companies are North America, South America and Europe (Germany, France, Italy and Great Britain).

Although the government's support is immense and the determination of Chinese enterprises to succeed on the international business markets is obvious, not all investments have proven to be successful, even though they have met all preconditions to become so. There were different reasons why they have not been successful in that, and later in the text these reasons will be analyzed. Here,

however, some of the interesting examples of successful and unsuccessful investments will be presented.

Tianjin Tianhai (part of the HNA Group), that is primarily doing business in the field of logistics, tourism and transport, has bought a large American IT company Ingram Micro for 6.07 billion dollars, and in that way expanded their activities into the sector of information technology. The purchase was completed in December 2016. However, it should be noted that the HNA Group is one of the largest and most active investment groups in China, and that just in the last two years, they have spent over 15 billion US dollars on investment projects around the globe. An investment that might stand out most, and which had considerable resonance in the business world was the purchase of 25% stake in Hilton Group, a well-known name in the hotel industry. The transaction was completed in January 2017, with the value of the investment estimated at 6,5 billion US dollars. Following these two transactions, according to data coming from *Bloomerg.com*, there was a significant jump in the of HNA Group share price. In addition to that, HNA group recently made a new strategic partnership with a famous American company Uber, currently the world leading company in the field of cheap taxi transport. (<http://fortune.com/2017/07/24/fortune-global-500-hna-group-china/>, accessed 09.09.2017)

Shuanghui International is a part of WH group, the largest meat processor in China. They purchased Smithfield Foods for US\$ 7 billion in 2013, in that way having become the world leader in the production and processing of pork meat (<http://www.wh-group.com/en/about/milestones.php>, accessed 10.09.2017). It is interesting that so far, this has been the only investment in this field by a Chinese investor. WH Group is usually known for some European acquisitions (eg. Germany, Belgium and Netherlands), but the amount of those investments is not even close to that one made in the USA by purchasing Smithfield Food. That investment made by Chinese company is a major breakthrough on the US market. (<http://www.extracrispy.com/food/555/smithfield-ham-was-bought-by-a-chinese-company-three-years-ago-has-anything-changed>, visited 10.09.2017.)

Dalian Wanda Group is a Chinese conglomerate that reached the spotlight in 2012 when they bought the second largest cinema chain in the United States - AMC Entertainment Holdings for US\$ 2.6 billion. Wanda Group also purchased Legendary Entertainment Hollywood production company, an American giant in the entertainment industry. The value of this acquisition was US\$ 3.5 billion. In 2015, Legendary suffered a net loss of \$540 million, according to a regulatory filing that Wanda Film filed on the Shenzhen Stock Exchange. In March, Dalian Wanda was forced to quit \$1 billion job deal with Dick Clark Productions, the company that owns the Golden Globes and Miss Universe telecast. The main reason for quitting the job was the control of capital outflows by the government in Beijing. Two months later, Wanda sold a majority stake in

13 theme parks to property firm Sunac China Holdings and handed 77 hotels to R&F Properties, another real estate company based in the southern city of Guangzhou, for \$9.5 billion.

Meanwhile, Fosun International bought the French resort operator Club Med, which had been an unprofitable company until then, eventually agreeing to a \$1.1 billion price tag in 2015 after a long takeover battle. The firm made a small profit last year, about US\$18 million, according to Fosun's financial reports, which was unexpected. (<https://www.nytimes.com/2017/08/18/business/dealbook/china-companies-deals-debt.html>, visited 10.09.2017.)

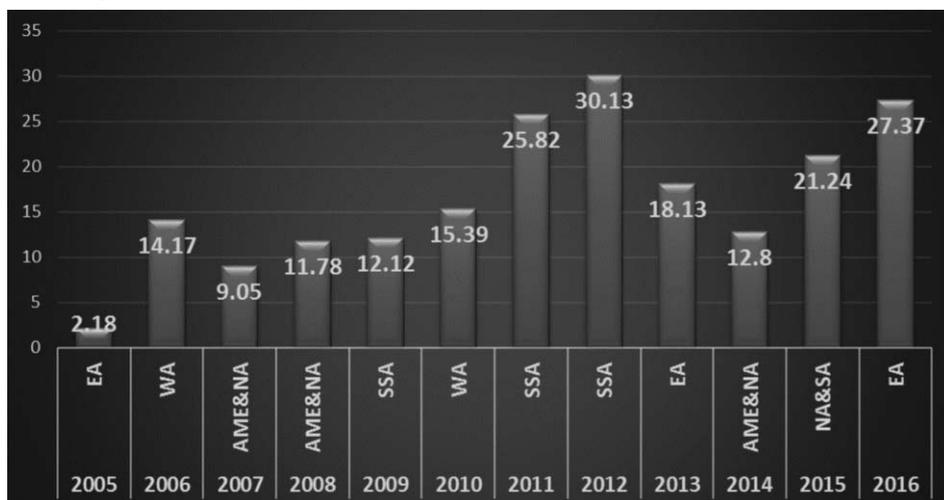
“In June 2005, China National Offshore Oil Corp (CNOOC) proposed to acquire all outstanding shares of Unocal for 67 USD per share, or a cash total of 18.5 billion USD. Unocal, an independent natural gas and crude oil exploration and production company, received the acquisition proposal from CNOOC. However, CNOOC withdrew its bid for Unocal in early August due to strong political opposition in the United States of America. CNOOC's competitor Chevron completed its acquisition of Unocal by mid-August, even though its offer was worth 700 million USD less than CNOOC's bid.” is one of the example that is cited by Zhang and Ebberts (2010, p. 102)

In 2016, AC Milan, the Italian soccer club that was acquired by a Chinese consortium for about \$870 million, made a net loss of about \$88 million, and this was also surprising result.

Regional structure of Chinese investments

Chinese companies are present on almost all continents, but as time goes by they are slowly changing their target markets. At the beginning of Going Global Policy, Chinese companies mostly focused their foreign investments on East and West Asia, with the remark that in the period from 2002 to 2009 investments were acquired by state-owned companies in the field of energy and infrastructure. The countries in which they invested most money were Indonesia, Iran, Laos and Myanmar. After 2006, the focus changed, (graph 1) and in that year they invested most in Middle East and some countries of East Africa.

Graph 1. Destination of Chinese investments from 2005–2016, in billion USD⁴



Source: The authors' research is based on China Global Investment Tracker, Bloomberg, RHG Group.

At the beginning of 2007, many large Chinese companies had their focus on the markets such as the UAE and Kuwait, which were growing rapidly both in construction as well as in the energy sector (this applies in particular to the exploitation of oil). The value of the investments in 2007 and 2008 exceeded 20 billion US dollars.

In the following years, in addition to the above mentioned regions, the Sub-Saharan Africa region became important for Chinese companies, with their focus on the exploitation of ore, gas and precious metals. Besides that, major infrastructural projects such as the construction of roads and railways were also a part of Chinese investments.

In the period from 2010 to 2013, Asia and Africa were still the most dominant markets for Chinese ventures. At the same time there was an increase of the investments in the EU countries and the USA, where they invested in IT and entertainment industry. However, the aforementioned markets continue to be dominant.⁵

In 2015, North and South America became the regions with most Chinese investments, namely the countries such as the USA, Canada, Brazil and Venezuela.

⁴ **Note:** EA - East Asia, WA - West Asia, AME&NA - Arab Middle East and North Africa, SSA - Sub Sahara Africa, NA&SA - North and South America

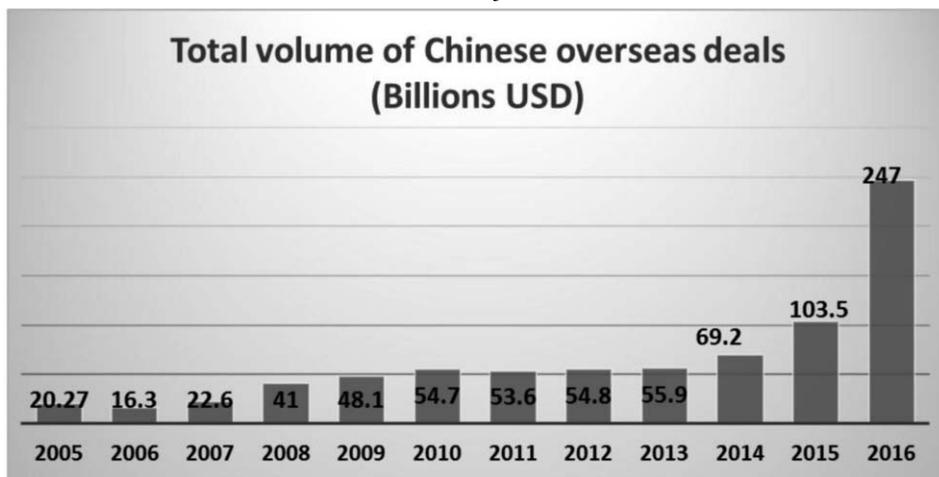
⁵ <http://www.aei.org/china-global-investment-tracker/>, visited 15.09.2017

The leading sectors for their investments were IT, entertainment industry, transport and logistics, real estate and finance.

Next year, this trend did not continue, and the East Asian market became the main focus for Chinese investors. It should be noted that according to Bloomberg.com website the year of 2016 was so far the most important and successful year for Chinese investors, because they spent US\$ 247 billion on M&A around the world (showed in graphic 2).

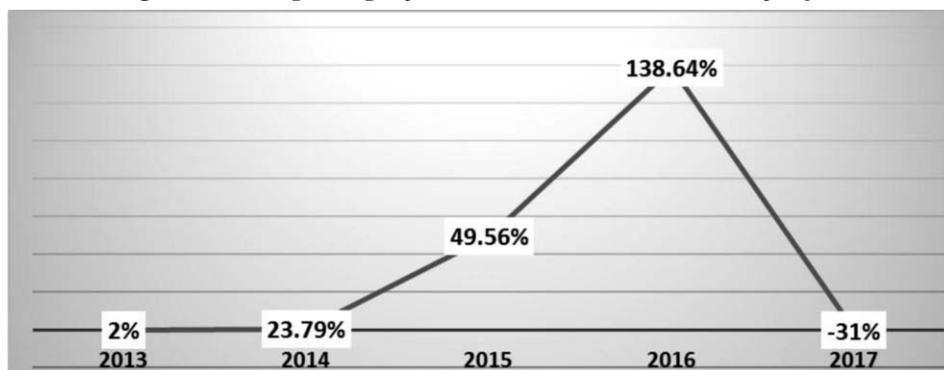
The sectors in which they invested that year were: real estate, entertainment, tourism, IT and technology, transport etc. Although individually speaking East Asia was the leading region for Chinese investments, they were closely followed by Europe and America.

Graph 2. Total volume of Chinese overseas deals in the period 2005-2016, in billions of US\$



Source: The authors' research is based on China Global Investment Tracker, Bloomberg, RHG Group

Graph 3. Percentage changes of Chinese overseas deals in the last five years



Source: The authors' research is based on China Global Investment Tracker, Bloomberg, RHG Group⁶

Although in the last five years investments of Chinese companies experienced a large increase (in percentage - graph 3) and although they reached a historical maximum in 2016, the situation has been different in the first half of 2017. The decrease of 31% can be justified firstly by the decision of the Chinese government to introduce stricter control and ban on suspicious purchases by Chinese companies in foreign markets. (<https://www.bloomberg.com/2016-china-deals>, accessed 21.09.2017) Chinese State Council gave an official warning about investing abroad: "Those on the restriction list include real estate, hotels, entertainment, sport clubs, outdated industries and projects in the countries with no diplomatic relations with China, chaotic regions and the nations that should be limited by bilateral and multilateral treaties concluded by China. In addition, the guideline also prohibits domestic enterprises being involved in overseas investment that may jeopardize China's national interests and security, including the output of unauthorized core military technology and products, gambling, and other prohibited technology and products." (http://english.gov.cn/policies/latest_releases/2017/08/18/content_281475798846134.htm, accessed 21.09.2017)

Secondly, in the same statement, Chinese Government stated that it will shift the focus on the One Belt - One Road project, so they will invest on infrastructure, and not on buying foreign companies.

Sectoral structure of the investments - "New versus old economy"

As Chinese economy grew stronger and their companies occupied the best positions on the world market, they started to change their strategy regarding

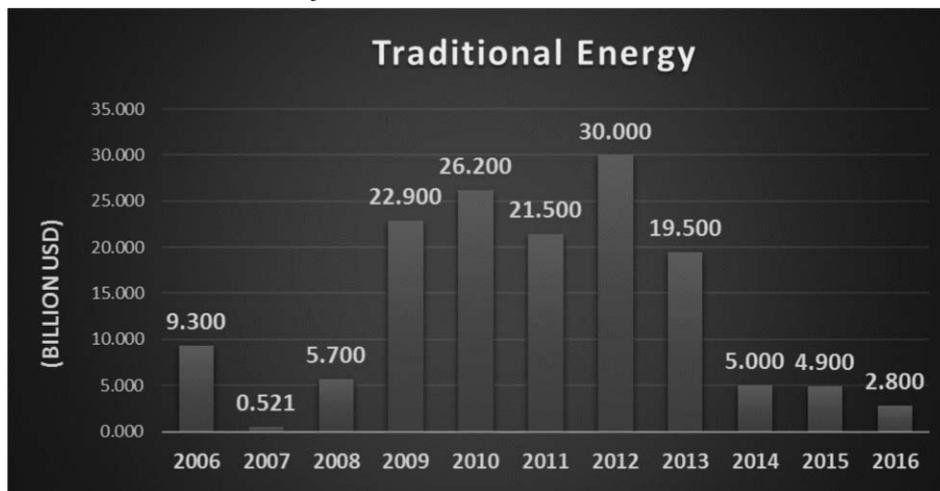
⁶ Note: For 2017, results are only for the first half of year.

investments in specific industries. In the period from 2002 until the beginning of 2010, investments in traditional sectors of the economy were dominant (processing of raw materials, mining, utilities and traditional forms of energy), and Chinese SOE's had the leading role in this process. When speaking about that period, the target markets were Asia, Africa and Australia, where large investments were made primarily in the mining sector. Namely, during this transition, large Chinese state-owned systems, such as Sinopec and CNOOC, invested over 60 billion US dollars in the mentioned branches. As for the countries in Asia, investments in Indonesia, Singapore, Cambodia and Myanmar were the most important ones, while investments in Angola, Zambia and South Africa were the biggest in Africa.

During last five years, state-owned Chinese companies have continued to focus on traditional sectors of the economy, but the target markets for their investments have changed. From the African and Asian countries they moved to the Middle East and the countries of the former SSSR, with the main focus on oil-rich countries such as the UAE and Kuwait, as well as the countries rich in gas, such as Kazakhstan, Turkmenistan and Uzbekistan. In addition to their investments in energy sector, Chinese contractors have also been working on large infrastructure projects in the aforementioned countries (construction of roads, railways, water supply, etc.).

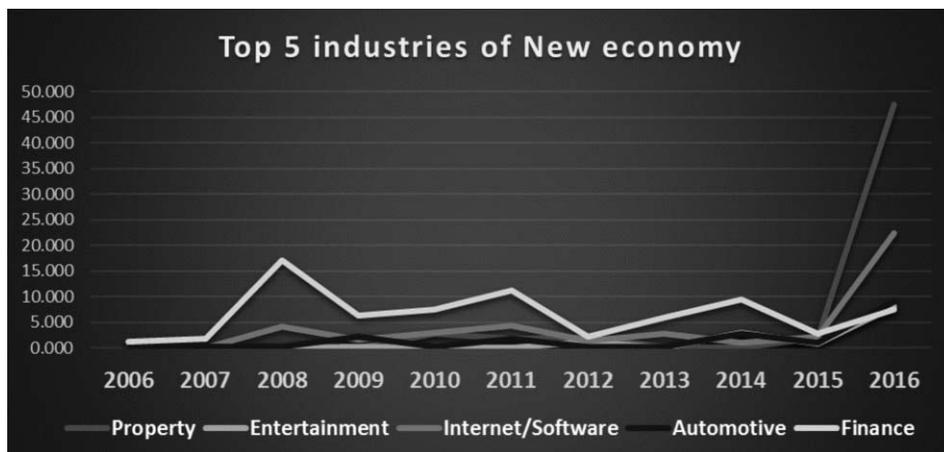
In the last four years, the priority for the Chinese investors on a global market has been to invest in "New Economy", that is in automotive industry, property, finance, entertainment and IT industry (graph 4). The transition from the traditional to the new economy is mostly reflected in the fact that the Chinese economy is constantly trying to strengthening the consumption rather than the exports. Because of that, Chinese investors are concentrated primarily on the purchase of brands, companies in entertainment industry, crop technology, sports and media, with the leading regions for their investments being America and Europe. In the USA Chinese companies use acquisitions as a way of buying companies in the entertainment industry and IT sector, while in the EU countries (UK, Italy, Spain, Switzerland and France) they use acquisitions for purchasing fashion brands, media, sports organizations and crop technology.

Graph 4. Investments of Chinese companies in traditional energy
- from 2006-2016, in billion US\$



Source: The authors' research is based on China Global Investment Tracker, Bloomberg, RHG Group

Graph 5. Investments of Chinese companies in top 5 industries of New economy
from 2006-2016 in billion US\$

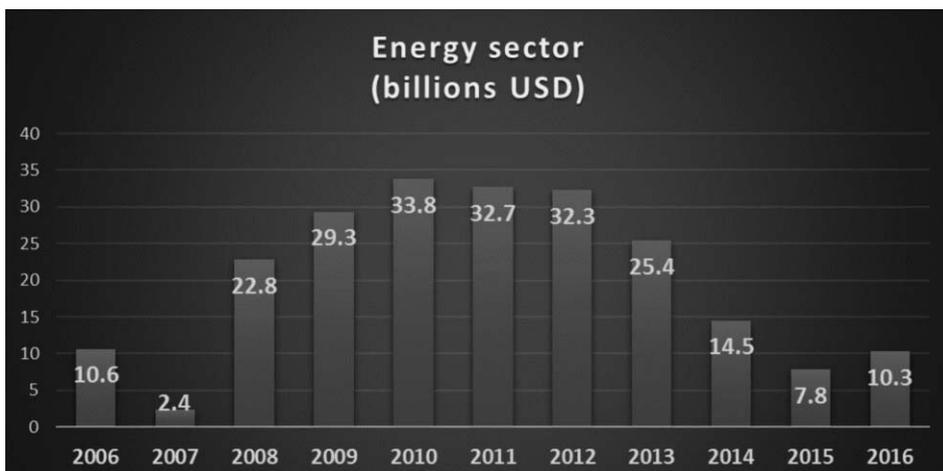


Source: The authors' research is based on China Global Investment Tracker, Bloomberg, RHG Group

Energy and finance sector – most successful *Going Global* examples

Although Chinese companies are buying companies all over the world and in almost all sectors, for the last ten years the following two sectors have been most dominant for their investments: the sector of energy and of finance. Chinese companies have started investing in energy sector since early 1990s. In fact at that time many state Chinese companies were focused on large projects in mining and oil exploitation. The countries in which China invested at that time were Congo, Sudan and South Africa. A similar trend continued at the beginning of the 21st century. Chinese companies slowly started to spread their business in Africa, but also in East and West Asia. At the beginning of 2007 the first serious investments in the energy sector were made and that year 13 billion USD were invested into projects in Africa and Asia.

Graph 6. Investments of Chinese companies worldwide in energy sector from 2006-2016, in billions US\$⁷



Source: The authors' research is based on China Global Investment Tracker, Bloomberg, RHG Group

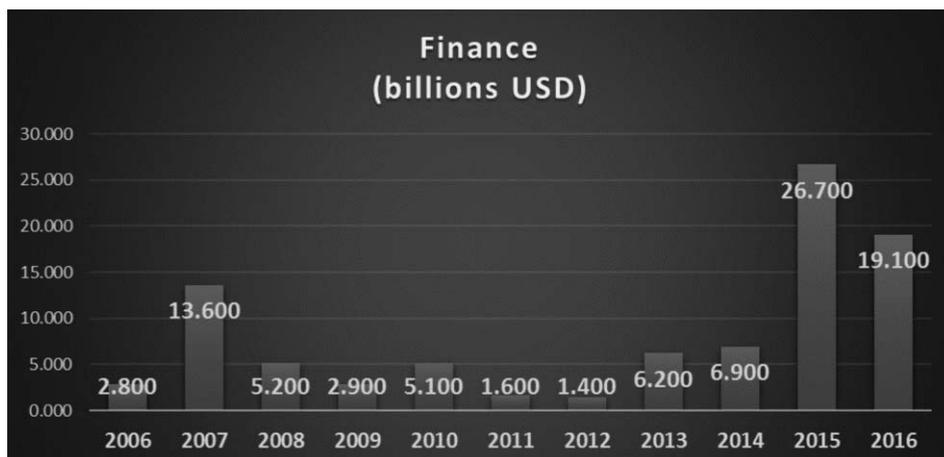
Graph 6 indicates that the real boom in this sector happened in the period between 2008 and 2013. In that period companies from Chinese energy sector were present in the entire world. In recent years the investment in energy sector has been focused on the Middle East, Sub-Saharan African region and in some

⁷ **Note:** Energy sector: **1. Mining:** Subsectors (Forest Products & Paper; Iron/Steel; Machinery-Construction & Mining; Mining), **2. Traditional Energy:** Subsectors:(Coal; Oil & Gas; Oil & Gas Services; Pipelines).

of the former SSSR countries. It should be noted that Chinese state companies continue to play a major role in this sector, primarily due to a series of bilateral agreements that Chinese Government has signed with the host countries. In the past three years, there has been a drop in the investments in this sector, but things are slowly beginning to change due to: 1. decision of the Chinese government that almost all investments in sectors such as entertainment, media, sports, brands, etc. be blocked 2. One Belt - One Road project is their main focus of *Going global* policy. The first result of that decision can already be seen, because in the first half of the 2017 there has been an increase of almost 20%. (<http://rhg.com/notes/tectonic-shifts-chinese-outbound-ma-in-1h-2017>, accessed 28.09.2017)

Unlike the energy sector, the finance sector is a fairly new investment branch for Chinese investors on the global markets, which has been present only in the last ten years. As graph 7 indicates, except in 2007, when a certain jump was recorded, practically all the way up to 2015, there was stagnation when it comes to investments in this sector.

Graph 7. Investments of Chinese companies worldwide in finance sector 2006-2016, in billion US\$⁸



Source: The authors' research is based on China Global Investment Tracker, Bloomberg, RHG Group

The target markets of Chinese investors are not practically changing in this branch. The United States is a leading market, followed by the EU countries (Britain, Belgium and Germany). Unlike earlier mentioned energy sector, in which

⁸ **Note: Finance:** Banks; Closed-end Funds; Country Funds-Closed-end; Diversified Financial Services; Insurance; Investment Companies; Private Equity; Savings & Loans

Chinese state-owned companies have a leading role, Chinese private equity funds such as Anbang, Fosun, HNA Group etc. have a major role in the finance sector. The finance sector has become popular over the last two years, primarily owing to the acquisitions of large US financial systems, such as Leg Masson, Asset and TPG, but also because of the large investments in banking systems in Europe like Unicredit Bank, Intesa Sanpaolo and Delta Loyd. (<https://knoema.com/pvvzaxg/china-global-investment-tracker>, visited 29.09.2017.)

THE CHALLENGES OF IMPLEMENTING “GOING GLOBAL” POLICY

In the previous part of the paper the results of Going Global policy have been presented. It is evident that China has made excellent results, and that its further economic expansion is yet to be seen in the upcoming years. Also, it has been stated that in some cases Chinese acquisitions were not successful due to different reasons. Therefore, the paper will proceed to explain the main challenges of implementing this policy.

While analyzing the available literature dedicated to *Going Global* policy, we noticed that different scientist and analysts use different approaches for analyzing the factors affecting the success of this policy, based on the angle of their research. For that reason they will be put in two groups, so that more structured overview could be obtained. For those purposes first macro (from the state point of view), and then micro aspect (from the company's point of view) of challenges that are associated with this policy will be analyzed.

Macro aspect

According to the report written by Economist Intelligence Unit called “China Going Global Investment Index”, there are three basic factors that influence the results of Chinese investments abroad, those being: domestic and international risk along with cultural proximity of the countries in which China is investing. (https://china.ucsd.edu/_files/odi2013/09232013_Paper_Liu_ChinaGoingGlobal.pdf, 2013, p. 20-24, accessed September 20th, 2017)

Domestic risk is associated with political risk in the countries in which China is investing. This is mainly related with Chinese state owned enterprises (SOE) that established businesses in the countries with high political risk, but with their government support (e.g. Venezuela, Iran, Algeria, Libya). In many of these due to many changes on the political level, there were huge loses and lost opportunities for Chinese SOEs.

International risk is correlated to bilateral relations (economic and political) that China has with different countries. Although China has many investments in the USA and the EU, there are still many disputes that have been affecting Chinese investments in those countries.

Cultural proximity is also very important when accessing risk. For Chinese Government it is of course always easier to invest in the countries that are situated in Asia (Asia Pacific), because they have similar cultural background and many aspects in common with China. So although at the moment China is investing mainly in the USA and the EU, many business people keep pointing out that different cultural backgrounds affect their business results.

Buckley et al. (2007) also underline political risk and cultural proximity as factors that, along with host market size, geographical proximity and natural resources, influence the end results of Chinese companies abroad.

He and Wang stated that Chinese state owned companies (SOEs) are facing hostility in the host countries (for their investments) because, being supported by Chinese Government, they are seen as a huge threat (Szunomár, Biedermann, 2014). They think that since Chinese SOEs have state support they will probably be in a better position for applying for jobs, then they are (companies from the host country). So Chinese Government is aware that in some countries their state companies will not be so welcome.

Micro aspect

From the company's point of view, one of the biggest challenges for Chinese companies doing business abroad is lack of global talents (Zhang and Ebbers, 2010, p. 124; Huiyao and Lu, 2016, p. 144-145). The process of investing abroad is not completed with finding appropriate environment. That is just the beginning. In order to be successful, companies that go global should have a good team of people who will develop business. Most of Chinese managers do lack the experience of working with international teams on international markets. Whatever the strategy for entering international market (acquisition, merger or joint venture) may be, there are a lot of technical and organizational skills that managers do need to have, in order to successfully operate international business.

In addition to that, some of the private companies have a tendency to operate in the countries with high risk, which resulted in some unsuccessful acquisitions. Therefore, planning and accessing risk (for this kind of companies, money is most important) is still a challenge, but usually this kind of enterprises learn from their mistakes.

Zhang and Ebbers, (2010, p. 103) also indicate that companies choose inappropriate strategy for entering international markets, that being one more

reason for failures. Each strategy has its advantages and disadvantages, so choosing the right one is crucial. Since most Chinese companies nowadays choose acquisition as their main method for entering global markets, it is easy to see that they are reluctant to share control, and they want to be in charge of a company that they bought. Although it gives them control, this strategy is also very risky, with a lot of potential problems and high expenses.⁹

The challenges that are presented here are not typical only of Chinese Government and Chinese companies. They occur in other countries and in different companies as well. But what is unique for Chinese going abroad is the specific circumstances under which this policy was developed some 15 years ago. While their competitors have a history of almost 100 years doing business abroad, China has been trying to catch up in this race, in which it is almost 90 years late. So while the challenges both on macro and micro level are obvious, China is doing everything it can to overcome the obstacles. Judging by the results so far, those challenges are at least downsized.

CONCLUSION

The aim of this paper was to show history of Chinese *Going global* policy first, and then to analyze the results and challenges that have appeared so far in conducting this policy. After taking into consideration all presented data, the following can be concluded:

1. First 15 years of China's Going Global policy were very dynamic. In the first couple of years the results were modest, but after that things changed rapidly. The results during the last years have been impressive. Although China has been lagging behind in having investments abroad, now this country is catching up fast, occupying the second place in the World for OFDI at the moment.

2. Investments of the state owned enterprises abroad were dominant until 2010, and now Chinese private companies are taking the lead.

3. SOEs are still investing in *traditional economy*, while private companies are investing in *new economy*.

4. Regional distribution of Chinese investment during the last 15 years of pursuing Go global strategy has also changed. Nowadays Chinese companies

⁹ For more references about the strategies that Chinese companies are using when going abroad see: Zakić K., Radišić B. (2017). Strategies of Chinese Companies when Entering Global Market, Economic and Social Development, 21st International Scientific Conference on Economic and Social Development, Belgrade, 18-19th May 2017, (p. 169-180), Varaždin Development and Entrepreneurship Agency in cooperation with John Naisbitt University, University North, Faculty of Management - University of Warsaw.

mainly invest in the USA, the EU and Asia, while at the beginning they were focused on Asia, Africa and the Middle East.

5. There are a lot of challenges that both Chinese Government and Chinese companies face while conducting *Go global* policy. Some of the challenges are: domestic and international risk, political risk, cultural proximity, hostility in host countries, lack of good international talents, wrong strategies when entering global markets.

6. Although in 2016 China achieved a record volume of OFDI, there has been a sharp decline in the first half of 2017. The focus of Chinese Government is changing, which does not mean that they are not pursuing *Going global* policy, but that they are just shifting their direction. For the last five years Chinese companies have mainly been allowed to invest everywhere and in the industries of their choice, but this will change in the future. One Belt – One Road initiative is the main international project of the Chinese Government, which is why they are moving their investments to the countries that are on the OBOR route. Also, investments will be mainly focused on infrastructure, and not on buying international companies.

Even though China will run a marathon - in metaphorical sense, to achieve things that other countries did long ago regarding doing business globally, its results already are and will remain impressive. Judging by the outcome so far, this strategy of Chinese Government proved to be a successful one, giving the opportunity to China to achieve its final goal – becoming the strongest economy in the World.

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Katarina ZAKIĆ
Bojan RADIŠIĆ

REZULTATI I IZAZOVI KINESKE “GO GLOBAL” POLITIKE

Apstrakt: “Politika otvorenih vrata” je označila prekretnicu u istoriji ekonomskog razvoja Kine, jer je označila spremnost Kine da se otvori ka stranim investicijama. Počev od 1979. godine pa do danas Kina je postala jedna od najtraženijih zemalja po pitanju direktnih stranih investicija (FDI). Kineska ekonomija je druga po veličini u svetu, a jedan od prioriteta kineske Vlade je da postane prva.

Da bi to postigla, Kina je preusmerila svoj fokus sa primanja direktnih stranih investicija na izvoz svojih investicija (OFDI). Usled toga je počela da primenjuje potpuno drugačiju strategiju i pokušala da širi svoje poslovanje van granica zemlje. Tokom implementacije 10-tog (2001-2005) i 11-tog (2006-2010) petogodišnjeg plana razvoja, politika “Go Global” je okarakterisana kao jedna od najvažnijih strategija razvoja Kine. Upravo zato su i kineske direktne strane investicije krenule da rastu i u 2016. godini su dostigle impresivnu sumu od 247 milijardi US\$.

Autori ovog rada će analizirati istorijski razvoj “Go Global” strategije, te će sagledati efekte, rezultate, promene i izazove koji su se pojavili do sada u procesu sprovođenja ove politike.

Ključne reči: Kina, *Going global*, istorija, politika, strategija, efekti, rezultati, promene, izazovi.

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DOES TRUMP HAVE A GRAND STRATEGY?

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Abstract: In this paper, the author argues that Donald Trump so far failed to make expected radical changes in United States foreign policy, because he does not have a coherent grand strategy. This is an alternative argument to the one according to which he does have a grand strategy, but is too weak against the foreign-policy establishment to apply it. A definition of grand strategy as a “state’s theory how to produce security for itself” is taken from Barry Posen. According to Posen, there are four criteria for classifying grand strategies (objectives, premises, means and positions), while a grand strategy serves four functions (priorities, coordination, communication and accountability). Trump’s predecessors in the post-Cold War period favored a liberal hegemony grand strategy, to which Posen opposes an alternative strategy of restraint. A theoretical framework of the paper is a neoclassical realist foreign policy model which considers a sound grand strategy necessary to produce a change in foreign policy when other factors (distribution of power in the international system, the state’s identity) favor the inertia in foreign policy. Since this is not the case with Trump, the United States is still waiting for a president with a grand strategy of restraint.

Key words: Donald Trump, the United States, grand strategy, foreign policy, liberal hegemony, restraint, neoclassical realism.

INTRODUCTION

The election of Donald Trump for president of the United States is surely an event which was hardly predicted by anyone who deals with American politics in a

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scientific manner. Until it came true, it was almost unimaginable that someone who is so much different from the post-Cold War “mainstream” could move into the White House. But, is he so different when it comes to foreign policy? In this paper, I argue that in spite of some of his foreign-policy views which are really radically different from those of his predecessors, these differences do not make a coherent worldview which could be applied to produce a radical change in US foreign policy. This opens the question of a grand strategy because having one is an essential condition for any US president to affect his country’s foreign policy in a significant way. Richard Nixon’s realism produced “triangular diplomacy” – opening to China, and later détente with the Soviet Union. Barack Obama’s tactically pragmatic liberal imperialism led the US to try to change the behavior of its global and regional rivals by engaging, instead of confronting them. Such personal stamp on US foreign policy (at least when it comes to its security component, which is a focus of this paper) can hardly be expected from Trump, given his lack of a grand strategic thinking. The paper unfolds as follows. First, I explain what a grand strategy is, and what the alternatives for the United States in this sense are. Second, I introduce a neoclassical realist foreign-policy model which determines the place of a grand strategy in a state’s actual foreign policy. Third, I look into Trump’s foreign-policy discourse to show that he never had a coherent grand strategy, so that it cannot be argued that he had one, but was too weak against the foreign policy establishment to apply it. I conclude that not having a grand strategy is nevertheless better than sticking to the liberal hegemony strategy of Trump’s predecessors.

WHAT IS A GRAND STRATEGY OF THE UNITED STATES?

Barry Posen defines grand strategy as “a political-military, means-ends chain, a state’s theory of how it can best ‘cause’ security for itself”, (Posen, 1984, p. 13) or, more simply, as “a nation-state’s theory about how to produce security for itself”. (Posen, 2014, p. 1) A grand strategy aims to identify threats to national security, as well as political, military, economic and other means to counter these threats. Its essence is in establishing priorities because, in an anarchical international environment, threats are numerous and resources to counter them are limited. (Posen, 1984, p. 13) The focus (although not the only component) of a grand strategy is on military threats – because they are most dangerous – and military means – because they are most costly. (Posen, 2014, p. 1) A grand strategy is a broader concept than military doctrine, which deals exclusively with military means, (Posen, 1984, p. 13) yet it is narrower than overall foreign policy, which can have goals other than security. (Posen, 2014, p. 2) In short, according to Posen, a grand strategy is about national security, which means sovereignty, territorial integrity, power position and safety. (Posen, 2014, p. 3) A grand strategy could, but it does not have to be written in one place. (Posen, 2014, p. 1) It serves four functions. The

first is already mentioned – to establish priorities among ends and means. The second is to help complex state organizations which deal with national security coordinate their activities. The third is to communicate national interests to other states. The fourth and final is to assist accountability of internal actors and turn bad ideas aside. (Posen, 2014, pp. 4-5)

The grand strategy issue was raised in the United States during the nineties of the last century, under the international systemic condition of unipolarity. As a unipol – by far most powerful state in the world, unconstrained by the presence of other poles – the US could make a choice of its foreign policy direction. In the middle of the decade, Posen published an article co-authored by Andrew Ross, in which they dealt with US grand strategy choice for the post-Cold War period. (Posen and Ross, 1996-1997) They identified four possible grand strategies among which Washington could choose: neo-isolationism, selective engagement, cooperative security and primacy. (Posen and Ross, 1996-1997, p. 5) They based this classification on the following criteria: what are the main US objectives in international politics envisioned by each strategy?; what are their basic premises about international politics?; what are preferred political and military means of each strategy?; what are their positions on several basic international issues, such as nuclear proliferation, NATO enlargement and regional conflicts? (Posen and Ross, 1996-1997, pp. 7-9)

Neo-isolationism rests on the premise that self-defense is the only vital interest of the US. The collapse of the Soviet Union left a balance of power in Eurasia, which does not need to be supported by the US. The nuclear weapons additionally secure US security. The US should stay out of regional conflicts, disband NATO, keep minimum nuclear second-strike capability, and reduce military expenditures to 2 percent of GDP. (Posen and Ross, 1996-1997, pp. 9-16) Selective engagement aims to ensure peace among the great powers. Because the balancing, even nuclear, is not reliable, the US should stay engaged abroad. However, it should do this selectively, given the scarcity of resources. It should prevent nuclear proliferation if potential nuclear powers have a conflict of interests with the US. It should get involved in regional conflicts only in some regions – Europe, East Asia and the Middle East – and only if these conflicts bear the risk of turning into great power wars. NATO should not be abolished, but it should not be expanded either. The US should retain the capability of waging two regional wars simultaneously. (Posen and Ross, 1996-1997, pp. 17-23) Cooperative security advocates consider peace and security indivisible, which means that the US has an interest in preserving world peace, by working collectively with others within international institutions and regimes as much as possible. Cooperative security views the spread of democracy good for security cooperation between great powers. Nuclear proliferation is dangerous and should be stopped. The US should react at every regional conflict, especially engaging in humanitarian interventions. (Posen and Ross, 1996-1997, pp. 23-32) A grand strategy of primacy assumes that only US dominance ensures the

world peace – the balance of power politics and selective engagement are not sufficient. Any of the existing or potential great powers should be prevented from challenging the preeminent position of the US. As the most powerful state in the system, the US has enough resources to support this kind of policy. Russia and China should be contained. NATO should be expanded, not only because of Russia, but to keep US involvement in European security matters. The US should not abandon international institutions if they can be useful. Nuclear proliferation should be stopped because it undermines US freedom of action. Regional conflicts matter if they could produce a competing power, while some humanitarian interventions should also be pursued to demonstrate US power and leadership. This kind of grand strategy requires “nearly Cold War-size” military forces. (Posen and Ross, 1996-1997, pp. 32-43)

Posen and Ross saw the Clinton administration grand strategy as a mix of primacy, cooperative security and selective engagement. (Posen and Ross, 1996-1997, pp. 44-51) However, in his newest book Posen unambiguously stated that since the end of the Cold War the US has been favoring a grand strategy of liberal hegemony, which is the fusion of primacy and cooperative security, fully completed after September 11 terrorist attacks, and of which now there is a consensus among most of US political elites. (Posen, 2014, pp. 5-7) This strategy is called liberal because it sees the spread of liberal values abroad as important for US security. It is called hegemonic because its proponents aim to keep the power advantage of the US relative to other powers, in order to sustain what they call the “liberal world order”. (Posen, 2014, pp. 5-6) From the viewpoint of this strategy, US national security is threatened by three main sources: failed states, rogue states, and peer competitors. (Posen, 2014, p. 6) As a critic of this kind of grand strategy, Posen favors the alternative, a mix between selective engagement and isolationism, which he calls strategic restraint. (Posen, 2014, p. 7) His critique of liberal hegemony is based on the review of the strategic position of the United States. He agrees that the current world order is still unipolar. (Posen, 2014, p. 16) However, from this, as well as the fact that there is no candidate for hegemony in Europe or Asia (although China’s economic growth could challenge this in the future), he concludes that the US does not have to be a hegemon to be safe. (Posen, 2014, pp. 16-19) On the contrary, Posen thinks that the liberal hegemony strategy compromises US security not only because it proved to be too costly, but also because it provokes other actors’ actions that in the long run diminish US security. He identifies three kinds of such actions: balancing by those countries that oppose US hegemony, which does not have to be “hard” (strengthening military and forming alliances) to be successful – there are many forms of “soft” balancing, too; cheap riding by its allies, which means relying on the US for their own defense, while not contributing sufficient resources for this; and reckless driving by some other allies, who engage in wrong policies knowing they have US backing. (Posen, 2014, pp. 24-50) Moreover, the

liberal hegemony strategy leads the US to interventions abroad, confronting it with nationalisms of local people, which results in the spread of anti-Americanism and involvement in identity politics it cannot cope with. (Posen, 2014, pp. 50-60) Posen concludes that liberal hegemony is “a costly, wasteful, and self-defeating grand strategy”. (Posen, 2014, p. 65) It “tends toward political expansion, high defense spending, and war. It is not a status quo policy”. (Posen, 2014, p. 68)

Unlike the liberal hegemony, strategic restraint strategy identifies and focuses on vital US security interests. (Posen, 2014, p. 69) One of these interests is to maintain the balance of power in Eurasia, while others are to manage nuclear proliferation and suppress global terrorist organizations. (Posen, 2014, p. 69) Given that there is a rough balance of power in both Europe and Asia, the US should reduce its commitments and military deployments there. (Posen, 2014, pp. 69-71) Although nuclear weapons are a threat to the US, this should not be exaggerated, and the first priority should be to deter nuclear-capable states, not to seek confrontation with them. (Posen, 2014, pp. 71-83) In combating terrorism, the US should first admit its own mistakes from the past, one of them being its omnipresence, which made it “too easy for others to blame the United States for their problems” and engage in terrorist activities against it. (Posen, 2014, pp. 83-87) For strategic restraint, maintaining the “command of the commons” by the US military – which means its control over common spaces such as the sea, air, and the outer space – is essential. (Posen, 2014, pp. 135-144) Posen identifies three possible paths to change in grand strategy: the first and the least likely is that “politicians will read arguments offered by advocates of Restraint”; the second is that some crisis will lead to it; and third and most likely in a modern pluralist democracy is that this change will be incremental, slow but sure. (Posen, 2014, pp. 174-175)

Posen’s strategic restraint resembles what some other authors call “offshore balancing” and favor this kind of strategy for the United States. (Layne, 1997; Mearsheimer, 2011) In short, offshore balancing means that the United States should focus on preventing any other power become a Eurasian hegemon, or a hegemon in some of the three most important Eurasian regions: Europe, East Asia, and the Middle East. (Layne, 1997, p. 112; Mearsheimer, 2011, p. 18) This is to be done by reducing US commitments in these regions, relying on local powers to check potential hegemons, and keeping its own forces offshore, ready to cross the ocean only if these powers fail. (Layne, 1997, pp. 112-123; Mearsheimer, 2011, pp. 18, 30-34) The United States indeed pursued offshore balancing for most of the 20th century, including the policy of containment during the Cold War, but excluding periods of isolationism and hegemonic behavior in the last decade of the century. A classical realist Hans Morgenthau could be considered a theoretical father of this strategy, given that he explicitly defined enduring national interests

of the US as: hegemony in the Western Hemisphere; the balance of power in Europe; the balance of power in Asia. (Morgenthau, 1952)

This is a good place in the paper to introduce its theoretical framework. Barry Posen is also a realist, and a neoclassical one. Neoclassical realism is a theoretical approach which aims to explain the actual foreign policy of the state by factors situated both on systemic level – which means factors that come from international system – and unit level of analysis – factors that come from within the state. (Rose, 1998; Lobell et al, 2009) For example, current US hegemonic behavior could be explained by a systemic factor of distribution of power in the international system, which is unipolar, and in which the United States is the only pole, thus encouraged by the system to seek global hegemony. However, the international system does not influence the foreign policy of a state directly – this influence has to be translated through the decision-making process, where many factors from a unit level of analysis also decide what would be the course of the state’s foreign policy. The US president is thus free from systemic factors to choose a grand strategy, but whether his choice will produce an appropriate foreign policy also depends on systemic factors, as well as the other factors at the unit level.

I also apply the neoclassical realist model to explain US foreign policy, identifying an extraordinary identity of US state and society as a unit level factor which makes its foreign policy prone to liberal interventionism. In this, I rely on David Campbell’s concept of US identity. In his major work, Campbell showed that since the inception of American society, US identity has been constituted and reproduced by a very rigid and exclusionary approach against various illiberal internal and external actors. (Campbell, 1992) A combination of this identity with US unipolar position since the end of the Cold War logically resulted in a foreign policy whose aim is to establish a liberal hegemonic world order, which means the extermination of all alternatives. However, I also share Campbell’s assumption that identity is not fixed – given that it was constituted by foreign policy, it could also be changed by it. (Campbell, 1992, pp. 8, 33) This means that a powerful president, convinced in a grand strategy of restraint or offshore balancing, could resist pressures from the foreign-policy establishment to continue down the liberal hegemonic path, and make small, but significant steps in foreign policy, which in the long run would result in a change of US identity and stabilize a new foreign policy. Is Donald Trump the man?

DONALD TRUMP’S NON-EXISTENT GRAND STRATEGY

When Trump was elected in November 2016, characterizations of him as a man who would try to change US foreign policy were widely shared, both by those who feared changes because they favored current hegemonic strategy, and those who hoped Trump would succeed in redirecting Washington’s foreign policy

towards strategic restraint. A good example for the latter is John Mearsheimer, who soon after the elections published an article in which he advised Trump to abandon the policy of liberal hegemony and adopt a “realist foreign policy”, which is one of many names for the strategy of restraint or offshore balancing. Mearsheimer based his hopes on Trump’s strong campaign against the foreign policy community (e.g. “deep state”) which favors liberal hegemony, but was cautious in giving predictions who would prevail in this battle. (Mearsheimer, 2016) An example for the former is Robert Kagan’s apocalyptic article published two weeks into Trump’s presidency, in which he warns of “increasing ambition and activism of two revisionist powers, Russia and China”, and “declining confidence, capacity, and will of the democratic world, and especially of the United States, to maintain the dominant position it has held in the international system since 1945”, two trends which would lead the existing world order to collapse into a “brutal anarchy”. To Kagan, early signs of Trump’s presidency “suggest that the new administration is more likely to hasten us toward crisis than slow or reverse these trends”. (Kagan, 2017)

Worries and hopes about Trump were also widespread among world political leaders, depending on their views how US foreign policy should look like. On one side were the likes of the president of the European Council, Donald Tusk, who said that – alongside with Brexit – Trump’s election “should be treated as a warning sign for all who believe in liberal democracy”, or French President Francois Hollande, for whom “some of Donald Trump’s campaign positions must be put to the test of the values and the interests that we share with the United States”. On the other, leaders of European right-wing European parties, such as Geert Wilders and Marine Le Pen, cheered Trump’s victory, while Hungarian Prime Minister Victor Orban’s comment on it was that “democracy is still alive”, and Russia’s President Vladimir Putin sent Trump a long telegram to congratulate him, in which he greeted Trump’s campaign slogans about restoring good US-Russian relations and expressed Russia’s readiness for this. (The New York Times, 2016; The Guardian, 2016)

Through his campaign, then during the two-month period of being president-elect, and finally by some of his first moves into his presidency, Trump indeed stimulated expectations that US foreign policy would be radically different from the one during the entire post-Cold War period. One of his basic political slogans was “America First”, which implied he was not interested in ruling some liberal world order, but rather in pursuing more narrowly defined US national interest. (Grevi, 2016) Some of his campaign promises in line with this basic premise were the following: to reconsider US commitments to NATO if European allies do not meet the condition of 2 percent of GDP defense expenditure; to improve relations with Russia and base them on “the principles of equality, mutual respect and non-interference in the internal affairs of each other”; to cooperate with Russia and Syrian President Assad in combating ISIS and ending Syrian civil war. (Durando, 2016) Trump rhetorically strongly opposed some of the main pillars of liberal

hegemony, such as military interventionism and regime change policy – first during his post-election tour, when he said that the US “will stop racing to topple foreign regimes that we know nothing about, that we shouldn’t be involved with”, (Holland, 2016) and also in his inaugural speech, when he confirmed that the US does not seek to “impose our way on anyone, but rather to let it shine as an example for everyone to follow”. (The White House, 2017d) And as if he was a good student of Mearsheimer, by accepting congratulations from “a democratically elected leader of Taiwan” in December, he hinted that he considered China the greatest US geopolitical rival, instead of Russia. (Borger, 2016)

Since only a few weeks into the presidency, it seemed that Trump has been renegeing on most of his promises which qualified him as a proponent of a grand strategy of restraint. His Vice-President Mike Pence expressed US “strong support” and “unwavering commitment” to NATO in his Munich speech in February, (The White House, 2017c) shortly preceded by a new deployment of US troops to Eastern Europe – to Bulgaria. (Reuters, 2017) So far a bilateral meeting between Trump and Russian President Putin has not been scheduled – two leaders will meet for the first time on the margins of a multilateral event, a G20 summit in Germany. Trump’s national security advisor Michael Flynn, who was considered close to Russians, had to resign only a few weeks after taking his post. A major twist happened in Syria, where the US-Russian cooperation was expected to be the least difficult. After an alleged chemical attack by Syrian forces near Homs in April, Trump was quick to deliver a few emotional speeches and strike Syrian military base with cruise missiles, abandoning in a blink of an eye his previous positions on issues of regime change, non-intervention, and cooperation with Assad and Russia in combating ISIS. (Powell, 2017) And this happened during the Chinese President Xi-Jinping’s visit to the United States, which clearly demonstrated softening of Trump’s approach to this East Asian great power. (Bandow, 2017)

It would be too easy to draw a conclusion from all this that Trump, once in the White House, failed to deliver his earlier foreign policy promises because he was too weak vis-à-vis the “deep state” to apply his grand strategy. Here I challenge this hypothesis by formulating an alternative one – that Trump failed to change US foreign policy not because he could not impose a grand strategy of restraint, but because he did not have a grand strategy at all. Analysis of Trump’s foreign-policy discourse during the campaign, the period between his election and inauguration, and since he moved into the White House will show that it offers contradictory answers, or no clear answers at all, to four questions Posen and Ross identified as criteria for classifying grand strategies: the questions of objectives, premises, means and positions. As a result, four Posen’s functions which grand strategy should serve are also missing: priorities, coordination, communication and accountability.

The question of US objectives is very simple: does Washington aim to establish global hegemony, or just prevent some other power from doing this? The first

objective is the essence of liberal hegemony (primacy) strategy, while the second is the cornerstone of strategic restraint (offshore balancing). While it is true that Trump, unlike his predecessors, rarely or ever mentions the importance of US leadership,² it is also true he does not offer a sound alternative. Identification of threats logically follows objectives: if US ambition is to rule the world, it will feel threatened by all actors who wish to remain independent, especially if they are great or regional powers; if its ambition is to prevent some other's hegemony, it will focus on power(s) which have such capabilities and/or intentions. Trump's stance on threats is confusing. He repeatedly expressed willingness to remove Russia – which certainly lacks both capabilities and intentions to compete for global/regional hegemony – from the top of the list of US geopolitical threats and improve relations with it, while pressing harder against China – which could pose a hegemonic threat in the future – is an indicator of an offshore balancing strategy. The same is true for his vow to eliminate ISIS – whose intention to create a global caliphate is clearly revisionist – from the face of the Earth. (The White House, 2017d) However, Trump's hawkish attitude towards some “rogue states”, whose only sin is independence from the United States, indicates the liberal hegemonic philosophy. Trump even threatens to walk away from the results of Obama's diplomatic engagement with some of these states, such as the nuclear agreement with Iran and opening with Cuba.³ He proved ready to reconsider tough approach to China, in order to get its help against much less capable North Korea. And only one alleged excess by Syrian President Assad was sufficient for Trump to put him back on the US list of rogue leaders, explaining this move with clear-cut liberal hegemonic rhetoric.⁴

Trump's premises about how the world works are ambiguous. He and his predecessors tend to treat the world as an arena where states and other actors compete for power, rather as some liberal international community. (Zakaria, 2017) However, the former approach, which is a realist one, does not necessarily have to speak in favor of strategic restraint option. US hegemony could also be justified by pure realist arguments, as the only way to ensure security in what is now an anarchic, but should be transformed into a hierarchic international environment. With no

² “Leadership” was a keyword in Obama's foreign-policy discourse. He spoke of “renewing American leadership” even before he became a presidential candidate, choosing this phrase later as a motto of his first national security strategy, while “strengthening and sustaining American leadership” was a cornerstone of the second one. (Obama, 2007; The White House, 2010; The White House, 2015)

³ Trump's words on twitter about Cuban leader Fidel Castro's death are clear example of hatred speech, more characteristic for liberal crusaders, than calculated realists. (Wootson, 2016).

⁴ Trump's speech in which he justified military attack against Syria was full of emotional phrases, including laments over deaths of “beautiful babies”, while later he called Assad an animal, which is a kind of rhetoric Obama never used. (The White House, 2017b; Kazin, 2017)

⁵ A phrase “peace through strength” from the “America First Foreign Policy” document, could be interpreted in either of two mentioned ways. (The White House, 2017e)

clear objectives, there is also uncertainty whether Trump's realist premises about international relations lead to a hegemonic, or a defensive policy.⁵

The question of means adds to this ambiguity. Trump is a strong supporter of strengthening US military.⁶ But for which goals? Posen was clear that one of the vices of liberal hegemony strategy was its price, and it is mostly reflected in increased military expenses throughout the past decades. Obama managed to reverse this trend while not abandoning the liberal hegemony strategy, so why would Trump make further costs? The United States could contain China and battle ISIS with the present level of military expenses. In this light, even more confusing is Trump's demand from allies to spend more on military. If the purpose of this demand was to save money of US taxpayers which now goes to overseas hegemonic commitments, then why would Trump increase military spending anyway?

The message to NATO allies is a message against cheap riding, which is consistent with strategic restraint, but a repeated commitment to NATO itself – a military alliance which has no other purpose than a hegemonic one – is not.⁷ Moreover, in order to be consistent, a strategy of restraint should include discouraging of reckless drivers, which is certainly not Trump's case, whose uncritical support of Israel, the greatest of all reckless drivers according to Posen, proves there is no clear strategy when it comes to the US president's position on allies. Regarding another important issue for identifying a grand strategy – nuclear proliferation – Trump seems to be as much hegemonic as his predecessor Obama, who favored a world without nuclear weapons (where the US would be able to dominate conventionally) and fiercely battled proliferation. However, Trump's undermining of the nuclear accord with Iran, which ensures that this country will never acquire nuclear weapons, as well as a saber-rattling against already nuclear North Korea, puts in question whether Trump knows enough about nuclear weapons in order to have a well-thought position on this issue. (Gaouette, 2017)

Having said all this, it is not clear what Trump's foreign-policy priorities are, although his main domestic-policy goal – to avoid impeachment and if possible secure another term – is clear.⁸ To achieve this goal, Trump proved to be ready to make foreign-policy moves which are opportunistic at a given time, which creates an illusion that he wanted to do something different, but the “deep state” does not

⁶ This is one of the main goals from the mentioned document on America First foreign policy, but there is also a separate document on rebuilding US military. (The White House, 2017f)

⁷ In one of the strongest expressions of support to NATO, voiced at NATO summit in Brussels in May, Trump among else said NATO should still be there because of “threats from Russia”. (The White House, 2017a)

⁸ Since Richard Nixon, there was no US president whose possible impeachment was so present as a topic in media. Since Trump's associate and Trump himself are above everything else being accused for different kind of ties with Russia, this process has recently been dubbed “Russiagate”. (McKissen, 2017)

let him do it. Coordination between Trump's associates that should perform foreign policy is missing – that they often contradict each other and the president in statements became a commonplace.⁹ Under these circumstances, other international actors have no certainty of what national interests Trump's administration pursues, which prevents them from formulating their own strategies how to respond to US behavior in the future. They often engage in experimental moves to tap into the pulse of US administration, which could trigger unwanted international outcomes.¹⁰ And could the accountability of an overall US foreign policy be secured if the president writes irresponsible tweets on the internet, which is also an indicator of his lack of strategic vision?

CONCLUSION

Donald Trump is the first US president in the post-Cold War period who does not have a grand strategy. According to the neoclassical realist foreign policy model applied in this paper, this results in certain inertia in US foreign policy, given that the international systemic factor – a relative decline in US power – is not sufficient to produce such change in its foreign policy that would affect US identity – a unit level factor which strongly favors the liberal hegemonic behavior. In this sense, nevertheless, not having a grand strategy is a step forward compared to the liberal hegemony strategy of Trump's predecessors. The very fact that someone who is not a proponent of this strategy, albeit sticking to some of its elements, is elected for US president, makes a good precedent for the future. Thus I would agree with Posen that a change in US grand strategy towards restraint could only come over time, incrementally, slowly, but surely.

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⁹ The most pressing example was when Trump tweeted that he had “absolute right” to share classified information on ISIS with Russia, while his national security adviser McMaster denied media allegations that such sharing occurred. (Baker and Davis, 2017)

¹⁰ Such behavior could be seen from political leaders in the Balkans during last few months.

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Vladimir TRAPARA¹

IMA LI TRAMP VELIKU STRATEGIJU?

Apstrakt: U ovom radu, autor tvrdi da je Donald Tramp do sada propustio da izvede očekivane radikalne promene spoljne politike Sjedinjenih Država, zbog toga što ne poseduje koherentnu veliku strategiju. Ovo je alternativni argument u odnosu na onaj prema kome on ima veliku strategiju, ali je isuviše slab u odnosu na spoljnopolitički establišment da bi je primenio. Definicija velike strategije kao „teorije države o tome kako da proizvede bezbednost za sebe“ je preuzeta od Berija Pozena. Prema Pozenu, ima četiri kriterijuma za klasifikovanje velikih strategija (ciljevi, pretpostavke, sredstva i stavovi), pri čemu velika strategija obavlja četiri funkcije (prioriteti, koordinacija, komunikacija i odgovornost). Trampovi prethodnici u posthladnoratovskom periodu favorizovali su veliku strategiju liberalne hegemonije, kojoj Pozen suprotstavlja alternativnu strategiju uzdržavanja. Teorijski okvir rada je neoklasični realistički model spoljne politike koji smatra pristojnu veliku strategiju neophodnom da proizvede promene u spoljnoj politici onda kada drugi činioци (raspodela moći u međunarodnom sistemu, identitet države) favorizuju spoljnopolitičku inerciju. Kako ovo nije slučaj sa Trampom,

Sjedinjene Države i dalje čekaju na predsednika sa velikom strategijom održavanja.

Ključne reči: Donald Tramp, Sjedinjene Države, velika strategija, spoljna politika, liberalna hegemonija, održavanje, neoklasični realizam

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MIGRATIONS AND MULTICULTURALISM – THE FUTURE OF ETHNIC POLITICS IN EUROPE

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Abstract: The global refugee crisis has had a profound impact on European countries, reigniting a long-standing debate about how to successfully integrate religious Muslim minorities into liberal democratic societies. In recent years, much of the European public discourse has focused on the apparent failure of the politics of multiculturalism, which was adopted by some European countries as a functional tool to help the integration of a growing number of minorities into European societies. However, these policies, for the most part, had adversary effects on the migrant communities, alienating them from the majority populations and pushing them into cultural ghettos which function almost completely separately from the mainstream society. The recent flow of mostly Muslim migrants, which overwhelmed some European states, only served to accentuate the existing problems of multiculturalism policies, further alienating existing minorities and deepening the rift between them and the majority populations. It has also influenced the rise of nationalism and the popularity of the right-wing political parties, which can be seen as one of the results of the failed policies of multiculturalism. Since the migration flow to Europe is continuing, despite the official closure of the so-called Balkan route, it will most probably continue to impact the ethnic politics in various European countries, strengthening nationalist political parties and movements and putting further emphasis on the cultural differences between various ethnic communities living side by side in European societies.

Key words: migrations, multiculturalism, Muslims, Islam, Europe, nationalism, ethnic politics.

INTRODUCTION

Multiculturalism in Europe represents one of the most heavily debated subjects. The debate concerning this phenomenon has been going on for years now, but it

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has gained momentum since the recent beginning of the massive inflow of mostly Muslim refugees and migrants from Asian and African countries, which has overwhelmed some Western European countries and started to create rising tensions between majority populations and migrants, on one side, and liberal democratic (pro-migrant) and right-wing (anti-migrant) political parties and NGOs, on the other. The massive flow of migrants has also caused deep rifts within the European Union as a whole, with some countries strongly opposing the very idea of sharing the burden that is accepting a certain number of migrants and integrating them into their societies. The most prominent opponents of the EU and Germany's migrant share policies have been the EU countries in the Central and Eastern Europe, known as the Višegrad group that is Hungary, Poland, the Czech Republic and Slovakia. Their main argument for the refusal to accept migrants has been their belief that the idea of multiculturalism in Europe, designed to integrate different ethnic, religious and cultural groups into the liberal democratic European societies, has already failed miserably across the countries such as France, Germany, Belgium, Austria, Sweden, etc., and that they did not want to simply 'continue the tradition' by accepting culturally and religiously different migrants only to later realize that integrating them would be 'the mission impossible'. This huge rift within the EU itself has shed some light of the controversial idea of multiculturalism, causing heated debates across Europe (and the world) about the (un)successful ways to integrate different ethnic groups into the Western societies. The debate and the problem have been further accentuated by the numerous terrorist attacks which have struck some European countries. Most of these attacks have been perpetuated by the local Muslim residents of foreign origin, and, in some cases, migrants who have recently come to Europe took part in them as well. Many of the terrorists have had links to the biggest active terrorist organization in the world today, Islamic state, and their clear goal was to spread terror across Europe, which is one of the main parts of the Islamic state's program.

Apart from terrorist attacks, there has also been a significant number of different criminal activities, which migrants took part in, from widespread rapes, rape attempts and different forms of sex attacks and harassment of women, to robberies, thefts, antisocial behavior, etc. This new wave of crimes, however, only represents an ongoing problem with the so-called no-go zones that is the suburbs of large European cities inhabited mostly by Muslim immigrants and infested with crime and poverty. These suburbs have become well-known for the frequent incidents between local residents and various representatives of state institutions, such as police, firefighters, ambulance personnel etc. In other words, no-go zones basically represent cities within the cities, countries within the countries, which reject, often violently, the laws and the institutions of the states they are situated in and, instead of that, exist by their own rules, often linked to Islamic Sharia law and traditional Muslim customs. All these 'incidents' have largely contributed to the sky

rise of the right-wing parties' popularity across European countries and the increased the public condemnation of the open door migrant policy that German Chancellor Angela Merkel and some other European politicians have been trying to impose since the outbreak of the migrant crisis. Liberal democracy in Europe is in decline, nationalism is on the rise and multiculturalism, it seems, is dying fast or, far more likely, it might already be dead.

EUROPEAN MULTICULTURALISM – THE IDEA AND REALITY

The idea of multiculturalism is very old, wide and complex, and in the global context it could refer to different policies adopted by various states wishing to regulate the relations between their citizens of various ethnic and religious backgrounds and impose different modes of integration. Multiculturalism, in the European context, could be broadly defined 'as a normative framework and a set of state policies which advance tolerance and advocate the recognition of cultural difference' (Howarth, Andreouli, 2014, p. 1). The phenomenon of multiculturalism has been a constituent part of the academic debates for decades now. It has been studied in a number of ways by different social disciplines, including sociology, political philosophy, anthropology and psychology (Kymlicka, 1995; Taylor, 1992). The main argument in the overall analysis of multiculturalism centers around the idea that the increasing diversity within national societies and the need to accommodate different sets of demands by various cultural groups pose challenging questions regarding the meaning of equality. In particular, this is a question of whether cultural difference should be restricted to the private sphere or whether it should be publicly recognized and have a place in a political life.² A key argument that has been put forward is that we need to progress from an equality of sameness to an equality of difference. Multiculturalists strongly emphasize that misrecognition and non-recognition of people's identities are forms of oppression (Howarth, Andreouli, 2014, p. 3).

Multicultural conceptualizations of 'justice' have significant implications for the nature of political participation. Political participation in modern democracies is based on universalism; in the idea, that is, that every citizen is the same and thus equal in the eyes of the state. However, some scholars of multiculturalism have argued against this idea and have instead put forward a conceptualization of 'differentiated', rather than universal, citizenship whereby group rights would be

² More on the Islam's political role see in: B. Tibi (1998). *The Challenge of Fundamentalism: Political Islam and the New World Disorder*. Berkeley: University of California Press; B. Lewis (2003). *The Crisis of Islam: Holy War and Unholy Terror*. New York: Modern Library; D. Pipes (2000). *Islam and Islamism-Faith and Ideology*. *National Interest*.

recognized. Thus, whereas citizenship has traditionally been linked with political, civil and social rights, there is nowadays a strong claim that citizenship be extended to include cultural rights of groups (Young, 1989). This idea is quite vague and problematic because, as we shall see later, the concept of ‘cultural rights’ is quite broad and complex, and may include the whole spectrum of rules and regulations, including laws of one culture that often clash with the others, which can have serious implications in the range of issues. In other words, it is easier said than done.

The liberal democratic idea behind multiculturalism basically strongly advocates the respect of human rights, which also constitute the right of individuals to live in accordance with specific religious and cultural norms. Since the democratic European societies have been placing a lot of importance on the very notion of respecting the rights of their citizens to be different and to honor their differences, it is no surprise that they decided to adopt the idea of multiculturalism as a way to deal with the increasing number of religious and cultural minorities, which started to migrate to rich Western European countries in huge numbers in the second half of the 20th century to fill the need for a workforce of the rising economies. It was believed and expected, on behalf of the European political elites, that the policies of multiculturalism would allow the new citizens to preserve their religious and cultural beliefs thus protecting their human rights while, at the same time, they would slowly integrate, more or less fully, within the broad framework of the host countries.

However, ‘the good intentions’ of the European political leaders did not bring successful results regarding the integration of minorities, especially in the case of Muslim migrants from different parts of Asia and Africa. After several decades of the strict implementation, it can be said that generally speaking, multiculturalism as an idea has failed to achieve the harmonization of cultural differences and the creation of tolerant societies. Most importantly, it has miserably failed to integrate, in many cases even at the most basic level, the rising number of migrants who seem to be more and more distant from the countries they live in. The adverse effects of the failed policies of multiculturalism can be seen in the fact that the second, third and so forth generations of Muslim migrants, in many cases, are even less integrated into the European countries than their parents or grandparents who moved to Europe as adults.

Multiculturalism policies have, in fact, done almost nothing to integrate migrants from culturally and religiously different communities than those they moved into. On the contrary, the only result it has actually achieved has been an almost complete segregation between native European populations and mostly Muslim migrant communities. It is no secret that most ‘culturally different’ European citizens live in certain suburbs of the large European cities which have become typical ethnic ghettos that hold no resemblance to the mainstream cultural landscape of the states and the cities they are part of. Within those ghettos, communities adhere to their specific way of life, have their places of worship, educational and cultural

institutions, bookshops, stores and restaurants, which resemble the countries they or their parents and grandparents came from and have nothing to do with the countries they actually live in and are the citizens of. In many cases, the members of these communities actually live by observing Islamic Sharia law regarding their family affairs, although it sharply contradicts the secular laws of the European states. Various research projects conducted over the years in different European states support this theory of complete segregation and the failure of integration – most Muslim citizens of European states believe that Sharia law is above the laws of the countries of their citizenship and they do not feel any affiliation with these countries, but instead strongly affiliate with their ethnic and religious group. What is even more alarming is the level of resentment towards the states they live in, which seems to be the growing trend among European Muslims. The hatred of Western policies in the Middle East and Muslim world in general, but also the hatred of Western values and a way of life in general, which are seen as corrupt and immoral, seem to be highly representative of how the majority of European Muslims feel. This atmosphere naturally forms a perfect breeding ground for the radicalization of young people, some of whom join terrorist organizations, such as the Islamic state, and become part of the huge and rising security threat in Europe.

The adverse effects of the multiculturalism policies have echoed in the words of a number of European political leaders in recent years. According to the words of David Cameron, spoken in 2011: ‘Under the doctrine of state multiculturalism, we have encouraged different cultures to live separate lives, apart from each other and apart from the mainstream. We’ve failed to provide a vision of society to which they feel they want to belong. We’ve even tolerated these segregated communities behaving in ways that run completely counter to our values’ (Howarth, Andreouli, 2014, p. 2). Cameron’s view is shared by many European politicians from the whole spectrum of different political options who are, more and more openly, admitting that the whole idea of multiculturalism in Europe has turned horribly wrong. Even Angela Merkel, best known for her strong support of the open door migrant policy in Europe, has called multiculturalism ‘a sham’ (Friedman, 2015). At the same time, her key ally has admitted multiculturalism has ‘failed’ and called for radical Islamists to be booted out of Europe. A prominent German politician Andreas Scheuer said it was time for his country’s bungling leader to ‘put an end to this integration romance’ and take a tough new stance on Islamic extremism (Gutteridge, 2016).

The words of the politicians are also representative of the public opinion of the majority of the native residents of European countries who, by now, have largely turned against the very idea of multiculturalism and are seeing it as a failed and dangerous idea that has achieved nothing but the formation of immigrant cities within cities, which are now seen as breeding grounds for Islamic radicals and terrorists. The lack of the public support for the failed project of multiculturalism has, naturally, turned to the rising support for the right-wing political parties across

Europe which are now being seen as representing true European values and fighting against imported extremism.

Although the majority of the politicians and academics alike agree on the basic assumption that the multiculturalism, as it has been implemented for decades, has proven to be a failure, it seems that no one really has an idea how to turn the situation around, how to integrate the millions of people who refuse to be integrated and how to blend the cultures and lifestyles that have existed separately for decades.

One of the 'alternatives' to the exhausted and failed concept of multiculturalism that has emerged in recent years has been the idea of so-called 'Euro-Islam', imagined as an enlightened, modern version of traditional Islam, that could be somehow, more easily implemented into the Western societies and that would not clash with the Western values. It is a bit hard and confusing to define what this concept really is, but the vague idea is based on the one particular model of Islam, which is oriented towards an 'enlightened European system of values' and in harmony with 'secular constitutions' (Tibi, 2000, p. 36). The problem is not only that a large number of Muslims who do not fit into this notion have been excluded from the process of shaping the implications of 'Euro-Islam', it is also not at all clear whether the 'Euro-Islam' should be based on 'universal' (i.e. western) principles or whether it should be nationally shaped. The dominant lines of 'Euro-Islam' reflect the same problem as that of the integration paradigm, which is now offered as an alternative to multiculturalism. They both reflect a one-sided, one-way process, which presupposes the ability and willingness of Muslims to submerge themselves into the dominant norms of the recipient societies (Amir-Moazami, 2005, p. 23).

However, as the way things are (and obviously will be in the future) the majority of the European Muslims will not accept any attempt of moderation of the Sharia law and changes in Islamic practices considered backward and barbaric by the Western European norms. The very notion of 'Euro-Islam' is a utopia that will never materialize in the real world, just like the multiculturalism never could. The ideas that France should have 'French Islam', Germany 'German Islam', and so forth, anyway, do not really seem to be anything more but academic nuisances, and no one is even trying to explain how these ambitious projects could be implemented in practice or, for that matter, what do they really mean. It seems that European politicians have lost their way, lost the control of the situation and have no clear picture of what the future might hold. What they know is that the project of multiculturalism has totally failed; what they do not know is what to do next, or, for that matter, what to do at all.

ISLAM, MULTICULTURALISM AND THE (IM)POSSIBILITY OF SUCCESSFUL INTEGRATION

Much has been said about the ways in which European Muslims should be integrated into the Western societies and/or why the majority of them has, so far, failed to do so. It has been noted on some occasions that many Muslims are actually the victims of racism and prejudice that some white Europeans subject them to. It has also been emphasized that Muslims have less access to quality education and the job market, that they are plagued by poverty, and that these are the main reasons for the actual failure of multiculturalism policies. So, is this the truth? For sure, there is racism in the world today, discrimination too. It would be unfair to say that Europeans are immune to these problems. However, it does seem that Muslim communities suffer from far greater alienation from the mainstream European cultures than other minorities who also find themselves victims of prejudices. When European politicians talk about the ban of certain practices considered anti-European, such as honor killings, child and forced marriages and wearing burqas in the public, they are talking about the practices that mostly Muslims adhere to. Segregated ghettos in large European cities are populated mostly by Muslims who live in parallel societies. Different research projects show that most Muslims believe that they should live their lives according to the rules of Sharia law.

All these facts can be explained by one thing that some consider politically incorrect, but that is actually the only correct, true and logical explanation of the failure of multiculturalism – It is the nature of Islam as a religion that makes it extremely hard for devoted Muslims to integrate into the Western liberal societies. One of the main characteristics of Islam is the fact that it is not only religious but also a political and legal system. It should be emphasized that Islam, unlike some other religions, has an important political role in the countries with Muslim majorities and within Muslim communities around the globe. Islam has had always been the key factor of social mobilization in Muslim history, in the periods of crisis as well as in the periods of stability, and no other ideology has ever managed to reach the power of religion. This situation also characterises modern Muslim states in which there is almost no important political movement that, to the certain extent, does not base its principles on religion. Islam, therefore, still represents the primary source of legitimacy in the political and legal systems of these countries.²

One of the basic characteristics of the Islamic political ideology is its resistance to all secular, cultural and political values that are essentially opposed to the Islamic value system, based on religious rules. The understanding of the cultural particularities of the Islamic system is actually necessary in order to understand Muslim inability to integrate into the Western societies. The secular European states with their man-made laws contradict the religious bases of Islam as a political and legal system.

This political and legal role of Islamic religion, to a large extent, can explain the failure of the Western European notion of multiculturalism. It is not discrimination and racism that are preventing the majority of Muslims to integrate into the European societies. It is the fact that Islamic rules of life and law sharply contradict secular values and secular laws. The shallow and naïve idea of multiculturalism that completely different cultures can coexist or even merge if they are physically part of the one state is just that – shallow and naïve, and what Western Europe is facing right now is the consequence of its own inability to understand or the ignorance to acknowledge that there are cultures that are not able and/or interested to adapt to the Western value system, ever. An even bigger problem than the value system, however, is the fact that Muslim believers' lives are governed by their own laws, which sharply contradict everything that the Western democratic societies stand for. Integral Sharia cannot be implemented across Europe, of course, but the very fact that European authorities know and cannot/do not want to prevent some of its practices, such as child and/or forced marriages, female genital mutilation, Islamic divorce, mistreatment of women, etc., being widely implemented across democratic Europe, point out to the complete failure of local political authorities to reinforce the rule of law and protect what it holds dearest – the notion of human rights that are being brutally stamped upon by the practices of Islamic law.

The words of Patrick J. Buchanan, perhaps slightly 'politically incorrectly', but nevertheless perfectly accurately, describe the failure of multiculturalism to help the integration of Muslims: 'Devout Muslims do not believe all religions are equal. They believe there is one God, Allah, and submission to his law is the path to paradise. They do not believe in freedom of speech and the press if it means mocking the Prophet. They do not believe in Western dress codes or mixing men and women in schools and sports. They do not believe all lifestyles are equal. Some think adulterers should be stoned and honor killings are justified for girls who disgrace the family. They wish to live their faith and their culture in our countries, to live alongside us but to dwell apart' (Buchanan, 2011).

This is also one of the many absurdities of the idea of multiculturalism, the system that was created to protect basic human rights of people. By allowing cultural practices that, by all democratic and civilised standards, violate very rights that should have been protected, European countries have done nothing but perverted their own values. The whole idea of multiculturalism was to implement and assure the equality of different races, cultures, religions, ethnicities, etc. What has been 'achieved' in Europe instead has been the import of barbaric practices and anti-civilizational 'values' that, first and foremost, violate the rights of women and children in the Muslim migrant communities, and then also violate rights and endanger the citizens of European countries who are now living in constant fear of terrorist attacks and violent crimes performed by 'not integrated' and deeply 'frustrated' Muslim citizens of large European cities. The romanticised and naïve

idea of multiculturalism did not take into account the fact that the culture is more than a traditional food and dress, more than a celebration of specific holidays and singing of national anthems. These are all nothing but superficial, colourful characteristics of the wide spectrum of different world cultures. Below the surface, there are differences, *real* differences, substantial differences that simply prevent some cultures to harmonically and peacefully coexist, side by side, with 'others'. Allowing everyone the same rights and same protection, however humane and democratic that might sound, also means allowing them to live by whatever rules they have been used to, and also to oppose and fight all value systems and ways of life they consider 'wrong', 'corrupt' and/or 'sinful'.

As Walter E. Williams puts it: 'Immigrants coming from Africa and the Middle East refuse to assimilate and instead seek to import the failed cultures they fled. Leftist diversity advocates and multiculturalists are right to argue that people of all races, religions and cultures should be equal in the eyes of the law. But their argument borders on idiocy when they argue that one set of cultural values cannot be judged superior to another and that to do so is Eurocentrism. That is an unbridled nonsense. Ask a diversity/multiculturalism advocate: Is a forcible female genital mutilation, as practiced in nearly 30 sub-Saharan African and Middle Eastern countries, a morally equivalent cultural value? Slavery is practiced in northern Sudan. In most of the Middle East, there are numerous limits placed on women, such as prohibitions on driving, employment and education. Under Islamic law, in some countries, female adulterers face death by stoning and thieves are punished by having their hand severed. In some African and the Middle Eastern countries, homosexuality is a crime, in some cases punishable by death. Are all these cultural values morally equivalent to those of the West?' (Williams, 2016). As Williams emphasizes: 'The vital achievement of the West was the concept of individual rights, which saw its birth with the Magna Carta in 1215. The idea emerged that individuals have certain inalienable rights. Individuals do not exist to serve government; governments exist to protect their rights. But it was not until the 19th century that ideas of liberty received broad recognition. In the West, it was mostly through the works of British philosophers, such as John Locke, David Hume, Adam Smith and John Stuart Mill. Personal liberty implies toleration of differences among people, whether those differences are racial, sexual, ideological or political. Liberty also implies a willingness to permit others who disagree with you to go their separate ways. This is not the vision of the new immigrants. In some parts of Britain, Christians are threatened with violence for merely handing out Bibles. Trying to convert Muslims to Christianity is seen as a hate crime. Women are accosted by Muslim men for 'improper' dress. Many women are sexually assaulted. In many European countries, 'no-go zones' - where civil authorities will not enter - in which Sharia is practiced have been established. London, Paris, Stockholm and Berlin are among the major European cities that feature on a bombshell list of 900 lawless

zones with large immigrant populations. Both in Europe and in the U.S., multiculturalism is a leftist elitist vision with its roots in academia. The intellectual elite, courts and government agencies push an agenda that is anything but a defense of individual rights, freedom from conformity and a live-and-let-live philosophy. Instead, multiculturalism/diversity is an agenda for all kinds of conformity — conformity in ideas, actions and speech. It calls for re-education programs where diversity managers indoctrinate students, faculty members, employees, managers and executives on what's politically correct thinking. Part of that lesson is non-judgmentalism, where one is taught that one lifestyle is just as worthy as another and all cultures and their values are morally equivalent' (ibid).

So, the basic problem of multiculturalism stems from the deep differences between cultural systems and values, in this case of the West and Islam. The liberal Western values differ completely from the strict Islamic religious rules that govern daily lives of devout Muslims. There is no meeting ground between the two, which can create nothing but conflict, as can be seen from the numerous examples already discussed. Those Muslims who successfully integrate within the Western societies, usually called secular Muslims, have actually abandoned many Islamic traditions and are mostly considered nonbelievers by the members of their own community. Many of them consider themselves religious and have respect for their cultural tradition, but have chosen to live lives more or less adapted to the secular norms of European societies. However, the majority of Islamic believers in Europe believe in the strict adherence to Islamic principles, which puts them in a deep collision with their broad surroundings. These conflicts of beliefs and values led to the fact that most European Muslims do not feel any affiliation with the countries they were born in, which is a fundamental problem indeed. Many of them even feel animosity toward those countries and their native populations. These are unpleasant facts that many liberals do not want to talk or write about, but there they are, nonetheless the facts. The conflict between Islam and secularism is not something multiculturalism can change or 'have a cure for' — It is a deep rift that cannot be bridged by any form of the secular, the Western integration mode. The only way Muslims could fully integrate into the European societies and accept host countries as their own is for them to give up the complete adherence to Islamic principles, and for the majority it is totally unacceptable and will only continue to be so.

MIGRATIONS TO EUROPE AND THE FUTURE OF MULTICULTURALISM

The failed policies of multiculturalism have gained even more importance in recent years because of the mass migration from the predominantly Muslim parts of Asia and Africa. The chaos in the Middle East has put millions of people on the move and the majority of them decided to head for the rich countries of Western

Europe. This has stirred an ongoing debate regarding multiculturalism and integration in the European Union, which, so far, did not reach any conclusions or produced any viable results in that respect.

The EU policy in respect to the rising number of migrants and refugees from Asia and Africa is obviously a huge challenge, perhaps the greatest one confronting the European countries at the moment. The European Union has embarked on the process of articulating the next stage of EU immigration and asylum policy development in a context of economic crisis and slow recovery, broad euroscepticism, and a tense public debate about the scale of immigration flows to Europe. Many (liberal democratic) European leaders maintain the position that Europe must rise humanely and dynamically to the challenge, but it is obvious that they, so far, have not been successful in trying to reach common policies regarding the asylum rules. There is a number of reasons which are and will be obstacles to any common solution to this problem. First, some countries that are objecting to the imposed quotas of asylum seekers are doing so on the grounds that they are already faced with economic difficulties and cannot put up with further pressure on the public services, such as healthcare, housing and education systems. Second, countries with right-wing governments have political programs that do not support the integration of asylum seekers. Third, the growth of right-wing political parties in some parts of the EU is putting pressure on the existing governments to reconsider their migration policies. For all these reasons it will be very hard for the EU to adopt a common program for resolving a migration crisis that has slowed for now after the closure of the Balkan route, but that will probably continue to be the huge challenge in the future.

However, behind the ideas of 'humanity' and the problems of economic underdevelopment, lays the biggest challenge that some political leaders, like Hungarian Victor Orban, are openly talking about, whereas some others are only hinting at or still choosing to ignore. The lack of desire on behalf of many European countries to accept migrants, despite the fact that some of them desperately need working force, is caused, first and foremost, by the fear of Islamic radicalism and terrorism and the failure of multiculturalism to help integrate millions of European Muslims into the Western societies. Liberal democratic European politicians are also facing the strong and growing opposition of their right-wing political opponents, whose popularity among the native European populations is rising rapidly. Every terrorist attack, every criminal act, committed by migrants or the members of the minority groups, are playing into the hands of the right-wing political parties. European political leaders seem to be used to repeating the same sentences after every terror attack, along the lines of: 'We are not scared' or 'We will not allow the terrorists to disrupt our lives by burdening us with fear', but nobody believes these empty phrases anymore. The truth is that people *are scared*, they do not believe that institutions can offer them adequate protection, and they do not

want additional numbers of those they feel threaten their security coming to inhabit their countries.

These feelings of fear and insecurity are adding to the popularity of nationalistic politicians, and they will continue to do so in the future. It should not be considered strange, given the circumstances. Nationalism serves as a protective mechanism, mobilizing people in situations where essential aspects of their identity are threatened. A nationalist approach is one which pursues the preservation of the nation's past and uniformity as a strategy for survival. In the present situation, where the majority of European states' native populations feel threatened by terrorism and crime, and when both politicians and the public alike realize and openly admit that multiculturalism was a complete failure, nationalism is becoming a more attractive platform to preserve Europe economically and culturally. Given the rise in popularity across the continent, the next big political challenge in Europe will probably be the rise to power of nationalistic parties in some European countries and their policies regarding migrants, Muslims and multiculturalism. The nationalists already hold power in some EU countries, but these are the states without immigrant communities, so there is no need to change the policies of multiculturalism. However, the situation in some Western European countries represents quite a different challenge. For now, liberal democratic politicians have invested all of their strength and resources to prevent this from happening by forming a united front against nationalists. However, with the numbers in support of the right-wing politics rising, it is unclear how long this fight will be able to continue before the Western European countries, one by one, start getting nationalistic governments, and when they do, what kind of policies would those governments employ regarding multiculturalism, terrorism and the cultural segregation. There is a fear that this kind of political development could lead to some kind of cultural 'clash', and that fear is real and justified.

CONCLUSION

The phenomenon of multiculturalism in Europe, analyzed from the current prospective, could be described as a utopian, unrealistic attempt to create a harmonious society that could have never been implemented in practice. The only places where multiculturalism was a success were academic papers of the so-called multiculturalists, academicians who believed in this absurd idea in the first place and were trying to find 'scientific' proofs that it could work in real life. This does not mean that different cultures cannot coexist; they can and often do, but there are limitations to the level of success to achieve this coexistence and these are related to the characteristics of those cultures, that is, their similarities. A multicultural society can function only if its component cultures promote a similar lifestyle, follow similar rules and respect the beliefs, the ideas and the traditions of the other cultures,

as long as they do not disturb the public order. In the case of Western European states, the coexistence between the secular, democratic majorities, who strongly believe in the concept of individuality, gender equality and democratic choices, and devout Muslims who structure their daily lives around the religious rules of Islam, implement gender segregation and other religious/cultural norms and regulations considered backward and non-European, could not lead to the cultural blending nor could it promote mutual tolerance and acceptance.

For this reason, the whole idea of multiculturalism did not produce any tangible positive results, but quite the opposite, the only thing it has achieved was the creation of societies within societies, who not only live in parallel universes but also live in mutual fear, contempt and even hatred of each other. The future of multiculturalism looks bleak, but to put it honestly, they are very few significant voices who even dare to speak about its future. Most politicians rightly believe it is over and done with. The same is with the public. There are still a few academics and liberals who advocate this failed idea, but their opinions do not mean much when compared to the reality and statistics. One thing, however, remains unclear. It seems that almost everyone agrees that the days of multiculturalism are numbered, but no one seems to offer the alternative for the future. If the integration is impossible and the multiculturalism has failed, what is the solution, if there is one, that is.

The answer to this question would be a very difficult puzzle to solve, and it would be useless to cite different academic attempts ‘offering solutions’ such as post-multiculturalism, Euro-Islam, etc., which mean nothing at all and whose only role is to try to defend liberal democratic positions and values and further confuse already confused and scared the public. More or less, actually, these are those same ‘multiculturalists’ who used to praise the ideology of the multicultural coexistence, which failed miserably, that are now trying to decide what a non-implementable experiment could be tried next. It would be safe to say that, at this point, no one seems to be able to offer the solution for the chaos Europe has found itself in. However, there is one simple explanation of what has happened and what is yet to come, and it can be found in the following question: How does a liberal, permissive society that celebrates diversity impose its values on a militant immigrant minority that rejects them? Answer: It does not. All the rest is chatter. This is what James Burnham meant when he wrote that liberalism is the ideology of Western suicide.

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Jelena VUKOIČIĆ

MIGRACIJE I MULTIKULTURALIZAM – BUDUĆNOST POLITIKE ETNICITETA U EVROPI

Apstrakt: Globalna migrantska kriza imala je jak uticaj na evropske zemlje intenzivirajući dugogodišnju debatu o tome kako uspešno integrisati religiozne muslimanske manjine u liberalno-demokratska društva. Poslednjih godina veliki deo evropskog javnog diskursa fokusirao se na očigledan neuspeh politike multikulturalizma, koju su neke evropske države usvojile kao funkcionalan način integracije rastućeg broja migranata u evropskim društvima. Međutim, ova politika, najvećim delom, imala je suprotne efekte na migrantske zajednice, otuđujući ih od većinskog stanovništva i gurajući ih u getoizirana naselja koja funkcionišu gotovo u potpunosti odvojeno od ostatka društva. Poslednji talas uglavnom muslimanskih migranata, koji je neke evropske zemlje stavio pod veliki pritisak, samo je poslužio za isticanje već postojećih problema sa politikom multikulturalizma, dalje otuđujući postojeće manjinske zajednice i stvarajući sve dublje podele između njih i većinskog stanovništva. On je takođe uticao na rast popularnosti nacionalizma i desničarskih političkih stranaka, koji se može posmatrati kao jedan od rezultata propale multikulturalne politike. S obzirom na to da se migracije u Evropu nastavljaju, uprkos zvaničnom zatvaranju takozvane Balkanske rute, one će verovatno nastaviti da utiču na politiku etniciteta u različitim evropskim državama, jačajući nacionalističke političke partije i pokrete, i stavlajući dodatno težište na kulturološke razlike između različitih etničkih zajednica koje žive jedne pored drugih u evropskim društvima.

Ključne reči: migracije, multikulturalizam, muslimani, islam, Evropa, nacionalizam, politika etniciteta.

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THE UK AT A CROSSROADS: RE-PUZZLING OVER THE FUNCTIONING OF INTERNATIONAL RELATIONS IN EUROPE AND GLOBALISATION AFTER BREXIT

Ivan DUJIĆ¹

Abstract: This paper deals with the status of the United Kingdom (UK) in the unstable European international relations following the referendum on the European Union (EU). It also deals with the UK's capability to survive in spite of being transformed into a country of four nations. It seems that the devolution process in the UK, analysed at the beginning of this paper, does not create an obstacle to the UK's independent acting in globalisation. The advocacy of a new vision of the UK's global presence in world politics after leaving the EU requires full and responsible implementation of such idea by the UK Government. Actually, due to its global presence in the evolution of international relations, the UK endeavours to be a state capable of redefining its reason of state, independently from one of the EU members. Therefore, the UK could be an independent actor in international relations that promotes globalisation in the name of the new vision for a 'Global Britain'. In order to achieve this vision, the author points out that gender equality is a priority, particularly in pursuing the policy of integrated management of human and natural resources. To that end, the importance of gender roles is emphasised. All discussion is in favour of the focus of the paper: the re-puzzling over the functioning of international relations in Europe and globalisation after Brexit.

Key words: the UK, the EU, Brexit, European international relations, globalisation, gender equality, gender roles.

INTRODUCTION

In the postmodern era, characterised by the need to digitise services, every state tends to regain and retain control over its space. In other words, states do not want

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to be engulfed by uncontrolled migration flow in intra- and inter-state integration processes. Thus, the states' wish to be constantly re-spatialised can be justified by their intention to redefine their primordial role in the international arena.

The position of states in the international arena depends on the changes in international relations as well as the relations within the state. As for the UK, its internal relationships attract the attention of international scientific and the wider community because of a significant degree of decentralisation which did not enable the UK to transform from a unitary into a federal state. As opposed to some states that have undergone the process of internal transformation during the 20th century, the UK did not become a federal state.

The literature on this subject indicates that the UK came to be made up as 'a union of four nations' (Minto et al., 2016, p. 186). As one of the western European countries, the UK is undergoing a period of constitutional change. Instead of being transformed from a unitary into a federal state, the UK is a state in which the UK's devolved administrations operate.

Some scholars like Cox (2016), Blunkett, Flinders and Prosser (2016), Tomaney (2016) hold that the UK is going through a period of rapid constitutional change characterised by devolution of some powers to the UK's devolved administrations. Such change entailed a higher level of autonomy for England, Northern Ireland, Scotland and Wales with respect to the decision-making process in London. Before, during and after the 2016 EU referendum and Brexit, the citizens of the four UK administrative units did not share the common views on the further status of their country in the EU.

Instead of retaining a strictly unitary system, the UK undergoes the process which is moving ahead, particularly in England as the largest administrative unit. Cox (2016, p. 569) indicates that England, unlike Ireland, Scotland and Wales, is implementing devolution, for example, in the field of 'health and social care services' as a part of the policies of giving broader powers to the administrative units that operate in accordance with the established and retained administrative division in the UK.

Devolution in the UK before and during Brexit is a process that is characterised by the aspiration towards having the UK as a state within which all decisions, especially political ones, will not be made exclusively in London. In addition to its endeavour to diminish substantially the role of Westminster in political decision-making in favour of the greater influence of Northern Ireland, Scotland and Wales in determining the future destiny of the UK, the process of devolution significantly affects the possibility that the regions of England might develop and nourish political identity which will be manifested by permanent or periodical holding of the Assembly or Parliament. As Blunkett, Flinders and Prosser note, it is about a

‘[...] new territorial settlement in the UK, and one that devolved power not just to the constituent nations but also to the English regions [...]’ (2016, p. 555).

The importance of devolved power is reflected in the redistribution of power within the state in order to retain the transfer of powers to Northern Ireland, Scotland and Wales as the UK’s constituent nations. These nations have the right to participate in creating the UK internal policies without undermining its long ago developed subjectivity, in the complex new forms of international relations and globalisation. When it comes to the negotiations between the UK and the EU, it means that ‘[...] devolved nations (...) make a coordinated approach to the UK government (...), but their involvement (is) limited.’ (Minto et al., 2016, p. 183).

By gaining wider powers, Northern Ireland, Scotland and Wales, as devolved nations, redefine the UK in a way that it becomes more democratic in making and implementing its internal political decisions. However, democratism in making such decisions, which is dependent upon devolved powers of the UK administrative units, rests on ‘[...] the degree to which devolved systems are accompanied by fiscal mechanisms of territorial redistribution.’ (Tomaney, 2016, p. 548). Fiscal mechanisms of the territorial redistribution within the UK mean that the process of decentralisation operates in favour of the gradual redefinition of the UK through democratisation in making political, economic and other decisions.

Pursuing fiscal policy, following the 2016 EU referendum and Brexit, at the level of the UK devolved nations enables England, Northern Ireland, Scotland and Wales to ease the implementation of, among others, health and social care policy. The implementation of such policy disencumbers the UK government, in the sense that those nations implement much faster the health and social care measures. The existence of National Health Service (NHS) in these systems is very convincing evidence that it is about a very high degree of decentralisation in the UK, not only in terms of implementation of health and social care policy, but also the provision of greater independence of the devolved powers in Northern Ireland, Scotland and Wales in relation to the central power in London.

Although in literature the term ‘Brexit’ is more often used to refer to Great Britain’s exit from the EU, O’Leary is more precise in arguing that the term ‘Ukexit’ is more appropriate because it is not only about Great Britain’s exit but also Northern Ireland’s exit from the EU. O’Leary also points out that the 2016 EU referendum and, accordingly, the UK’s future status in the trade bloc, was held not only in England, Scotland and Wales, i.e. Great Britain, but also in Northern Ireland (2016, pp. 518-519). In this article, the term ‘Brexit’ will be used from a historical standpoint in the realm of foreign and security policy that Britain has pursued in the era of its unification with Ireland in 1801.

There is an increasing UK’s tendency to recover its political influence both in Europe and worldwide during and after Brexit. To understand the relationship

between the UK, as an independent country and the EU as a complex bloc made up of 27 members, one should proceed from the speech of the UK Prime Minister Theresa May, delivered in Westminster, when she announced the triggering Article 50 of the Treaty on European Union, stating that she wants to see the UK as a country with its duty to survive and

[...] emerge from th(e) period of (administrative and constitutional) change stronger, fairer, more united and more outward-looking than ever before. I want us to be a secure, prosperous, tolerant country – a magnet for international talent and a home to the pioneers and innovators who will shape the world ahead.' (The UK Government, 2017).

The text below shows that the UK's withdrawal from the EU is founded on the following fact: globalisation as a long-term process and international relations are not only based on the efficient functioning of the EU in the process of European integration, but also on the capabilities of states as main actors of international relations, to regain full control over their restricted territories. With respect to the way the UK perceives itself, it is obvious that the UK's withdrawal is the outcome of an inherited discourse on the UK's being an independent actor of international relations. The UK government's goal is to re-implement the principle of non-interference into European affairs in relation to the EU, on the basis of the aforementioned discourse and the importance of gender equality for the integrated management of human and natural resources.

BREXIT AS A TOOL FOR THE LATEST RE-PUZZLE OF INTERNATIONAL RELATIONS IN EUROPE AND GLOBALISATION

The unification of England and Scotland began in 1603 with the arrival of the Stewart dynasty and creation of a personal union, and ended in 1707 with the creation of a real union between the two countries. It was verified by the Union with Scotland Act 1706 passed by the Parliament of England, and the Union with England Act 1707 passed by the Parliament of Scotland (Act of Union with England 1707; Act of Union with Scotland 1706). This led not only to the creation of the United Kingdom of Great Britain as a single state but also to the continuation of the foreign policy based on the balance of power. Kissinger explicitly states that William III endeavoured to develop a doctrine of the balance of power in the England's, later the UK's foreign policy with a view to curbing France's and Germany's power for the sake of full independence of the UK as an actor in international relations (1994, p. 71).

The creation of the UK, thanks to a real union between England and Scotland under the name 'Great Britain', coincided with the heyday of France's power

expressed in its tendency to become the dominant power among European states. At the time when the Kingdom of Ireland became part of the UK by the Act of Union in 1801, France was a dominant power in Europe for a brief period of time. The uniting of Great Britain and Ireland in a separate economic and political union resulted from the tendency to foster closer relationship between the Kingdom of Ireland and Great Britain ‘[...] in order to promote and secure the essential interests of Great Britain and Ireland, and to consolidate the strength, power, and resources of the British Empire [...]’ (Act of Union with Ireland 1800, p. 1).

The promotion and protection of the UK’s and Ireland’s fundamental interests during the period 1801-1921 – when The Anglo-Irish Treaty was signed immediately after a large chunk of Ireland gained the independence from the UK – pertained to the establishment and further keeping the colonies in certain parts of the world. This is particularly important because of the maintenance of the balance of power in relation to France and other world powers that had a subordinate status to the UK. Apart from having a global influence, the UK had, owing to its economic and political power manifested through its overseas colonies, a great contribution to ‘[...] the heyday of European imperialism which lasted from the mid-19th century to 1918 as a fourth wave of globalization. It was driven by bulk trade, involved voluntary trans-oceanic mass migration [...]’ (Therborn, 2000, p. 161).

The phenomenon of trans-oceanic mass migration occurred during the period 1850-1918 and marked the fourth wave of globalisation, thus shaping the future of international relations. One can notice that during this period the UK was a centre of mass emigration to Australia, Canada, New Zealand and the United States. In his research on the ocean shipping, North points to the fact that ‘[...] from the mid-seventeenth century onward productivity rose at a significant rate, which accelerated still more during the first half of the nineteenth century.’ (1968, p. 954). It was accompanied by population growth since the eighteenth century.

The UK population growth in the eighteenth century, on the one hand, led to trans-oceanic mass migration and redistribution of human resources to the UK’s former colonies, which resulted in the formation of new communities, societies and states. As Castles indirectly put, mass migration in the colonised areas contributed to the understanding of the ‘[...] processes of community formation leading to social and cultural change [...]’ in the UK’s former colonies (2002, p. 1144). During a period of population growth, the UK tended to spread its cultural, economic, and political influence that entailed subsequent changes in the demographic structure and concentration of capital in the UK’s cities.

The increasing size of the UK population, due to a high birth rate and natural increase, and trans-oceanic mass migration, worked to the advantage of a covert manifestation of the country’s vision to gain and retain its status as ‘the workshop of the world’ in international relations. The long-term outcome of trans-oceanic

mass migration was reflected in the change of the demographic landscape of the UK's cities rooted in the creation of modern UK economy that justified the effects of the First Industrial Revolution. Therefore, the trans-oceanic mass migration, on the other hand, contributed to globalisation and multi-culturalisation of the cities which, according to Sassen, became '[...] strategic sites for cultural and institutional changes.' (2013, p. 212).

Drawing on the fact that some cities serve as strategic sites for cultural and institutional changes, the UK, in leaving the EU, is likely to have not only citizens from the EU members but also the ancestors from its former colonies. Castles points to the considerable importance of migration and hence its symptoms that are manifested in migration flows, i.e. migratory movements which '[...] develop their own dynamics and cannot easily be stopped.' (2002, p. 1150). In the case of the EU, migration flows mean the free movement of capital, goods, ideas, labour force, knowledge and technology in Europe, partially including the UK as a formal EU's member state.

Is there a clear UK's tendency to regain, owing to migration flows, its sovereignty in spite of being legally obliged to the EU? By taking steps towards its disengagement from the EU's bilateral agreements and treaties, the UK Government, following the 2016 EU referendum, took a negative stance on the UK's future in the EU. Actually, it is the independent exploitation of human and natural resources that may be used as an argument in favour of the UK's independence in conducting economic and trade policy for the sake of optimising its status in the international arena.

The discussion about the importance of partially constraining the human and natural resources within the UK presumes the creation of new policy relying on a balance between the relationship of the UK with Europe and the wider world. The supporting argument that such balance already exists could be found in Theresa May's speech on the occasion of triggering the Article 50 of the Lisbon Treaty, where she stated that Great Britain, as a greater part of the UK, must be '[...] a truly Global Britain – the best friend and neighbour to our European partners, but a country that reaches beyond the borders of Europe too. A country that goes out into the world to build relationships with old friends and new allies alike.' (The UK Government, 2017).

The opinion expressed in the idea of building Great Britain as a 'Global Britain' is grounded on a policy of the UK's full participation in world politics. This claim relies on the traditional standpoint of the UK's global presence in the international arena. By analysing and comparing the two UK's referendums on the EU memberships held in 1975 and 2016, Saunders (2016, p. 319) notes that the UK still is highly sensitive to its relationship with the EU's members across the Continent, particularly in the political, economic, and security realm.

In the security realm, the UK is developing and maintaining its national security programme which is based on the co-operation and partnership with the EU members. In this regard, there are established relations between France and the UK in defence and foreign policy. As Whitman indicates, the UK is, together with France, '[...] one of the European Union's two most powerful and ambitious states when it comes to foreign and defence policies.' (2016, p. 254).

The UK is still regarded by many scholars as a remarkable state because of its positive stand on sustainable development of the common European defence and foreign policy. Over the last 20 years, the UK played a crucial and inevitable role in maintaining the co-operation among the EU members relating to the creation of common defence and foreign policy. In order to achieve this policy, the UK has to face the fact that the EU is an incomplete political entity in terms of state with its economic, legal and political systems.

In the further explanation of the EU's shortcomings, one must consider the complex and multifaceted international relationships among European states. In *stricto sensu*, states are regarded as entities that have the capability to produce and sustain specific types of power in order to implement the ideas of European integration and solidarity. However, Adler-Nissen (2016, p. 242) points to that the UK '[...] does not commit fully to the ideas of European integration and solidarity [...]' due to its awareness that the continental part of the EU failed to become a single entity in international relations.

Instead of being fully integrated into a single economic and political system, the EU members operate independently on the implementation of common political decisions within the trade bloc. The status of the UK in the EU reflects not only the UK's position as an outsider in the domain of the EU's economy, defence and security, but also a tendency of the state to behave as an independent actor in the international relations of European states. Acting as an independent political entity, the UK intends to re-orientate the future process of international relations in Europe by enforcing the trade bloc to be accustomed to operate both economically and politically without the UK.

The UK's decision to leave the EU will imply the conduct of an independent foreign policy and creation of defence policy in favour of regaining the control and supremacy over the UK's human and natural resources. According to the World Trade Organisation (WTO) statistics for 2016, in 2015 the UK was ranked as '[...] the fifth biggest importer of goods, with imports amounting to US\$ 626 billion, representing 4 per cent of world imports.' (WTO, 2016, p. 44). With meagre and limited resources, the UK tends to survive as one of the largest importers in the world and an independent proponent of globalisation, which is rooted in the UK's isolationism of the nineteenth century.

What is the common denominator of the UK's isolationism of the nineteenth century and Brexit in international relations and globalisation? The UK's tendency to exempt its political decision-making process from the EU collective decision-making process is firmly grounded in the UK's incapability to fully comprehend, from an economic standpoint, its leading position and role as the EU's proponent of interstate perpetual peace. Prior to an explanation of a possible link between the UK isolationism and Brexit, one should bear in mind that globalisation was a long UK-led process during the period from 1801 to 1945, so the international relations were driven by the UK's dominance during that period.

The discussion about the structure of international relations in the context of gender role is crucial for permanent consideration and understanding of economic growth. Since economic growth is one of the main postulates of the sustainable development and survival of a state, a question is raised over the role of men and women in maintaining the economic growth. In an in-depth analysis of the heteronormative heterosexuality in the context of global political economy (GPE) and broader economic relations among actors of international relations, Griffin points to

[...] (t)he unspoken assertion of (hetero)normative heterosexuality in (the World) Bank discourse as essential to economic growth predicates heterosexuality as essential to productive economic behaviour, circumscribing appropriate life narratives or social identities accordingly.' (2007, p. 232).

The idea of economic growth in the context of gender roles covertly advocated by the World Bank and other domestic and international economic institutions and organisations is underpinned by strengthening men and women's roles in society. An abstract concept of heteronormative heterosexuality is based on behaviour, relationships, and previously defined female and male roles which are socially accepted. Viewed from the aspect of economic, political, and social science, female and male roles seek to be fully regarded as a starting point for consideration not only the gender roles in society but also the male dominance deriving from masculine power.

Griffin's latest research in relation to male and female gender roles gives rise to the ongoing consideration of the relationships among economy, heteronormative heterosexuality and masculinity, indicating that the male domination, established long ago, still exists irrespective of a strong and generally accepted discourse on gender equality. This research may be supervised to the fact that '[...] (hegemonic) masculinity is constituted as reason, order, and control, masculine domination is reproduced through conceptual systems that privilege male entitlement – to authority, power, property, nature.' (Spike Peterson, 1999, p. 40). The majority of societies and states are grounded on the hegemonic masculinity and gender

hierarchy with a tendency to use the discourse on gender equality to achieve a long-run economic growth, particularly in the UK after its departure from the EU.

In Theresa May's address to the House of Commons, as she triggered Article 50 of the Treaty on European Union (TEU), she said that '[...] the UK needs to increase significantly its trade with the fastest growing export markets in the world.' (The UK Government, 2017). This statement relies on the presumption of a long-run economic growth in the UK as an actor in international relations, especially if the functioning of the UK outside the EU is taken into account. Viewed as a long-term goal, the UK economic growth is feasible if, in addition to gender equality, there are still socially defined gender roles, regardless of the fact that the UK is regarded as a postmodern state.

One of the reasons behind the UK's acting as a postmodern state lies in its long ago developed citizenship, whose survival and further evolution rely on

'[...] liberal democratic theory (that) has constructed and worked with a set of antagonistic universalising categories of male and female and has attributed to the particular characteristics to men and women in ways which shape their experiences as citizens.' (Arnot, 1997, p. 281).

Owing to individual experience, men and women, as the citizens of a state, are meritorious for defining and continual advancing of the UK as a postmodern state, whereas they rely on liberal democracy and its theory. One can say that members of both genders participate in the redefinition of the UK as an internationally recognised actor in international relations, independently of the fact that this state is leaving the EU. Also, both genders are granted the right to determine in a referendum the destiny of the UK administrative units, as it is the case with Northern Ireland – it is stipulated by the 1985 Anglo-Irish Agreement (Article 1, par. a and c) – and with Scotland of 2014, where Scottish independence relative to the rest of the UK was decided by its citizens.

May socially defined gender roles within a state be still considered in the context of international relations in Europe and globalisation? Taking into account that gender is considered as a socially devised concept, Weber, citing Spike Peterson through Jones, explains that gender implies '[...] subjective identities *through which we see and know the world*, and (...) *the world is pervasively shaped by gendered meanings*.' (2005, p. 89). Male and female roles define all characteristics of a state as an organisation which contributes functioning and further development of international relations and globalisation.

The UK's withdrawal from the EU is a result of an attempt by the majority, who opt for quitting the European Union, to save their state from losing subjective identity in relation to other members. Nevertheless, the majority will not have only to regard the EU as one of the actors of international relations, but also to face unavoidably a great problem of how to either improve or maintain the position of

UK among the states which achieved a very high level of human development. According to the 2016 Human Development Report, the UK is ranked 16th (UNDP, 2016, p. 200).

The UK could take a chance to stay among the states with very high human development provided it keeps its position as a state having success in achieving economic freedoms. In respect of the fact that the UK has achieved great success in the field of economic freedoms from the years of Margaret Thatcher's reign to 2013, the state ranks fifth in the last four years on the list of the world's largest economies (The Heritage Foundation, 2017, p. 294). In addition to a high ranking among world economies, the UK is also ranked among the states with the stable internal order (Messner, 2017).

The majority's decision on the UK leaving the EU not only carried a great risk of losing a good position in the aforementioned indicators but also became the cornerstone for understanding the international relations in Europe which depend on the states as the most important actors. In other words, the international relations in Europe after the UK's withdrawal from the EU may depend on state policies generally pursued by men. Though the contemporary international relations in Europe are marked by integration processes, men are still key actors in defining state policies which is explained by the fact that they '[...] may contest one another for power in terms of positioning not only along and within the various levels of power available in the horizontal stratification, but also across levels in the vertical formation of the hierarchy.' (Buchbinder, 2013, p. 72).

A claim that men in a mutual contest pursue state policies is underpinned by the fact that the relations within a state are masculinised and, accordingly, they continuously tend to expand in order to be part of international relations. This fact is supported by Spike Peterson's research on gender identities that firmly draw on a premise that they are not '[...] essentially derived but historically specific to patriarchal relations; they are *social constructions*.' (1990, p. 322). Whereas patriarchal relations in society and state endeavour to involve gender identities in such a way that they represent parts of social constructions, the international relations in Europe are based on the strengthening of the discourse on gender equality, that, in turn, keeps stimulating gender identities also at the level of relations among states.

Do gender identities contribute to the UK's withdrawal from the EU by placing greater emphasis on a well-known fact that the state is the only one that is authorised to mother all these identities? The UK's tendency to become an independent actor in international relations with respect to the EU embraces the state's grand vision of reviving, through gender identities, its ancient role of a bystander of all kinds of events, in particular economic ones, in Continental Europe. This will be feasible if the UK integrates within its borders gender identities as its own human resources for the sake of integrated management of natural resources and definition of

independent policies in the favour of the UK's reason of state (*raison d'État*), without involving in its counterpart of the EU members.

As an independent actor with respect to the EU, the UK endeavours to see itself not only as a state with a defined reason of state but also as an important factor in global relationships. From the standpoint of international relations in Europe, the UK has never seen itself as a European state in terms of its full involvement into European affairs. Irrespective of the age of global interdependence, for the UK, as an independent actor in international relations, Continental Europe has always been '[...] an amorphous mass which is just "over there".' (Eyal, 2016, p. 141).

The states' success to re-spatialise its space is based on the hoary doctrine of reason of state that relies on the state as a territorialised political unit on the global power stage. In addition, the state's economic milieu on the international stage presumes the state's capability to control and maintain its autonomous financial system. It is presumed that the evidence supporting this claim may be found in the fact that the state has its monetary system and that it needs to monetise government bonds and debts into money in order to support the financialisation of the continuous domestic and international relationships.

The scarcity of human and natural resources, particularly the latter ones, encourages interconnection between states in order to grasp capital flows and stimulate openness towards integration of the resources. The possible outcome of states' interconnection is the establishment of an integrated international trade and disintegrated national production. This raises a question of whether the integration of international trade and disintegration of national production have been masculinised.

Integrated natural resources management will be more facilitated if gender equality in the UK, after its withdrawal from the EU, still remains a key factor where men and women participate in a continual exploitation of the movement of capital with the aim of achieving economic gains. Given that both men and women are, due to a powerful discourse on gender equality, not only involved in achieving economic gains from the movement of capital but also organised in social groups striving for gender equality. The importance of this equality is obvious since it

'[...] occurs where women and men do the same things and do not overtly stress their biological features (so that) gender differentiation does not exist. But gender equality also occurs where there is a clear gender differentiation and where the fields of activities are segregated according to gender. And finally there is gender equality in groups with higher gender differentiation and at the same time more co-operation between the genders in relation to different fields of activity.' (Godenzi, 2000, p. 36).

But, whereas Godenzi points to the potential benefits of gender equalities in a society and state, Beasley notes, while discussing hegemonic masculinity, that it is men rather than women who are deserving of the creation and further maintenance of the discourse on globalisation that establishes the relationship between genders in the context of '[...] an analysis of the contested and shifting nature of gender identity at the global as well as the local level, to highlight the ways in which different hegemonic masculinities are negotiated, and even resisted.' (2008, p. 99). The nature of gender identity is not only the quotation stated above but it is also a pivot on which the future process of globalisation after the UK's withdrawal from the EU will depend.

Future development of international relations followed by the globalisation assumes radically different comprehension of gender equality where a greater emphasis is laid on '[...] focused characterization of hegemonic masculinity as concerned with a political ideal or discourse, as an enabling mode of representation, which mobilizes institutions and practices.' (Elias and Beasley, 2009, p. 288). When it comes to the UK's withdrawal from the EU, mobilisation of institutions and practices will seek in the long term a strong obligation and responsibility to have gender relationships regulated in the UK and its devolved administrations, and international relations in Europe still developed on the basis of gender relationships.

Re-puzzling over international relations, particularly in Europe does not only depend on the relationships that will be established between the UK and the EU in the coming years. It is a fact that international relations are not the same as domestic ones. They are grounded on the establishment and maintenance of quasi-order among the actors of international relations. The UK's withdrawal from the EU is taken as evidence that there exists an illusion of order in international relations, although the terms to end a state's membership in the EU are set forth in Article 50 of the TEU.

In addition to being viewed as economic, political, technological, and cultural relationships among the actors of international relations, the international relations among states as well as among international organisations may also be viewed as a result of the relationship between genders. In this respect, the UK's departure from the EU should be likewise viewed as a result of the relationship between genders, which is responsible for the integration of human resources. As a result, the UK will have a chance to integrate its natural resources not only on its own territory but also on the territories of former British colonies.

Re-puzzling over international relations towards putting a greater emphasis on the states as independent actors of the relations entails viewing globalisation as a phenomenon depending on the state. The same holds true for the UK. As one of the most influential states in Europe, the UK endeavours to resume a role of an observer of all events in Europe in particular as a guarantor of security in Continental Europe.

CONCLUSION

The loss of the status of colonial power does not prevent the UK from achieving its goal to become again an independent actor of international relations, particularly in Europe. The UK's endeavour to achieve this, due to its withdrawal from the EU, does not necessarily mean that its importance in international relations should be denied because it is always possible to count on the UK's positive role in the re-arrangement of international relations. Further, the UK's survival in international relations will depend likewise on the UK's long-term objective to put its human resources into action, thus remaining a key participant in this sphere.

The result of putting the UK's human resources into action is an additional capability of the state to maintain the integrated management of natural resources, which as regards the UK means not only the integration of its natural resources but also the readiness to place the natural resources outside the UK under the control of its companies. The UK's exit from the EU poses a great challenge to the state, due to its tendency to act as an independent actor in international relations, as well as to restore the old meaning of globalisation that contains such state's tendency. In relation to the EU, the UK is a state with meagre human and natural resources, but which are, thanks to its companies' operation, likely to be integrated with those from the UK's former colonies.

When the question of the UK's departure from the EU was raised as a possibility at the beginning of the migrant crisis, it was hard to imagine the UK, as the strongest economy in Europe, leaving the trade bloc. The UK's departure and Brexit's coming to fruition could result in resurrecting the idea of state sovereignty and reason of the state in international relations in Europe, which would have a positive impact on further progress towards globalisation. Whereas the EU count on its human and natural resources across the territory of 27 members, the UK relies on its own human resources required to be completely integrated to secure the UK's survival as an independent state in international relations. As such, it could redirect globalisation in favour of independent states.

The integration of human resources in contemporary international relations is not possible without gender equality. Although this form of equality is strongly supported by the EU, the UK may also achieve such equality thanks to its full-fledged liberal theory on citizenship, particularly if you bear in mind that there are other forms of equality. Furthermore, gender equality might be important to fostering social discourse on permanent gender roles associated with its biological role.

When social roles of men and women in a state are raised to the level of international relations, then the social discourse transforms into a global discourse. Thanks to their social dimension, the complex international relations between states or international organisations become more comprehensive, whereas globalisation

that most often displays its economic, political and cultural dimensions, tends to include a social dimension as well.

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Ivan DUJIĆ

**UJEDINJENO KRALJEVSTVO NA RASKRSNICI:
NOVA DILEMA U POGLEDU FUNKCIONISANJA MEĐUNARODNIH
ODNOSA U EVROPI I GLOBALIZACIJE NAKON BREGZITA**

Apstrakt: Ovaj rad se bavi statusom Ujedinjenog Kraljevstva (UK) u nestabilnim međunarodnim odnosima u Evropi nakon referenduma o izlasku iz Evropske unije (EU). U radu se takođe razmatra sposobnost UK da dalje funkcioniše uprkos njegovoj transformaciji u državu koju čine četiri države. Izgleda da proces prenosa ovlašćenja (devolucije) u UK, koji se analizira na početku rada, ne predstavlja prepreku za nezavisno delovanje UK u globalizaciji. Zastupanje nove ideje o globalnom prisustvu UK u svetskoj politici nakon izlaska iz EU traži potpuno i odgovorno sprovođenje te ideje od strane Vlade UK. Naime, zahvaljujući globalnom prisustvu u razvoju međunarodnih odnosa, UK nastoji da bude država koja je sposobna da redefiniše svoj državni razlog nezavisno od država članica EU. Shodno tome, UK bi moglo da bude nezavisan subjekt u međunarodnim odnosima koji promoviše globalizaciju u ime nove vizije o „globalnoj Britaniji”. Da bi se ostvarila ova vizija, autor ukazuje na polnu ravnopravnost kao prioritet, posebno u vođenju politike integrisanog upravljanja ljudskim i prirodnim resursima. U tom smislu stavlja se naglasak na ulogu polova. Čitava diskusija se odvija u korist fokusa ovoga rada – nova dilema u pogledu funkcionisanja međunarodnih odnosa u Evropi, i globalizacije nakon Bregzita.

Cljučne reči: UK, EU, Bregzit, međunarodni odnosi u Evropi, globalizacija, polna ravnopravnost, uloga među polovima.

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STRENGTHENING THE INSTITUTIONAL MEMORY OF THE OFFICE OF THE PRESIDENT OF THE GENERAL ASSEMBLY

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Abstract: Strengthening the Institutional Memory of the Office of the President of the General Assembly becomes a separate cluster of the revitalization of the work of the General Assembly on the 64th session. The Office of the President of the General Assembly is faced with many problems, including the lack of financial resources as well as the lack of human resources. This function is relatively unknown to the general public and it had been overshadowed by the Secretary-General. The paper analyses the role and the position of the President of the General Assembly as well as the work and progress of the *Ad Hoc* Working Group for the revitalization of the General Assembly on this issue. Some progress has been achieved, but the most important problems remain unsolved.

Key words: President of the General Assembly, revitalization, General Assembly, *Ad Hoc* Working Group, United Nations.

INTRODUCTION

Each representative body requires a person responsible for its functioning, preparation of the agenda, adoption of conclusions, etc. In the system of the United Nations, the General Assembly is one of the six main organs. It is described as the chief deliberative, policy-making, and representative organ of the United Nations. The General Assembly is “the only one of the six that includes representatives of all member states, simultaneously respecting and confirming their sovereign equality by giving each of them one vote, regardless of military power, wealth, population, size of territory, or any other characteristic” (Peterson, 2006, p. 1). Article 10 of

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

On the other side, provisions of the Charter of the United Nations are quite modest when it comes to the internal organization of the General Assembly. Article 21 of the Charter provides that “the General Assembly shall adopt its own Rules of procedure. It shall elect its President for each session.” No other mentions of the President of General Assembly can be found in the Charter and “as in the British fashion, his role is more a reflection of evolution than definition in the Rules of procedure” (Zafrulla Khan, 1964, p. 231).

After 70 years of functioning, the General Assembly of United Nations is faced with some serious problems. Having in mind significance of this body, the Member States have discussed how to improve the General Assembly’s relevance and effectiveness for the last 24 years. Beginning in its 60th session (and skipping the 61st session), the General Assembly annually establishes an *Ad Hoc* Working Group on the revitalization of the work of the General Assembly. Three thematic clusters of revitalization debate have been:

- enhancing the role and authority of the General Assembly;
- the role of the General Assembly in the election of the Secretary-General;
- improving the working methods of the General Assembly.

Having in mind various problems of the Office of the President of the General Assembly (related to adequate funding of the Office of the President and providing adequate staff) this issue becomes a separate cluster on the 64th session. Since the 64th session, the *Ad Hoc* Working Group on the revitalization of the work of the General Assembly discusses this issue as “Strengthening the institutional memory of the Office of the President of the General Assembly”.

THE ROLE OF THE PRESIDENT OF THE GENERAL ASSEMBLY

In a formal sense, the President of the General Assembly has only one function - to conduct the Assembly’s work. Performing this task, the President must serve the will of the Assembly. The Rules of procedure of the General Assembly define in more detail manner the role of the President.

Rule 35 provides that “the President shall declare the opening and closing of each plenary meeting of the session, direct the discussions in plenary meeting, ensure observance of these rules, accord the right to speak, put questions and

announce decisions. He shall rule on points of order and, subject to these rules, shall have complete control of the proceedings at any meeting and over the maintenance of order thereat.”

The President may, in the course of the discussion of some subject, propose to the General Assembly the limitation of the time to be allowed to speakers, the limitation of the number of times each representative may speak, the closure of the list of speakers or the closure of the debate. He has the power to propose the suspension or the adjournment of the meeting or the adjournment of the debate on the item under discussion. The President speaks at the General Assembly on ceremonial occasions and he has its own page on the UN website.

At first glance, it seems that the role of the President of the General Assembly is strictly formal. However, besides the formal aspect of the role, the President of the General Assembly could significantly contribute to better functioning of the General Assembly. For example, resolutions of the General Assembly represent a full weight of world opinion when they are adopted by broad consensus of the Member States. The President of General Assembly is in a position to help developing consensus and to work as a servant of the Assembly he/she can facilitate the adoption of resolutions. (Zafrulla Khan, 1964, p. 233-234). Also, in cases when the President of the General Assembly has good leadership capabilities, he may resolve certain disagreements within Members of the General Assembly by good services. If the Member States consider that the President is neutral in a disputed case or disagreement situation, he/she may contribute to the solution of such cases (which often have a tendency to complicate sessions of the General Assembly).

Important parts of the role of the President of the General Assembly are informal consultation. In the 1960s and 1970s, there was a positive tendency in promoting informal consultation within the United Nations system. Incensement of informal consultation had made some aspects of the President’s function easier. For example, most elections are now settled beforehand, with each regional group informing the President of its candidates, and the President reads out a consolidated list of endorsed candidates for the Assembly approval. Unlike the early sessions in the 1940s and 1950s, when contested elections often required several ballots to resolve, balloting now occurs only when a regional group cannot agree on a candidate. Nowadays, the established practice of informal consultations usually settle matters in advance (Peterson, 2006, p. 54). On the other hand, informal consultations had made some aspects of the President’s role more demanding. The President needs to determine which way the Member States want to adopt a draft of a resolution. They can take a vote; use some of the formulas for adoption without a vote or take a recorded vote. As each draft comes up for the adoption, the President reads its name and document number, then either calls a vote or announces that unless there is objection the draft will be considered adopted by the particular formula chosen. From

time to time, last minute disagreements between the Member States might cause an objection and then a vote (Peterson, 2006, p. 54).

(Non)political role of the President of the General Assembly

As we have seen above, the Rules of procedure provide a role of the procedural character for the President of the General Assembly. In order to discourage any potential political ambitions, Rule 36 provides that “The President, in the exercise of his functions, remains under the authority of the General Assembly.”

However, the role of the President of General Assembly is not always of ceremonial and protocolary character only. Depending on personality, diplomatic experience and political skills, the President can significantly contribute to better and more efficient work of the Assembly. For seventy years of the existence of the United Nations, Presidents of the General Assembly have often been in politically sensitive situations whose solution required a lot of diplomatic experience as well as political courage. Some measures and decisions took by former Presidents of the General Assembly in politically sensitive situations could even be characterized as controversial.

Let us see some of the examples.

Jean Ping, the 59th President of General Assembly, had to forge a compromise text, the concluding document of the UN World Summit 2005. It was very hard for him to find a compromise acceptable to all Member States on all the reform issues. But then John Bolton, the neo-conservative US ambassador to the UN, a recess appointee by President George W. Bush in August 2005 to evade a heavy Senate opposition, appeared on the scene and demanded in this late phase of the negotiations the renegotiation of dozens of issues, which spurred other delegations to also raise their own demands again. Jean Ping, in a close collaboration with the Secretary General at the time, Kofi Annan, worked in small groups of country delegates to find a compromise in the face of Bolton’s intransigence. As the date approached when heads of state were to adopt the final text, Ping had the courage to ignore all the unsolved issues in the draft and to draw up a text based on his and Annan’s convictions alone. Without President Ping’s diplomatic skill and political courage the UN World Summit 2005 could be a failure (Volger, 2012).

Also, the 60th President of General Assembly, Jan Eliason, showed great diplomatic skills in achieving consensus in the General Assembly to create by resolutions two new UN bodies in 2006- the Human Rights Council (replacing the Human Rights Commission) and the Peacebuilding Commission. In achieving these aims Eliason used the mass media and the nongovernmental organizations in his negotiation techniques (Volger, 2012).

Diplomatic experience and political courage of the President of General Assembly leave the trace in United Nations history in the 1970s during the apartheid

politics in South Africa. Having in mind failures of the UN Security Council to act on this issue, an alternative reaction was followed by the General Assembly. Under the pressure of world majority, the General Assembly used to reject the credentials of South Africa delegation from 1970 to 1973. However, by the so-called Hambro formula (named after the President of the General Assembly Edward Hambro) representatives of South Africa were allowed to sit and participate in its deliberations (Blavoukos, Bourantonis, p. 49-50). Hambro formula, which became the *modus operandi* in the UN General Assembly made it clear that the rights and privileges of state membership were not affected or endangered by the rejection of the credentials of its delegation to the United Nations. This interpretation was shared by other Presidents of the General Assembly until 1974. In 1974, then-President of the General Assembly Abdulaziz Bouteflika discredited this interpretation about the rejected credentials and gave a new interpretation on this issue. In his opinion: “On the basis of consistency with which the General Assembly has regularly refused to accept the credentials of the delegation of South Africa, one may legitimately infer that the General Assembly would in the same way reject the credentials of any other delegation authorized by the Republic of South Africa to represent it, which is tantamount to saying in explicit terms that the General Assembly refuses to allow the delegation of South Africa to participate in its work” (Gross, p. 662).

From the examples above, it is clear that depending on the political and diplomatic experience, the function of the President of the General Assembly may have a significant political influence. It is not exclusively a protocol function. For this reason, it is necessary to elect experienced diplomats or politicians for the position of the President of the General Assembly. Their diplomatic and political experience could help finding the appropriate solution for certain international problems or procedures.

Also, in the first decades of the United Nations functioning, there were some ideas that the President of the General Assembly should personify this Organization. That never happened. From the very beginning, the function of Secretary General overshadowed the role of the President of General Assembly. After Dag Hammarskjöld's service as a Secretary-General, the personification of the whole Organization into the Secretary-General's work had remained (Peterson, 2006, p. 54). The role of the President of General Assembly is relatively unknown to the general public.

ELECTION OF THE PRESIDENT OF THE GENERAL ASSEMBLY

Election of the President of the General Assembly is regulated by the Rules of Procedure. Rule 30 provides that “the General Assembly shall elect a President and twenty-one Vice-Presidents at least three months before the opening of the

session over which they are to preside. The President and the Vice-Presidents so elected will assume their functions only at the beginning of the session for which they are elected and shall hold office until the close of that session. The Vice-Presidents shall be elected after the election of the Chairmen of the six. Main Committees referred to in rule 98, in such a way as to ensure the representative character of the General Committee.”

If, at the opening of a session of the General Assembly, the President for that session has not yet been elected, in accordance with rule 30, the President of the previous session, or the chairman of that delegation from which the President of the previous session was elected, shall preside until the Assembly has elected a President (General Assembly Rules of Procedure, Rule 31).

This manner of election of the President of the General Assembly has been established by the resolution 56/509 adopted by the General Assembly on 10th July 2002. This resolution has been amended rules 30, 31 and 99 of the Rules of procedure of the General Assembly. The previous process of election of the President stated that: “The General Assembly shall elect a President and seventeen vice-presidents, who shall hold Office until the close of the session at which they are elected.”

A transitional period of three months established by the Resolution 56/509 is important for the newly elected President. During the transitional time, the new President should learn more about its function so that he/she could avoid “hidden obstacles”. Resolution 69/321 adopted by General Assembly encourages “exchanges between the President-elect of the General Assembly and the Council of Presidents so that Presidents-elect may benefit from the experiences of former Presidents in terms of best practices and lessons learned, as part of strengthening the institutional memory of the Office of the President of the General Assembly.” The same Resolution requests the outgoing Presidents of the General Assembly to transmit to their successors a summary of their work during their terms of office and to brief them on the lessons learned and best practices, and encourages the holding of a structured and constructive exchange of experiences between them in the three-month transition period.

It is customary that no permanent member of the United Nations Security Council has ever served as the President of the General Assembly. Since the establishment of the United Nations, one President of the General Assembly was elected to preside a session. Number of Vice-Presidents had changed. The first session of UN General Assembly had seven Vice-Presidents. The enlargement of the United Nations membership was followed by the increment of the number of Vice-Presidents of General Assembly- from the original seven to 16, and finally 21 in 1978.

Due to the strengthening of regional groups in the General Assembly, the election of the President of the General Assembly is based on the principle of

proper geographical rotation. The choice of a particular candidate within a regional group depends on numerous factors- including the position and political significance of the country of the region, as well as personal qualities and qualifications. Traditionally, a regional group proposes one candidate. In practice, there were some exceptions from this rule. For example, in 1991, the Asian group nominated three candidates, and in 2012, the Eastern European group nominated two candidates for the President of the General Assembly. In these cases, the President was elected by voting in the General Assembly.

Also, there was a practice of election of a former chairman of the First Committee (if he/she is a citizen of countries of a respective regional group) for the President of the General Assembly. Knowledge of the Rules of procedure and the leadership experience previously obtained in the First committee were considered an excellent preparation for the function of the President of the General Assembly (Zafrulla Khan, 1964, 232).

The same principle of election (the principle of proper geographical rotation) applies to the election of the Vice-Presidents of the General Assembly. By Resolution 33/138 of 19 December 1978, the number of Vice-Presidents has been increased to 21 and the Vice-Presidents are elected by the following pattern:

- six representatives from African States;
- five representatives from Asian States;
- one representative from an Eastern European State;
- three representatives from Latin American States;
- two representatives from Western European or other States;
- five representatives from the Permanent members of the Security Council.

PROBLEMS OF THE OFFICE OF THE PRESIDENT OF THE GENERAL ASSEMBLY

Lack of financial resources

One of the main issues related to the Office of the president of the General Assembly is the lack of adequate financial resources. The Office has three direct funding sources at its disposable.

The Office of the President of the General Assembly has its own regular budget. In 1998, the Member States approved the establishment of an annual budget of 250,000 USD for the Office. The budget for the 69th Session was 322,000 USD (Information Note – The Office of the President of the General Assembly, 2015, p. 4). The budget has not changed since 1998, except for inflation adjustments. The regular budget covers the President's official hospitality, the official

travel and other expenditures relating to the President's official responsibilities. Communication devices and other *Ad Hoc* computer equipment for the Office are also charged against this budget. Having in mind that the regular budget for the Office remained unchanged since 1998, Resolution 69/321 adopted by the General Assembly recalls its request to the Secretary-General "to submit, in the context of the proposed programme budget for the biennium 2016–2017, proposals to review the budget allocation to the Office of the President of the General Assembly in accordance with existing procedures, and in this connection looks forward to considering such proposals during the main part of its seventieth session."

Having in mind that regular budget is not enough for the costs of the Office of the President of the General Assembly a Trust fund for the Office was established by the Secretary-General in 2010. The Member States and others may contribute to the Trust fund. The fund has mainly been used for general administrative, logistical and management support, and to support thematic debates. The trust fund is administered by the Department for General Assembly and Conference Management (DGACM) in accordance with the UNFRR and Secretary-General bulletin and administrative instructions on the administration and management of Trust funds. Contributions to the Trust fund could be made by states, intergovernmental organizations, national institutions, non-governmental organizations, as well as natural and judicial persons, provided that such contributions as set forth are made in accordance with the United Nations Financial Regulations and Rules (Information Note – The Office of the President of the General Assembly, 2015, p. 6) So far, contributions to the Fund are insufficient.

The third way of funding of the Office of the President of General Assembly is funded from the Member state that nominates the President. The Member state covers some certain expenses of the President- his salary, accommodation or other expenses related to his/her function. The President of the General Assembly is not a UN employee so he/she does not receive a salary from the United Nations. Payment of the salary is a matter of the President's country of origin. This became a problem for less wealthy members. According to the Report of *Ad Hoc* Working Group from 3 September 2015, the unpredictable resource situation might pose the risk that some Member States would be prevented from ever offering a candidate for the post of President of the General Assembly.

On the Fourth Thematic Meeting of the 68th GA session in the *Ad Hoc* Working Group on the Revitalization of the General Assembly held on 14th May 2014, Noel Sinclair, then Deputy Chef de Cabinet of the President, stated: "Despite an increase in the number of mandates and an increase in the cost of living in NYC, the budget of the Office of the President of the General Assembly has been the same since 1999. This budget must be supplemented by voluntary member state contributions." He requested furnished accommodation for the President of the General Assembly and that the Office receives a separate budget for international

travel (Jagtiani and Maresca, 2014). The Member states have recognized the problem of the Office. Speaking in the name of the Non-Aligned Movement, Algeria stated that “The NAM attributed great importance to strengthening the Office of the President of the General Assembly and included increasing the resources of the Office as a potential option. The NAM observed that the role and activities of the President have evolved over the years to include implementing resolutions, participating in working groups and consultations, and taking steps to make the Assembly’s work more visible on the world stage“ (Jagtiani and Maresca, 2014). Speaking in the name of East Asian States, Myanmar noted that although the General Assembly was the chief deliberative, policy-making organ of the UN, much needed to be done to reclaim this role. It observed that the role and responsibilities of the President of the General Assembly had evolved; not only did it have more agenda items, but it also had to work throughout the year rather than only during the main session (Jagtiani and Maresca, 2014).

On the General debate of the *AdHoc* Working Group of the General Assembly held on 19 January 2016, the Member states repeated their attitude about the Strengthening of the institutional memory of the Office of the President of the General Assembly. The Non-Aligned Movement stated that the Office of the President of General Assembly should have significant human and financial resources from the general budget and the amount allocated for these purposes should be increased. The Community of Latin American and Caribbean States emphasized that the Office must have enough financial resources to fulfill its mandate, and Costa Rica observed that the allocation of resources to the Office from the general budget has not increased in 15 years (Marcesa, 21 January 2016, Center for UN Reform Education).

Lack of human resources

Besides the lack of financial resources, another lack related to the Office of the President of General Assembly is the lack of staff and human resources. Member States were required to ensure an adequate financing, including the timely provision of staff. Timely provision of staff is an issue of great importance. It became a practice that Presidents got a full complement of appropriate staffing, but the session was well under way. The Member States share the attitude that the human resources of the Office could be strengthened. The Office should be provided with more permanent staff members. Due to the lack of staff, the Office requires help in staff from the Member States and other UN bodies. Some Member State consider that the Office should not depend on the generosity of Member States in order to function, considering that it is inappropriate for the Office to be obligated to ask states for its staff.

The Office of the President of the General Assembly receives help from other UN bodies- such as the Secretariat, The Department for General Assembly and Conference Management, The Department for Safety and Security, The Office of Legal Affairs, etc.

These bodies provide financial as well as technical assistance to the Office of the President of the General Assembly. The Under-Secretary-General for General Assembly and Conference Management provided a briefing on the staffing, funding and budgetary support for the Office of the President of the General Assembly, as well as the overall support provided by the Department. In terms of staffing, the overall resources allocated in support of the Office exceeded \$1 million per year from the budget of the Department for General Assembly and Conference Management and included two posts at the D-2 level, one at the D-1 level and one at the P-5 level, as well as one General Service staff member to be recruited by the President of the General Assembly.

The Department for General Assembly and Conference Management provided a wide range of assistance and services which include protocol service as well as translation and text processing services, depending on the language requirements of each presidency. From other Departments, the President was provided with a car and driver for official purposes and the office space. The Department of Safety and Security provided the President with a security detail, including during travel and in support of official functions.

The Office of Legal Affairs provided legal assistance.

The Secretariat has actively supported the Office in the form of human or financial resources, advised the Presidents-elect and facilitated the transition period from one session to the next, as well as providing a whole range of conference management and conference support services which benefited the Office. Significant assistance for the Office arrives from some Member States. The Secretariat and the Permanent Mission of Finland to the United Nations organize a retreat that brought together the incoming and outgoing presidencies, including the elected members of the General Committee with the goal of exchanging best practices and ideas.

Also, it is necessary to establish some kind of institutional cooperation between outgoing Presidents and their successors. Outgoing presidencies should submit an analytical report to their successors on lessons learned and outstanding items on the agenda. The *Ad Hoc* Working Group gave an interesting suggestion about the creation of a “permanent committee” within the Office to preserve institutional memory. The creation of permanent committees seems like a very good idea bearing in mind that the mandate of the President of the General Assembly and the Vice-President lasts only one year. For that reason, the Office of President of

the General Assembly requires some permanent body in order to ensure a quality and continuity of its work.

Resolutions of the UN General Assembly on Revitalization of the work of General Assembly have provided suggestions and proposal on strengthening the Office of the President of the General Assembly. Resolution 51/241 adopted by the General Assembly encourages the President of the General Assembly “to take appropriate opportunities to utilize the potential of the office of the President, consistent with the Charter and the mandates of the Assembly, to advance the purposes and principles of the Organization, including regular consultations between the President of the Assembly and the presidents of other organs, particularly the Security Council and the Economic and Social Council.” In order to assist the President in the discharge of his responsibilities, the General Assembly shall request the Secretary-General, after consultation with the President, to include in the next programme budget a proposal for adequate resources to be made available to the President, including, if necessary, through enhanced administrative and personnel support to the office of the President.

Resolution 55/285 adopted by the General Assembly emphasizes the importance of regular consultations and coordination between the President of the General Assembly and the Presidents of the Security Council and the Economic and Social Council and Secretary-General.

Criticism of the President of the General Assembly

Debates on the revitalization of UN General Assembly gave some serious criticism about the lack of power and inadequate working conditions of the Office of the President of the General Assembly.

Christian Wenaweser, the UN ambassador of Liechtenstein stated: “Given the importance of the position... it is quite remarkable that we do not pay more attention to the process of nominating and selecting our Presidents.” (...) “In some instances, a newly elected President ... was quite surprised to find out what the position actually entailed. The presidency is not a protocol function; it is a position of leadership and of political responsibility” (Volger, 2012).

Delegates pointed out that “we spend so much time selecting a Secretary-General, but we have absolutely no criteria for who the next PGA will be. ... It would be good if somebody had some experience in the UN beforehand – foreign minister, ambassador at the UN – somebody who would know where the hidden obstacles are” (Swart, 2008, p. 29). Noel Sinclair, then Deputy Chef de Cabinet of the Office of the President of the General Assembly noted that although the Charter describes the responsibilities of the GA, the role of the PGA “lacks a specific definition” (Jagtiani and Maresca, 2014).

POTENTIAL CHALLENGES FOR THE AD HOC WORKING GROUP

The General Assembly of the United Nations is faced with a serious crisis in its functioning. The crisis of the Assembly reflects on the Office of the President as well. It is very commendable that the *Ad Hoc* Working Group had recognized this issue as a separate cluster in the revitalization of the General Assembly. The revitalization discussions and resolutions have made some strides in improving the efficiency and the role of the President of the General Assembly. Many still see the General Assembly discussions as slow-moving and repetitive when it comes to the Strengthening the institutional memory of the Office of the President.

Besides, the *Ad Hoc* Working Group should consider some other issues related to the Office of the President of the General Assembly.

One of the most notable shortcomings of the Office of the President of the General Assembly is the temporally “unstable” character of the presidents and staff. Their mandate lasts only one year. The mandates of some other UN official last longer, for example, the mandate of the Secretary-General lasts four years. The *Ad Hoc* Working Group should consider the possibility to establish some permanent body at the Office of the President in order to increase efficiency and continuity of its work. Or, it should consider the possibility of a longer mandate for the President of the General Assembly.

Also, the *Ad Hoc* Working Group could consider mechanisms for adequate funding of the Office of the President. Lack of financial resources is one of the key problems for the Office. Establishment of the Trust fund for the Office in 2010 was a big step forward, but, so far, contributions to the fund are minimal.

Also, the *Ad Hoc* Working Group has to find some mechanisms to make the Office of the President of the General Assembly more visible. The role of the President is relatively unknown to the general public. All credit goes to the Secretary-General. Of course, it is a fact that the Secretary-General has much more visible administrative and political function. However, for the well-being of the General Assembly, it should exist more balance between the President of the General Assembly and the Secretary-General. The role and the personality of the President have to be more visible in the media.

Therefore, it is important to elect experienced diplomats for this function, as well as diplomats who have had previous experience with the United Nations system, or perhaps they have been the Ambassadors of their countries to the United Nations. Although the role of the President of General Assembly is a non-political, the functioning of the world’s greatest representative body depends on the personality and political abilities of its President.

CONCLUSION

Problems of the Office of the President of the General Assembly became a separate cluster on the 64th session. Unlike other three clusters, this cluster is relatively new. Same as other clusters, the strengthening of the Office of the President of the General Assembly is a slow-going process. Important improvements are not yet visible. So far, two concrete steps in the strengthening the Office happened in 1978 - when the number of Vice-Presidents had increased to 21; and in 2002- when the election of the President takes place three months before the beginning of its mandate.

The members of the United Nation understand the problems of the Office. The *Ad Hoc* Working group for the revitalization of the work of the General Assembly had defined major problems of the Office- lack of financial resources and lack of human resources. However, solutions to these problems are hard to find. Due to the financial crisis of the United Nations, the budget for the Office remained unchanged for almost two decades. On the other side, the lack of human resources was resolved with the assistance of other UN bodies. It would be unrealistic to expect that these problems of the Office of the President of the General Assembly will be resolved in the near future.

For the good sake of the General Assembly, an incoming President has to use transitional period of three months as a preparation for the role. Having in mind that the function of the President is not always strictly protocolary, the General Assembly has to elect experienced politicians and diplomats for this role. When it comes to lack of human resources, the Office should ask for help from the other UN bodies during the transitional period of three months. Also, for the continuity of the Office, the *Ad Hoc* Working Group should consider the establishment of a permanent organ within the Office of the President of General Assembly.

The whole revitalization of the General Assembly is a slow going process. Problematic issues have been recognized, but it lacks the political will for the change. So far, we can expect in distant future certain improvements in the Strengthening of the Institutional Memory of the Office of the President of General Assembly. However, for the process of revitalization of the General Assembly, the key solution is a reform of the United Nations.

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Jelica GORDANIĆ

JAČANJE KANCELARIJE PREDSEDNIKA GENERALNE SKUPŠTINE UJEDINJENIH NACIJA

Apstrakt. Pitanje Jačanja Kancelarije predsednika Generalne skupštine Ujedinjenih nacija postalo je posebna grupa u okviru revitalizacije rada Generalne skupštine na 64 zasedanju. Kancelarija predsednika Generalne skupštine se suočava sa brojnim poteškoćama, od kojih su najvažniji nedostatak finansijskih sredstava i nedovoljan broj osoblja Kancelarije. Funkcija predsednika Generalne skupštine je relativno nepoznata široj javnosti i oduvek je bila u senci funkcije Generalnog Sekretara. Rad analizira ulogu i nadležnosti predsednika Generalne skupštine, kao i rad i napredak Ad Hoc radne grupe za revitalizaciju rada Generalne skupštine po ovom pitanju. Određeni napredak je postignut, ali su najvažnija pitanja i dalje ostala nerešena.

Ključne reči: predsednik Generalne skupštine, revitalizacija, Generalna skupština, Ad Hoc radna grupa, Ujedinjene nacije.

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AMBASSADORS FORUM

PEACE, STABILITY AND DEVELOPMENT: GOALS OF THE ALGERIAN REGIONAL DIPLOMACY

*Lecture by H.E.Mr. Abdelhamid Chebchoub, Ambassador of Algeria,
Belgrade, 4th of October 2017*

Mr. Djordjevic

Your Excellencies Ladies and Gentlemen Ambassadors and diplomatic representatives

Ladies and Gentlemen

Dear Friends,

First of all, I would like to thank Dr. Branislav Djordjevic and his team for giving me the opportunity to introduce you to the Algerian diplomacy in the context of regional challenges and to discuss this topic with you.

OVERVIEW

Given the extent of the subject, its timeliness and multiple linkages with developments on the international level on one hand, and the time available, on the other, I will be as brief as possible in providing you with key elements contributing to the understanding of the topic, thus securing enough time for a discussion as well.

Firstly, I will evoke the cornerstones of Algeria's foreign policy that might help you understand better Algeria's positions on all international issues.

Then, I will identify the main political, security and humanitarian challenges the Algerian diplomacy has been facing on the regional level in the recent years as well as the actions taken by the Algerian diplomacy in managing these challenges on both bilateral and regional levels as well as multilaterally.

GEOGRAPHICAL LOCATION

Algeria, a central country of the Maghreb, sharing more than 6000 km of borders with 7 neighboring countries, open towards Europe along 1200km of its

Mediterranean coast and with its South deeply rooted in Africa, is located at the crossroad of a zone of the strategic importance and as such a subject to instability.

Crises that the region experienced over the last few years, their severity and evolution coupled with foreign interferences have threatened Algeria's own security, caused a negative impact on its development agenda and became a source of concern for safeguarding its sovereignty, as well as a factor of instability in this part of the world.

The Algerian response to these crises has been based on the fundamental principles of its diplomacy.

ALGERIAN DIPLOMACY FOUNDATIONS

Understanding the Algeria's international positions of today would not be possible without reminding of the foundations of its diplomacy, set during the National Liberation War.

At the outset of the Independence, Algeria adopted a foreign policy whose principles were rooted in its own struggle for national emancipation, namely, independence, national sovereignty, people's right to self-determination, non-interference in the internal affairs of the States, peaceful settlement of disputes, respect of the international borders and rejection of any form of interventionism.

Based on these principles, Algeria has set as the priority objectives of its diplomacy to search for peace and stability of the region and worldwide, to contribute to the peaceful settlement of crises, as well as to the implementation of such regional or international economic cooperation guaranteeing the people's welfare in dignity and respect for human rights and the sovereignty of States.

I will give you a few examples.

AN ACTIVE DIPLOMACY TACKLING MULTIPLE AND MULTIFACETED CHALLENGES

Tunisia

In the beginning of 2011, in the context of Tunisia's political transition, violent groups emerged threatening the stability of Tunisia but also the security of the region.

Algeria, which has excellent relations with Tunisia, has spared no effort to provide assistance to this country, through a financial support to strengthen its economy and through assistance in fighting terrorism.

Libya

In its immediate neighborhood, Algeria faces the crisis in Libya, whose instability is a source of concern and a threat to the security of the region.

Given the nature of the Libyan regime set up by Gaddafi, Libya found itself after the foreign intervention in 2011 without a state structure or an organized military force unable to manage the post-conflict situation.

Consequentially, this has resulted in a proliferation of arms and the emergence of militias and terrorist groups whose actions have spread from initially targeted northern cities of Tripoli, Sirte and Benghazi, throughout the desert area from Libya to northern Mali and Niger via Southern Algeria.

From the beginning of the crisis, Algeria had warned against foreign intervention and its consequences and pleaded for a peaceful solution. Unfortunately, our voice was not heard. Since 2014, Libya has plunged even deeper into a chaos and divisions.

At the request of various Libyan parties, Algeria has initiated a mediation process through dialogue to end the crisis. In order to bring the positions of rival militant factions closer together, Algiers had hosted several series of meetings.

Unlike the initiatives of some countries which were guided solely by their own political or economic self-interests, Algeria's efforts were aimed exclusively at restoring the stability and peace in the region.

Moreover, Algeria's initiative has been aligned with the UN efforts and carried out in consultation with the neighboring countries of Libya and in coordination with the African Union, which are as much as Algeria concerned for the stability of Libya.

Algeria's initiative has been articulated around the following axes:

- Ensuring preservation of the national unity of the Libyan people, the territorial integrity and the sovereignty of Libya.
- Giving primacy to an inclusive dialogue involving all parties without discrimination, with the exception of terrorist groups.
- Rejecting foreign interference in any form.
- Encouraging internal dialogue between Libyans.
- Building democratic institutions.

The process initiated by Algeria as well as the support of the international community made it possible to bring the positions closer together and led to the signing of the Political Agreement signed on 17 December 2015, which is used now as a framework for solving the Libyan crisis.

I want to underline for this purpose, the visit of our Minister of Foreign affairs, M. Abdelkader Messahel to Libya, where he had contacts with all involving parties.

Western Sahara

The frozen conflicts are another source of concern. Of particular concern is the decades-long conflict in Western Sahara which causes regional tensions, threatens its peace and security and undermines its development efforts.

Algerian position on this issue is clear and it matches fully the one of the international community. Being a non-decolonized territory, Western Sahara has been listed in the UN list of Non-Self-Governing Territories. Hence, the settlement of this conflict falls within the scope of implementation of the United Nations doctrine on decolonization.

The UN has always considered that any solution must be consistent with the principles and objectives of the United Nations Charter and implemented through the organization of a referendum on self-determination for which the United Nations Mission for the Referendum in Western Sahara (MINURSO) was established in 1991.

Consequently, Algeria supports the efforts of the Secretary-General and his Personal Envoy for Western Sahara to find a solution by organizing a referendum on self-determination, as foreseen in the Security Council and the African Union resolutions.

The Sahel Region

The crisis in Libya has been a fertile ground for the strengthening of terrorist groups operating in the Sahel region, thus increasing the already existing instability in Northern Mali and Niger.

In Mali, claims based on identity or community politics were manipulated by terrorist groups that managed to occupy a large part of the Malian territory and to threaten its capital Bamako in early 2012.

This led to the French army intervention known as the Operation Serval. The subsequent Operation Barkhan enabled France to keep its military presence in the Sahel.

At the request of Mali's President Boubacar Keita in 2014, Algeria accepted to assist in the organization of negotiations between the Malian government and the political-military groups of northern Mali.

After several rounds of the inclusive inter-Malian dialogue, the Agreement for Peace and Reconciliation in Mali resulting from the Algerian mediation, known as "the Algiers Process", was signed on May 15, 2015. This agreement stipulates a series of commitments made by the parties to strengthen peace.

- a) respect for the national unity, territorial integrity and sovereignty of the State of Mali, as well as its republican form and secular character;

- b) recognition and promotion of cultural diversity and appreciation of the contribution made by all the people of Mali, particularly women and young people, in building the nation;
- c) effective management by the population of their own affairs, in a system of governance which takes into accounts their aspirations and specific needs;
- d) promotion of balanced development throughout the regions of Mali taking into account their respective potential;
- e) rejection of violence as a means of political expression, and the use of dialogue and consultation to resolve differences;
- f) respect for Human Rights, human dignity and fundamental and religious freedoms;
- g) the fight against corruption and impunity;
- h) the fight against terrorism, drug trafficking and other forms of international organized crime.

As in the case of Libya, Algeria aligned this initiative with the relevant framework of the United Nations thus ensuring the support of the World Organization.

TERRORISM AND ORGANIZED CRIME

Taking advantage of poor means of some States or in some cases, a total absence of State authorities in the desert areas where they can move more easily, the terrorist groups operating in Libya and those active in the Sahel region, have interconnected (the terrorist groups in Mali, Boko Haram in the Western and Central African regions, various al-Qaeda-related groups, and others) or have even linked up with groups operating in the Middle East -Orient, Syria and Iraq, such as DAECH (ISIS).

It should be noted that terrorist groups are connected to weapons, drug and human trafficking networks and smuggling activities across the region, these activities being an important source of financing of the terrorism and another serious threat to the security of the region.

Algeria, which has suffered from the scourge of terrorism and fought it alone, while the rest of the world has shown nothing but indifference, has never stopped raising awareness about the criminal and cross-border nature of this phenomenon, about links between terrorism and organized crime, drugs and arms trafficking and the need for a joint mobilization of all countries to fight it.

The latest terror attacks in Europe and elsewhere have, unfortunately, once again, confirmed the relevance of Algerian analysis and stance.

Algeria is also striving to ban the payment of ransoms, which we consider as another source of terrorist financing. This idea has been increasingly shared by the international and regional partners.

Today, there is an international awareness of the criminal nature of terrorism and the need for international cooperation and solidarity to deal with it.

It is this vision and expertise in fighting terrorism which Algeria has been today widely recognized for by the international community.

Algeria acts on the national, regional and international levels:

At the national level: in parallel with the strengthening of the security system, Algeria has undertaken a twofold action towards the society:

- A national reconciliation policy launched by President Abdelaziz Bouteflika to erase the aftermath of the 1990s and rebuild what terrorism had destroyed.
- A de-radicalizing policy and a policy aimed at fighting religious aberrations by promoting the values of peace and tolerance proper to Islam.

These policies allowed Algeria to restore peace and internal security.

At the regional level: several mechanisms for coordinating and exchanging information have been initiated by Algeria and set up with neighboring countries to combat terrorism.

Algeria has initiated the establishment of an African Study and Research Center on Terrorism. Its headquarters is now based in Algiers. Similarly to the Interpol, the African police institution the *Afripol* was set up last May in Algiers as well.

At the international level, Algeria is a founding member and an active member of the Global Counter-Terrorism Forum and it shares with Canada the group on the Sahel.

Algeria has also established bilateral channels of cooperation in the fight against terrorism with several States, primarily with the United States and France.

HUMAN MIGRATION

The issue of human migration has been on the European agenda for the last three years. Algeria has been dealing with it over the last three decades!

Fleeing poverty, drought, or security problems and looking for a brighter future in prosperous Algeria, thousands of people from Sahel have settled firstly in the southern regions of the country. Others progressed towards the big northern cities. Today, Algeria is a home to several thousands of migrants from these countries, but to Syrians as well.

After being a country of transit, Algeria has become a country of illegal residence of these migrants.

Algeria has made arrangements for hosting these migrants as well as for their voluntary repatriation in dignity and in coordination with their countries of origin.

However, we believe that this issue is not a problem of a single country or a single region, but rather an appeal to the consciousness of the entire international community. We do not agree with the northern countries approach which perceive this problem from the security point of view exclusively and demand from the countries of the southern Mediterranean to play the role of the police.

In Algeria's opinion, the search for an adequate response to the migration issue should be based on the eradication of its causes. This should be achieved through a peaceful resolution of crises and developmental actions guided only by the interest of the affected regions.

ECONOMIC SUPPORT ACTIONS

In that respect, Algeria carries out bilateral actions of economic cooperation.

To support the human resources development of the neighboring countries, every year Algeria hosts hundreds of students from African countries, namely from Mali and Niger providing them with an adequate education and training.

Moreover, Algeria takes part in the training of security forces of its neighbors.

In 2010, Algeria cancelled the debts of several African countries, worth more than 900 million dollars.

In addition to the above-mentioned solidarity actions in favor of the neighboring countries, Algeria is one of the founding countries of NEPAD (New Partnership for Africa's Development) and an active member of development projects initiated by the African Union.

As an example of the structuring projects in which Algeria has been one of the stakeholders, it is worth mentioning the Trans-Saharan highway, Algiers-Lagos pipeline or deployment of optic fiber on the sections of the Trans-Sahara Highway, thus interconnecting the whole continent and making the new information technologies available to all African peoples.

CONCLUSION

I apologize for having taken so much of your time. I am aware of the extent of the subject, but I hope that this overview has helped you understand the Algerian diplomacy in the light of challenges at the beginning of the century.

The regional role of Algeria and its contribution to the search for the peace and stability has been praised by the international community which recognized the efficiency and impartiality of the Algerian diplomacy.

These are not the flattering words of an ambassador. Numerous successful mediation activities of the Algerian diplomacy in favor of the peace speak for themselves.

Our diplomatic action has been consistent and coherent in all times and circumstances.

Regardless of difficulties, changes in the world, stakes or pressures, the search for peace, stability and development remains one of the priorities of our diplomacy.

Thank you for your attention.

BOOK REVIEWS

UNDERSTANDING POST-9/11 AFGHANISTAN: A CRITICAL INSIGHT INTO HUNTINGTON'S CIVILIZATIONAL APPROACH

Deepshikha Shahi: *Understanding Post-9/11 Afghanistan: A Critical Insight into Huntington's Civilizational Approach*, E-International Relations Publishing, Bristol, England: 2017, p. 137

Understanding Post-9/11 Afghanistan: A Critical Insight into Huntington's Civilizational Approach is a book written by Deepshikha Shani - Assistant Professor of Political Science at the University of Delhi in India. In this book, the author reconsiders Huntington's thesis about the clash of civilization and presents an alternative understanding of the post-9/11 situation. In reason of simplified and overspread accepted idea about the 'civilizational' clash between 'demonized' Islamic and the West-democratic cultures, the author uses the Critical International Theory to highlight hidden political and economic aspects of the so-called civilizational conflict in post-9/11 Afghanistan. The critical approach served to the following objectives: to expose the theoretical loopholes and practical pitfalls implicit in Huntington's thesis of civilizational clash, explain the popularity of Huntington's thesis, reveal the hidden political motives of the West in the Afghanistan's war, diagnose the historical and sociological roots of the post-9/11 Afghan conflict, and suggest a way out of those crises.

The book is organized into six chapters: on the beginning – *INTRODUCTION*; then, a reconsideration of Huntington's idea - *THE CLASH OF CIVILIZATIONS THESIS: A CRITICAL APPRAISAL*; the next is the usage of Huntington's thesis on the particular conflict example: *HUNTINGTON AMONGST THE AFGHANS: REVISITING THE CLASH OF CIVILIZATIONS THESIS AFTER 9/11*; fourth, the introduction of an alternative explanation: *CRITICAL INTERNATIONAL THEORY: A COMPARATIVE ADVANTAGE FRAMEWORK*; fifth, testing the alternative critical approach on post-9/11 Afghanistan: *ALTERNATIVE UNDERSTANDING OF POST-9/11 AFGHANISTAN: THE CRITICAL-THEORETICAL PERSPECTIVE*; and, in the end, finished with the *CONCLUSION* chapter.

The main thesis is that the Critical International Theory, based on Robert Cox's "production paradigm" and Andrew Linklater's "communication paradigm", offer a better explanation of post-9/11 Afghanistan than the thesis about the

“civilizational” clash. In general, the book is divided into two parts: First – the critical insight on the Huntington’s civilizational clash thesis, argumentative, in detail processed, and second – establishing an alternative approach based on Ian Craib’s theoretical framework criteria.

The International Critical Theory (ICT) is an integrative theory composed of a set of paradigms which share a common ancestry in the Hegelian-Marxist tradition and Kantian tradition of critical philosophy, the Gramscian production paradigm, focused more on economic ‘base’ and the Frankfurtian communication paradigm concentrated more on the ideological superstructure. That is the reason why complicated conflict situations between the West-democratic and Islamic societies could be better explained, by highlighting different aspects of certain situations. From the author’s alternative perspective, rupture and distortion of dialogue are presented not as a clash of civilizations but the conflict based on superpower’s hegemonic aspirations.

Given that the author is comparing two theoretical paradigms in the discipline of International Relations, the book is recommended to the scientific community related to these subjects. An objective perspective is what highlights this book, serious access to overspread prejudice and the alternative critical explanations, which are in accordance with the new theoretical trend in the study of International Relations.

As above-mentioned, the book is well structured, precisely divided into chapters in accordance with the presented subjects. Every section contains a clear introduction, the main principles and a short summary of the text below. The author argumentatively and critically disputes Huntington’s ideas and systematically tests and offers a new approach for understanding post 9/11 Afghanistan.

Nevena ARSIC

PUBLIC POLICY CHALLENGES – EUROPEAN AND REGIONAL DIMENSIONS

Economic Policy Institute (EPI) from Sofia, Bulgaria, had organized XVIII Summer Seminar for Young Public Policy Professionals from Southeastern Europe and the Black Sea Region named “Public Policy Challenges – European and Regional Dimensions”. The Seminar took place within the period May 29 - June 2, 2017 in Albena at the Bulgarian Black Sea coast, with the support of the Hans Seidel Foundation, the Austrian Embassy in Sofia, the Central European Initiative and the Representation of the European Commission in Bulgaria. It gathered a diverse group of young public policy professionals from public administration structures and research centers from South East Europe and the Black Sea region: Albania, Bulgaria, Croatia, Georgia, Macedonia, Moldova, Montenegro, Romania, Serbia, Turkey and Ukraine.

The Seminar “Public Policy Challenges – European and Regional Dimensions” was organized into four panels and two interactive workshops.

The first panel was entitled “Public Policy Challenges of SEE and Black Sea countries”. It highlighted corruption, bad business environment, inadequate access to data as some of the most important obstacles and challenges of public policy in SEE and the Black Sea countries. SEE and the Black Sea region consist of numerous countries. Some of those countries are the EU members, some of them are not. However, all these countries have similarities when it comes to the level of corruption, access to data and e-government, as well as the inadequate business environment. Panelists indicated consequences that might happen if those bad trends continue in the future, and offered some examples of positive practices worldwide as a model for solving challenges of public policy in SEE and the Black Sea region.

The second panel was dedicated to the economic growth and competitiveness of SEE and the Black Sea countries. It explained the catch-up index of new post-communist member states of the EU. It showed the level of convergence or divergence along four categories: Economy, Quality of Life, Democracy and Governance between “new” and “old” member states. A keynote speaker from this panel, Andras Inotai, a professor emeritus from Hungary, pointed out that the cooperation with China and Chinese investments might be crucial and multiply beneficial for the future of SEE and the Black Sea countries.

“Political, Economic and Security Challenges on the EU Agenda” was the title of the third panel. It highlighted globalization and the EU integration, lessons learned from the EU enlargement process and some of the crucial political and security challenges within the EU countries. The EU had shown some serious

disagreements when it comes to numerous foreign policy aspects. Serious economic crises have happened in Greece, Spain and Portugal. Disagreements culminated with the European migrant crisis. Also, Brexit was one of the most serious challenges when it comes to the political future of the European Union.

“Key Challenges on the Agenda of SEE and Black Sea Countries” was the title of the fourth panel. This panel pointed out the importance of cooperation and learning from its neighbours’ experiences when it comes to the European integrations of SEE and the Black Sea countries. Positive aspects of such cooperation exist in the “Visegrad group” between Hungary, Poland and Slovakia. A similar model might be created in the future within some of the SEE and the Black Sea countries. Some of these countries have a history of conflicts and territorial disputes. Some of them are the EU members, some of them are not. However, the most common characteristics of all these countries is a necessity of good neighbourly relations and cooperation. The non-member states have to learn from the lessons of its neighbours when it comes to the EU membership and integration process. SEE and the Black Sea countries have to find mechanisms to overcome its political differences. They have to develop the politics of cooperation between themselves, as well as the cooperation with the “old” EU members and China.

XVIII Summer Seminar for Young Public Policy Professionals from Southeastern Europe and the Black Sea Region was a very useful experience for all the participants. Through lectures, interactive workshops, transfer of experiences, best practices and ideas young public policy professionals enlarged their knowledge about the European Union, the process of EU integration, as well as the most important challenges for SEE and the Black Sea countries. Participants and lecturers highly evaluated the organization of the Seminar.

Jelica GORDANIĆ
Dragana DABIĆ

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EC. (2002). Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on privacy and electronic communications), Official Journal of the European Communities L201 37–47, 31 July (European Commission, Brussels).

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