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BELGRADE, VOL. LXXI, No. 1178, APRIL–JUNE 2020

*Marko FILIJOVIĆ*

SILK ROAD LEADS TO THE MOON:  
CHINA'S OUTER SPACE STRATEGY  
AND ITS FUTURE DEVELOPMENT

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SOUTH AND EAST MEDITERRANEAN  
POWER STRUGGLE:  
CASES OF LIBYA AND SYRIA



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## Contents

*Marko FILIJOVIĆ*

SILK ROAD LEADS TO THE MOON:  
CHINA'S OUTER SPACE STRATEGY  
AND ITS FUTURE DEVELOPMENT 5

*Petar STANOJEVIĆ, Zoran JEFTIĆ, Žarko OBRADOVIĆ*

THE WESTERN BALKANS COUNTRIES' ACCESSION  
TO THE EUROPEAN UNION FROM THE ENERGY PERSPECTIVE 27

*Hongfei GU*

CHINA AND POLAND: ECONOMIC LINKAGES  
WITHIN THE COMPREHENSIVE STRATEGIC PARTNERSHIP 55

*Slobodan JANKOVIĆ*

SOUTH AND EAST MEDITERRANEAN POWER STRUGGLE:  
CASES OF LIBYA AND SYRIA 79

## BOOK REVIEW

*Danilo BABIĆ*

THE END OF CHINA'S NON-INTERVENTION  
POLICY IN AFRICA 99

*Aleksa NIKOLIĆ*

COMMON LAW AND CIVIL LAW TODAY  
– CONVERGENCE AND DIVERGENCE 102



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Vol. LXXI, No. 1178, pp. 5–26  
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## **THE SILK ROAD LEADS TO THE MOON: CHINA'S OUTER SPACE STRATEGY AND ITS FUTURE DEVELOPMENT**

Marko FILIJOVIĆ<sup>1</sup>

*Abstract:* Recently, a growing number of countries in the world have been interested in the research of the so-called fourth dimension. Considering that conquering space provides numerous strategic benefits, as well as access to large reserves of untapped resources, some countries, particularly those with a high level of economic development, such as India and China, have demonstrated determination to join the prestigious 'club of spacefaring nations', which was reserved, until recently, for the United States, the Russian Federation, Japan, Canada and the European Union. The paper analyzes the space strategy of the People's Republic of China. After a brief account of the history of the development of China's space activities, special attention in the paper is given to the importance of the Moon. Its conquest is substantial for acquiring prerequisites for further exploration of outer space, but is also relevant having considered the fact that it represents a very large and yet unused resource base. In addition, the author analyzes the military component of the realization of the cosmic ambitions of the most populous country in the world, i.e., investigates whether the actions of China contribute to the militarization of the cosmos or the development of the fourth dimension as a zone of peace and prosperity that the whole of humanity can benefit from. Subsequently, the paper analyzes the current geopolitical and economic effects of the development of China's space strategy, with an overview of Beijing's space plans for the forthcoming period. The author infers that China will make a major contribution to space exploration in the future, which, if it adheres to its current principles in international relations, may qualify it as a key player in the exploration of the space potential.

*Keywords:* China, outer space, resources, strategy, the Moon, the Silk Road, development.

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## INTRODUCTION

For some time now, the People's Republic of China has demonstrated it has the potential to become a global player, i.e., to influence the shaping of international relations. Its presence is visible in many parts of the world, often very far from its borders, such as the Balkans (Filijovic & Kilibarda, 2013), then in Africa and Latin America (The Economist Intelligence Unit, 2016; Djordjevic, Filijovic & Gacic, 2017), and even in polar regions (Filijovic, 2011; Alexeeva & Lasserre, 2012; Lino, 2020). Furthermore, it made its global ambitions open in 2013, urging Eurasian countries to join the so-called 'Belt & Road Initiative' (BRI) – a grand plan of closer integration of Europe and Asia, through the revitalization and construction of land and maritime infrastructure projects, with the aim of increasing the scope of east-west exchanges, intensifying trade and thus boosting the economic growth of its stakeholders.

According to the concept of the BRI creators, this mega-project basically links Asia and Europe, China and the EU, by land and sea, through the revitalization and construction of multiple infrastructures. As Liu Zuokui, Senior Research Fellow of the Chinese Academy of Social Sciences (CASS) states, the concept includes two simultaneous plans: development of the Silk Road Economic Belt and the 21st-Century Maritime Silk Road (Zuokui, 2017:3). The first one implies improvement and development of land connections, in other words – construction of the so-called Eurasian land bridge – a logistics chain from China's east coast to Rotterdam in Western Europe, as well as developing a number of economic corridors connecting China with Mongolia, Kazakhstan, Russia, Central Asia and South-East Asia. The second one includes the development of the maritime route, which goes from China's east coast to Europe through the South China Sea and the Indian Ocean. The aim of the maritime route is to build efficient transport routes between major ports in various countries, including the development of an economic corridor through the Indian Ocean, better connecting China with South Asia, the Middle East, Africa and the Mediterranean (Ge, Christie & Astle, 2015, pp. 4-6). In a wider sense, Tian Jinchun, Director of the Western Development Department of China's National Development and Reform Commission, explains: 'It aims to create the world's largest platform for economic cooperation, including policy coordination, trade and financing collaboration, and social and cultural cooperation' (Jinchun, 2016, p. 1). According to some experts, 'the plan has the potential to massively overshadow the US' post-war Marshall reconstruction plan, involving about 65% of the world's population, one-third of its GDP, and helping to move about a quarter of all its goods and services' (Phillips, 2017).

Apart from referring to the growing influence of the 'Asian dragon', such claims indicate the US got a relevant challenger, judging by international power relations from a global perspective. Accordingly, the information that China is firmly committed

to confirming its presence in outer space should come as no surprise. On the one hand, it proves it is ready to compete with the most advanced nations in technological and political terms, and on the other, it makes everyone aware that it is interested in engaging in the exploration and exploitation of untapped space potentials. In this respect, it is important to emphasize that the most populous country in the world started working on the conquest of the fourth dimension in the 1950s, but that, for some reason, it only achieved significant progress in the early 21st century. Whether it succeeds in reaching or even surpassing other aspirants to outer space and its riches will depend on a multitude of more or less related factors. However, the fact is that it is increasingly approaching leading spacefaring nations, whereby its approach to implementing the cosmic agenda maintains certain specificities.

### **A BRIEF HISTORY OF CHINA'S SPACE PROGRAMME**

The development of the Chinese outer space strategy is particular in many ways. According to Acuthan 'the beginnings of the Chinese space program can be traced back to the research and development (R&D) on missiles modeled on foreign sources in the late 1950s, reportedly with Soviet technological assistance, and to a lesser extent with some knowledge of the US missile program' (Acuthan, 2006, pp. 34-35).

According to Thompson and Morris (2001, p. 4), the founder of the Chinese space program is Tsien Hsue-shen, born in 1911, who, at the age of 24, left his home country and came to the United States to study aeronautical engineering at Massachusetts Institute of Technology (MIT) and later California Institute of Technology (CalTech). In May 1945, after the fall of Germany, Tsien was promoted to the rank of colonel in the U.S. Army and was in charge of evaluating the German missile program. However, under the investigation of Senator Joseph McCarthy, he was deported to China in August 1955. A year later, Mao Tse-tung formally announced the launch of the Chinese space program. Thompson and Morris consider Tsien's return to China as a significant factor in Mao's decision.

On the other hand, according to Williams (2019), in line with the ideology of communist solidarity, China had the support of the Soviet Union in developing a missile program until Stalin's death (1953), i.e., until Nikita Khrushchev came to power (1958). Subsequently, the author explains, Sino-Soviet relations began to deteriorate, resulting in the split in 1960, after which Beijing was virtually forced to develop its national cosmic agenda on its own.

Nonetheless, Chinese authorities achieved significant success a decade later. Namely, on 24 April 1970, China successfully launched its first Dongfanghong 1 satellite using the Long March 1 rocket, the manufacturing of which was credited to the Chinese Academy of Space Technology (CAST) founded in 1968 (Goswami,



2018, p. 75). Subsequently, Beijing also adopted its first human-planned space program, called Project 714, with the idea of sending two taikonauts (the Chinese term for an astronaut) into space in 1973 in the Shuguang spacecraft. However, although 19 potential taikonauts were selected as early as March 1971, the program was soon canceled due to increased domestic political tensions caused by the Cultural Revolution (1966-1976) (Williams, 2019).

In the ensuing time, China shifted its focus from human crew flights to other priorities. According to Mao's successor, Deng Xiaoping: 'As far as space technology is concerned, we are not taking part in the space race. There is no need for us to go to the Moon, and we should concentrate our resources on urgently needed and functional practical satellites' (Thompson & Morris, 2001, p. 4). In other words, China's space exploration budget was adjusted to meet somewhat more modest ambitions.

During the 1980s, Beijing focused on the development of missile technology, particularly the Long March program.<sup>2</sup> That turned out to be a good decision, especially after the US Challenger disaster, problems with Titan and Delta, as well as Europe's Ariane. The reason was that in the absence of a secure satellite orbiting system, Americans and Europeans were virtually forced to rely on Chinese and Russian technology. As Thompson and Morris explain: 'The China Great Wall Industry Corporation (CGWIC) has been actively marketing PRC launch services since those unfortunate events. The world's space failures in 1986 made the versatile and flexible Long March family of launch vehicles attractive to the international market. The first launches for paying customers involved experimental pay-loads using the Long March 2, first for a French company (Matra) in 1987 and then for a German consortium (Intospace) in 1988' (Thompson & Morris, 2001, p. 5). In addition, at that time, China was able to transport a large number of different communications and meteorological satellites into orbit (Lele, 2008, pp. 606-607), after which China's space activities accelerated, with a growing focus on geosynchronous communication satellites vital for the military command, control, and intelligence (Goswami, 2018:76).

The next major breakthrough in China's space program development came in 1999, when the first unmanned spacecraft Shenzhou 1 was successfully launched, followed by Shenzhou 2 and Shenzhou 3, in 2001 and 2002, respectively. China sent its first taikonaut into space in one of the rockets from the Long March series in Shenzhou 5 as early as 2003 (Goswami, 2018, p. 76; Koren, 2017). This was followed by two more flights – Shenzhou 6, with two crew members, in 2005 and Shenzhou 7, with three crew members, in 2008 (Williams, 2019).

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<sup>2</sup> More information about the Long March program can be found at: <https://graphics.reuters.com/SPACE-EXPLORATION-MOON/0100B0BH0NZ/index.html>

In 2007, Beijing undertook two more important missions – it carried out its first anti-satellite missile test (Konjikovac, 2012, p. 34; Goswami, 2018, p. 76) and began the so-called Chinese Lunar Exploration Program. As Williams points out, ‘intrinsic to this program was the development of heavy-launch vehicles such as the Long March 3B and 3C. It was these rockets that sent the first three missions in the Chinese lunar program to the Moon, with Chang’e 1 mission launching in 2007, Chang’e 2 in 2010, and Chang’e 3 in 2013’ (Williams, 2019). However, the crown of the Chinese lunar program is the Chang’e 4 mission. That is to say, ‘in 2018, the Chang’e 4 lander was sent to the far side of the Moon, where it deployed the Yutu 2 rover to explore the South Pole–Aitken Basin. The lander also carried the Lunar Micro Ecosystem (LME) experiment, a metal cylinder containing seeds and insect eggs designed to test the effects of lunar gravity on living creatures. The orbiter component of the mission also tested the ability to relay communications from the far side of the Moon’ (Williams, 2019). As Myers and Mou (2019) point out, in addition to opening a new chapter in Moon exploration, this mission is also one of a series of successes that not only classifies China as an advanced spacefaring nation, but it can even make China a leader of a new space race.

Since it was virtually excluded from international cooperation in space exploration following the 1989 events in Tiananmen, China launched its own space station construction program (Konjikovac, 2012, p. 34). According to Koren (2017), in 2011, the China National Space Administration (CNSA) launched Tiangong 1, the first component for a prototype orbital laboratory like the International Space Station (ISS). A Shenzhou spacecraft carrying three astronauts, including China’s first female taikonaut, Liu Yang, successfully docked with Tiangong 1 a year later. However, in 2016, due to the loss of control of Tiangong 1, the CNSA decided shortly afterwards to launch Tiangong 2, a small station capable of accommodating up to two astronauts. Considering that its life is limited to 1,000 days, the Chinese space agency carried out, according to the plan, a secure deorbitization in 2019. According to Etherington (2019), both of these and the forthcoming Tiangong 3 are intended as temporary orbital stations designed for testing key technologies in pursuit of the ‘real’ Chinese space station, which is set to begin its mission life in 2020 with the launch of the Tianhe 1 core module.

In addition, China is making rapid progress in deploying its own Beidou constellation of satellites for positioning, navigation, and timing (PNT) – a rival to the U.S. Global Positioning System (GPS) which China claims will one day be more capable and accurate than the U.S. system (Degang & Yuyou, 2016). As Harrison explains: ‘Since 2000, China has launched six new types of remote sensing satellites, with at least 76 operational remote sensing satellites on-orbit as of 2016. Moreover, China has some 34 communications satellites on-orbit, at least three of which can be used to relay information from other satellites back to ground stations on Earth’ (Harrison, 2019, p. 3).

As observed, the Chinese space program has a long tradition, with its development progressing in recent years. Many plans have already been implemented, while projects for the coming period are in the pipeline. With regard to this, while the Chinese space program is very complex, given a large number of stakeholders and the wide range of ambitions that Beijing authorities seek to realize, it seems that much of their attention is directed to the Earth's natural satellite for several reasons.

### **SIGNIFICANCE OF THE MOON IN CHINA'S SPACE CONCEPTIONS**

As Goswami (2020) points out, many Chinese scientists and statesmen, who are highly respected in China, have emphasized the strategic importance of winning the Moon. For example, Ye Peijan, Director of the Chinese Lunar Exploration Program (CLEP), was awarded China's highest civilian honor for his contributions to the lunar program during the 70<sup>th</sup>-year celebration of the establishment of the People's Republic of China (PRC) last year. Lieutenant General Zhang Yulin, former deputy head of China's Manned Mission, and now the top commander within the People's Liberation Army (PLA) Strategic Support Force (China's version of a space force), highlighted the critical significance of cislunar for China's national rejuvenation in 2016. Apart from them, one should also mention Ouyang Ziyang, who became one of the key players in the CLEP in 2006 and who said four years earlier that lunar exploration is 'a reflection of a country's comprehensive national power... it is significant for raising our international prestige and increasing our people's cohesion'. That same year, he also pointed out that 'the Moon could serve as a new and the tremendous supplier of energy and resources for human beings... whoever first conquers the Moon will benefit first' and in 2013 that the Moon is 'so rich in helium-3, which is a possible fuel for nuclear fusion', that this could 'solve human beings' energy demand for around 10,000 years at least' (Goswami, 2020).

When it comes to helium-3 ( $^3\text{He}$ ), there are several things to note. It is a light, non-radioactive isotope of helium and is commonly discussed in the context of nuclear fusion (Southward, 2013). Contrary to nuclear fission, which divides the nucleus of an atom in half, nuclear fusion combines nuclei to produce energy. Since nuclear fusion has already been tested with hydrogen isotopes – deuterium and tritium – it has been shown that a large amount of energy is released in the form of radioactive neutrons as part of this process. This proved to be very unsafe, according to Horton (Horton, 2008).  $^3\text{He}$ , on the other hand, is completely safe. It does not emit any pollution and does not leave radioactive waste behind, so it does not pose a threat to the environment and humans.

As a helium isotope,  $^3\text{He}$  consists of two protons and one neutron. When heated to high temperatures and combined with deuterium, the reaction releases

incredible amounts of energy. Only one kilogram of  $^3\text{He}$  combined with 0.67 kg of deuterium produces 19 megawatts of energy. This would mean that 40 tons of this material can produce an amount of energy sufficient for the entire US for the whole year (Southward, 2013). Although there is no such an isotope on the Earth, experts say the Moon is abundant in it. Moreover, it is estimated that the Earth's natural satellite contains more than one million tons of this element. The energy that can be produced from this amount is ten times the energy that can be produced from total fossil fuel reserves, but a commercial price of one ton of  $^3\text{He}$  would cost about 4 billion USD under the current circumstances. The problems that have accompanied this concept so far relate to the practical disadvantages of helium extraction and the fusion process setup. The existing fusion reactors have yet to reach the sustainable high temperatures required to generate electricity, and extraction of  $^3\text{He}$  from the lunar surface requires a lot of refining because it occurs at very low concentrations in the soil (Horton, 2008).<sup>3</sup> However, judging by the news coming from the most populous country in the world, these problems do not seem to discourage them in the least.

As explained by Goswami, 'in early January 2019, China dazzled the world with the landing of the Chang'e 4 spacecraft on the far side of the Moon, accomplishing a first for humanity. On December 14, its Yutu-2 rover set the record for the longest active rover on the Moon, breaking the record of the erstwhile Soviet Union's Lunokhod 1 that was active for ten and a half months (15 November 1970 to 4 October 1971)' (Goswami, 2020). But there is more to it. 'Soon after China had successfully landed on the far side, the CNSA announced several follow-on missions, to include the 2020 lunar sample return mission, Chang'e 5, followed by Chang'e 6, which will bring back samples from the lunar south pole, believed to be rich in resources like water ice. Chang'e 7 will land on the Lunar South Pole to carry out a comprehensive survey, followed by Chang'e 8, which will lay the groundwork for a research base on the Moon by 2036' (Goswami, 2020). The author concludes that Chang'e 4's success is a great achievement, both technically and symbolically. According to some opinions, China views this landing as just a stepping stone, as it also views its future manned lunar landing, since its long-term goal is to colonize the Moon and use it as a vast supply of energy (Myers & Mou, 2019).

Such a claim seems largely justified, considering the fact that many Russian and American scientists believe that areas near the Moon Poles are, in fact, optimal locations for permanent bases for two reasons. The first is the proximity of vast reserves of ice that reached the polar craters through comets and remained in those parts that sunlight never reaches. The other reason is the areas of the so-called tangential illumination, which allow the crew to work under constant light and thus

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<sup>3</sup> For instance, for the extraction of one ton of  $^3\text{He}$ , it is necessary to dig three meters deep area of the lunar surface covering about 20 square kilometers (Duz, 2014).

avoid the cold night periods that last two weeks on the Moon (Nikolic, 2014). Flat terrain around the southern lunar pole, near Mount Malapert, would be the most suitable for installing a human colony. According to Alexander Ilyin, the chief engineer of a private Russian company Lin Industrial, the site directly shows the Earth and provides good conditions for communication and landing, with light illuminating the mountain 89 % of the day, while the night occurs only a few times a year and does not last longer than three to six days (Web Tribune, 2015).

In addition, the Moon is also interesting as a springboard for further space expansion (Duz, 2014), which greatly facilitates access to asteroids rich in various valuable resources. In other words, asteroids are rich in minerals like platinum, gold, titanium, iron, nickel, and, most importantly, water. Precious metals like titanium and gold sell for anything between 30,000 USD to 50,000 USD per kilogram. Scientists infer that a small asteroid 200 meters in length and rich in platinum could be worth 30 billion USD (Elvis, 2012). For example, Asteroid 2011 UW158, worth 5 trillion USD in platinum, sailed at a distance of 1.5 million miles from the Earth in July 2015 (Howell, 2015).

Within this context, it is interesting to observe that Luxembourg is the first in Europe to announce a government initiative to develop regulatory and legal frameworks to establish ownership of minerals extracted from asteroids (Schrieberg, 2017) and that the PRC recently signed an agreement with that country to establish a space exploration laboratory for peaceful purpose, including in the utilization of space resources (Ministry of Economy of the Government of the Grand Duchy of Luxembourg, 2018).<sup>4</sup>

As Goswami reminds, ‘while analyzing China’s success in space, it is critical to remember that the strategic narrative driving those space ambitions is the deep-seated ideological commitment by China to be first on the Moon and beyond. China takes its historical lessons of territorial firsts seriously, forwarding such first-presence claims on the resource-rich South China Sea, even establishing a nine-dash line there, 2,000 kilometers from its territorial shores, when the international limit set by the United Nations Convention on the Law of the Sea (UNCLOS) is 200 nautical miles for Exclusive Economic Zones (EEZ)’ (Goswami, 2020). With that in mind, it should come as no surprise that decision-makers in Washington are becoming increasingly anxious about Chinese space ventures and that ‘the Asian dragon’ is more often accused of militarizing the cosmos, even though China constantly states that its explorations are conducted for peacetime purposes.

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<sup>4</sup> It is worth mentioning that Luxembourg joined the BRI initiative in March 2019, upon which the Bank of China chose Luxembourg to list its 500 million USD BRI bond (Goswami, 2019).

## **MILITARY ASPECT OF CHINA'S SPACE ENDEAVOURS**

Accusations leveled against Beijing of carrying out space militarization as part of its engagement in the fourth dimension are based largely on the fact that the Chinese Army plays an important role in space exploration. However, there are other more specific reasons for this.

In other words, according to Lele (2005, p. 68), China is investing vast sums in space technologies overtly for civilian purposes and covertly for military purposes. Many of the current technologies used for space exploration and utilization may have different objectives. This is, among other things, the case of 2013, when a Chinese satellite, Shiyang 7 (SY-7, Experiment 7), with a prototype robotic arm 'demonstrated that it could capture another satellite in orbit, explained as a space maintenance mission by China, but with dual implications of grabbing adversary satellites. SY-7 also rendezvoused with two other Chinese satellites, the Chuangxin 3 (CX-3) and the Shijian 7 (SJ-7, Practice 7)' (Goswami, 2019). As clarified by Goswami, 'the strategic significance of these maneuvers at that time was that SY-7 surprised everyone by its sudden maneuvers with a completely different satellite, the SJ-7 (launched in 2005) instead of what the experts thought it would rendezvous with, the CX-3 launched along with SY-7 in 2013' (Goswami, 2019). Additionally, the same author points out, on 30 October 2015, China also tested the Dong Neng 3 exoatmospheric vehicle 'capable of ramming US satellites and destroying them' (Goswami, 2018, p. 76).

All the above-mentioned has contributed to the prevailing opinion in the US that China has spent the last 15 years testing different systems in an effort to develop methods for crippling American satellites during a conflict (Messier, 2019).<sup>5</sup> As summarized in the conclusions of the US-China Economic and Security Review Commission report, submitted to the US Congress: 'China views space as a critical U.S. military and economic vulnerability, and has fielded an array of direct-ascent, cyber, electromagnetic, and co-orbital counterspace weapons capable of targeting nearly every class of U.S. space asset. The PLA has also developed doctrinal concepts for the use of these weapons, encouraging escalatory attacks against an adversary's space systems early in a conflict, threatening to destabilize the space domain. It may be difficult for the United States to deter Beijing from using these weapons due to China's belief the United States has a greater vulnerability in space' (Report to Congress, 2019, p. 17). The report also says that: 'China's development of offensive space capabilities may now be outstripping the United States' ability to defend against them, increasing the possibility that U.S. vulnerability combined with a lack of a credible deterrence posture could invite Chinese aggression' (Report

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<sup>5</sup> A more detailed overview of China's military capabilities in space, with information on the number and purpose of Chinese satellites, can be found at: <https://monitoring.bbc.co.uk/product/c2012o3j>

to Congress, 2019, p. 381). William Roper, Assistant Secretary of the Air Force for Acquisition, Technology and Logistics, testified to the Commission that Beijing is well aware of the extent to which U.S. sea, air, and land operations rely on space-based assets for communication, navigation, and precision fires and has thus concluded it is much more feasible to threaten these assets in space than the terrestrial capabilities they enable (Report to Congress, 2019, pp. 380-381).

What clearly raises concern with American authorities is the fact that ‘China is becoming a military space power in a global context’ (Covault, 2017) and that the universe in the eyes of the Chinese Army denotes ‘new commanding heights in strategic competition’ (Kania, 2018).<sup>6</sup> This impression is convincingly reinforced by a decision brought by the US President Donald Trump to establish a special section of the U.S. Army, the so-called Space Force, in response to China’s Strategic Support Force established in 2015, which is meant to streamline and improve its space, cyber, and electronic warfare missions (Germanos, 2019; Feldscher & Zhen, 2019).

Beijing views the decision to create the US Space Command with resentment and accuses the US president of violating global consensus, emphasizing the importance of preserving space as a zone of peace and prosperity (Germanos, 2019). According to Chinese Foreign Minister Geng Shuang, ‘the international community should adopt a prudent and responsible attitude to prevent outer space from becoming a new battlefield’ (AFP, 2019). In other words, the Chinese have no desire to start a new space race or an arms race, decisively emphasizing that ‘China is not the Soviet Union’ (Feldscher & Zhen, 2019). Goswami also points to this by explaining that ‘for China, investing in outer space goes beyond simply achieving prestige and reputation – as opposed to the flags and “footprints”-based moon race between the United States and the Soviet Union during the Cold War. Instead, China aims to establish a permanent space presence, which would offer long-term economic benefits’ (Goswami, 2019).

## **GEOPOLITICS AND ECONOMICS OF CHINA’S SPACE STRATEGY**

According to Messier (2020), China is using its growing space program to achieve a range of geopolitical and economic goals, including attracting partners for its BRI, improving economic and political ties with other countries, and deepening others’ reliance on its space systems and data services.

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<sup>6</sup> In a speech given to heads of military academies and training schools in November 2019, the Chinese president stressed the urgent requirement to create a new type of military personnel, proficient in new types of warfare, including space, and for whom loyalty to the Communist Party of China (CPC) trumps any other loyalties (Goswami, 2020).

The author's opinion also shared among many in the US, is largely based on the already mentioned report of the US-China Economic and Security Review Commission, filed with the U.S. Congress in 2019. It says that 'Beijing uses its space program to advance its terrestrial geopolitical objectives, including cultivating customers for the Belt and Road Initiative (BRI), while also using diplomatic ties to advance its goals in space, such as by establishing an expanding network of overseas space ground stations. China's promotion of launch services, satellites, and the Beidou global navigation system under its "Space Silk Road" is deepening participants' reliance on China for space-based services' (Report to Congress, 2019, p. 359).

Gibney (2019) points out that the China Manned Space Agency has selected scientists from 17 countries (out of 42 interested) who will participate in the experiments at the new China Space Station, whose work is scheduled to begin in 2022. The undertaking, supported by the United Nations Office for Outer Space Affairs (UNOOSA), will involve scientists from Russia, Japan and India, as well as scientists from countries with lower economic growth rates such as Kenya, Mexico and Peru, by means of which, according to Wang Qun, China's ambassador to the United Nations in Vienna, they want to encourage co-operation in the implementation of joint projects between developed and underdeveloped countries, with particular regard to the needs of the latter.<sup>7</sup> According to the same author, the US is not among the participants, since its scientists have been banned from collaborating with China since 2011 without special approval from the Congress. In this regard, the above-mentioned Congress report states the following: 'China's goal to establish a leading position in the economic and military use of outer space, or what Beijing calls its "space dream", is a core component of its aim to realize the "great rejuvenation of the Chinese nation". In pursuit of this goal, China has dedicated high-level attention and ample funding to catch up to and eventually surpass other spacefaring countries in terms of space-related industry, technology, diplomacy, and military power. If plans hold to launch its first long-term space station module in 2020 (2022 at the latest, *author's comment*), it will have matched the United States' nearly 40-year progression from first human spaceflight to first space station module in less than 20 years' (Report to Congress, 2019, p. 359). Commenting on this kind of performance by China, Harrison concludes: 'To emerge as a near-peer competitor to the United States and as a true global power,

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<sup>7</sup> The experiments include an Indian–Russian observatory called the Spectroscopic Investigations of Nebular Gas, which will map dust clouds and star-forming regions of space using ultraviolet light. A group of European institutions, meanwhile, will study how microgravity and radiation in space affect the mutation of DNA in human 'organoids' — 3D biological structures that mimic organs. And a Saudi Arabian team will test how solar cells perform on the outside of the space station (Gibney, 2019).



China is building a network of partnerships around the world, as is evident in its One Belt, One Road initiative. Partnerships in space could be used as another lever to induce cooperation on the Earth. More specifically, China could use the prospect of human spaceflight missions to its new space station, to the Moon, and one day to Mars as an incentive for other countries to partner with it in ways that further its terrestrial ambitions' (Harrison, 2019, pp. 2-3). Bowe (2019, pp. 2-3) agrees and adds that if China continues to meet its declared space goals, it may be the only country to have an active space station after the U.S. government funding for the International Space Station (ISS) ends in 2024.<sup>8</sup>

In addition, China pays special attention to its Beidou navigation system. According to Bartholomew (2019, p. 6), China has nearly completed its own position, navigation, and timing satellite network known as Beidou, which will serve to increase China's influence in countries participating in its BRI and decrease China's dependence on the U.S.-maintained GPS. As explained by Sun and Zhang (2016, p. 24), the Beidou system is of particular importance for the promotion of the BRI in the Arab world, as it is an essential measure for deepening the strategic partnership between China and the Arab League in terms of interconnectivity, which can serve as an essential step for the Beidou 'going global' strategy as well, but also as an impetus for the 'opening up' of West Asian and African markets for years to come. In the US, they are certainly aware of this fact and believe that 'although Beidou is free to users, similar to the U.S.-built GPS, China has used it as a tool of geopolitical and diplomatic competition which would deepen users' reliance on China for space-based services, potentially at the expense of U.S. influence. For instance, after Thailand, a U.S. treaty ally, was granted access to Beidou in 2013, a Beidou expert from Wuhan University who participated in the negotiations with the Thai government claimed Beijing's goal was to show that Beidou "can do anything GPS does and in some areas it can do even better. If Thailand can embrace Beidou, other countries may follow, and the United States' power in the region will be reduced'" (Report to Congress, 2019, p. 369). On the other hand, while the majority of the political and professional public in the US agrees with such an assessment, some, such as Harrison, believe that these space capabilities are not, in and of themselves, threatening or unusual: 'One should expect that a country with the second-largest GDP in the world would possess such space systems. Moreover, many of the types of space systems China is developing to support its military are systems the United States has had for decades' (Harrison, 2019, p. 3). However, considering China's involvement in the field, there is a prevailing attitude in the US that 'China's single-minded focus and national-level

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<sup>8</sup> For the sake of truth, according to some sources, there is still a possibility of extending the ISS funding to 2030 (Foust, 2019).

commitment to establishing itself as a global space leader harms other U.S. interests and threatens to undermine many of the advantages the United States has worked so long to establish' (Report to Congress, 2019, p. 15). Additionally, it is openly acknowledged that 'China is well-positioned to assume a commanding role in a future space-based economy, as its steps to dominate the global commercial launch and satellite sectors through generous subsidies and other advantages have already threatened to hollow out the U.S. space industrial base. Should the China Space Station proceed as planned and the International Space Station be retired, China may also replace the United States as many countries' default partner in human spaceflight' (Report to Congress, 2019, p. 15). In other words, 'China views the United States and other democracies as in decline and sees an opportunity to expand its geopolitical influence at the expense of Washington and its allies' (Report to Congress, 2019, p. 13).

That such assessments are not without foundation is evidenced, among other things, by the fact that the Chinese president has authorized private companies to launch from military launch ramps. Specifically, as explained by Goswami (2019), as part of a civilian-military integration strategy, the PLA has opened its Jiuquan Satellite Launch Center for private launches. The Chinese president's decision to encourage private space startups in this way has resulted in an influx of investment. However, what is interesting to observe is that under the auspices of the strategy, Chinese investment firms have begun aggressively investing in US private space companies. For instance, as the author argues, 'China's Tencent Holdings Ltd has invested in Moon Express, one of the companies chosen by NASA for its Commercial Lunar Payload Services program. Tencent also invested in Planetary Resources (now acquired by ConsenSys, Inc.) and Satellogic, an Argentinian company specializing in satellite imagery. NanoRacks, another US private space company, established a commercial partnership with Kuang-Chi Science LTD in 2018 and China established its first overseas satellite ground station in Kiruna, Sweden, that year as well' (Goswami, 2019).

As the writers of the aforementioned report to the Congress warn: 'China is taking steps to establish a commanding position in the commercial launch and satellite sectors relying in part on aggressive state-backed financing that foreign market-driven companies cannot match. China has already succeeded in undercutting some U.S. and other foreign launch and satellite providers in the international market, threatening to hollow out these countries' space industrial bases' (Report to Congress, 2019, p. 16). They conclude that 'China views space as critical to its future security and economic interests due to its vast strategic and economic potential. Moreover, Beijing has specific plans not merely to explore space, but to industrially dominate the space within the Moon's orbit of the Earth. China has invested significant resources in exploring the national security and economic value of this area, including its potential for space-based manufacturing, resource extraction, and power

generation’ (Report to Congress, 2019, p. 16). After all, the statements issued by some high-ranking Chinese officials also indicate that ‘China’s goal is to be a major global space power by around 2030’, i.e., that ‘China aims to be a global leader in space equipment and technology by 2045’ (Bowe, 2019, p. 2).

## FUTURE OF CHINA’S SPACE EXPLORATIONS

China is adhering to its ‘slow and steady’ principle in the development of its space agenda, which is yielding excellent results. As Myers and Mou (2019) explain, although a latecomer for decades to space exploration, China is quickly catching up and could challenge the United States for supremacy in artificial intelligence, quantum computing, and other fields. After all, the development of China’s Chang’e lunar program, which is being implemented in a very systematic manner by Beijing authorities, without resorting to provocations that could produce some kind of a new space race, is a confirmation striking enough. As emphasized by China’s lunar exploration program chief, Wu Weiren: ‘The international trend will not play a decisive role in China’s planning on its lunar missions, and China is not going to compete with anyone over the matter’ (PTI, 2019). Moreover, the Chinese approach further development of their lunar program in a very specific manner, which, among other things, indicates that there is a plan that the first Chinese to set foot on the Moon should actually be a woman. According to Dean Cheng, a senior research fellow at The Heritage Foundation who is an expert on China’s space program: ‘All 12 of the Apollo astronauts who walked on the Moon between 1969 and 1972 were men. And none of them stayed on the lunar surface for more than 75 hours’ (Wall, 2019).

Goswami argues that there is ample evidence to suggest that a great power like China is ‘viewing space less concerned with “securing the high ground” for espionage and nuclear deterrence and more for access to the vast material and energy resources of the inner solar system’ (Goswami, 2018, p. 74). In addition to setting up a lunar laboratory and space station, other plans made by the Asian giant, such as the installation of the space-based solar power station by 2050, go in favor of this argument. Apart from the above-mentioned, at the space symposium in Colorado Springs in April 2017, the CNSA secretary-general Yulong Tian stated that China’s major space goals in the next five years are to launch robotic missions to the Moon (as a precursor to further lunar activities – setting up a lunar laboratory and sending a mission with human crew), outline a policy for commercial space activities, conduct an automated Mars sample return mission by 2030, and launch deep space exploration of Jupiter, Venus, and asteroids (David, 2017) and even Uranus (Campbell, 2019).

According to McKie (2020), China has tried before to reach Mars in partnership with Russia. However, ‘the Russian spaceship that was carrying China’s Yinghuo-1

probe crashed in January 2012. After that, China started its own Mars exploration program and has completed a crucial landing test in northern Hebei province. Zhang Kejian, Head of the China National Space Administration, said the lander went through a series of tests at a sprawling site littered with small mounds of rocks to simulate Mars's terrain.<sup>9</sup> The Chinese probe, Huoxing-1, will deploy an orbiter that will circle Mars and a rover that will drop onto the planet's surface. The mission will be launched in July or August 2020 with a Long March 5 heavy lift-off rocket' (McKie, 2020).<sup>10</sup> Some experts also mention Long March 9, and in this regard, it should be noted that testing in the context of the development of the Long March program, despite some setbacks, is largely underway (Bowe, 2019:5-6). According to Jones (2020), the China Aerospace Science and Technology Corporation (CASC), a state-owned defense contractor, carried out 27 launches involving 66 satellites across 2019, with one failure, while the total number of launches for the same year was 34. As the author points out, China's main space contractor is aiming to carry out more than 40 launches in 2020, including lunar, interplanetary and space infrastructure missions (Jones, 2020).

China also plans to complete its Beidou navigation satellite system (Jones, 2020) and to build a space telescope with a field of view 300 times larger than the Hubble Space Telescope and with a similar resolution. This telescope will be placed in orbit near the space station to facilitate easier servicing missions throughout the life of the instrument (Johnson-Frese, 2018). Furthermore, the CASC issued a report recently claiming that China will achieve a major breakthrough by 2040 with regard to 'nuclear-powered space shuttles', which, according to some experts, will enable mining of space-based resources, including from asteroids, and the establishment of solar power stations. Moreover, the report also specifies that by 2035, China will possess fully reusable launch vehicles (Goswami, 2018, p. 76).

Considering all the aforementioned, Strout (2019) believes that the Chinese government and military are determined to meet ambitious goals for space leadership, if not dominance, and that China has connected its space program with its broader ambitions to become a terrestrial leader in political, economic, and military power. Bowe (2019) shares a similar opinion and comes to the conclusion that these goals are consistent with the important role China's leaders have assigned to China's space program as part of the country's attempts to advance its national

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<sup>9</sup> It should be noted that China also has Mars Base 1, built by private Chinese company C-Space. As Campbell (2019) explains, it is located in the northeast of Gansu Province and looks like a space station on the Earth, boasting an airlock, greenhouse, gymnasium, living quarters and control room, with the complex arranged to resemble the Red Planet.

<sup>10</sup> Carter (2020) argues that the Chinese are firmly committed to conducting a Mars-related mission within the stipulated timeframe and will not even allow the consequences of the emergence and spread of COVID-19 to prevent them.

interests and build up national strength. As he explains: ‘Beijing’s goal is to become the United States’ peer in space militarily, diplomatically, commercially, and economically. It is able to do so since it consistently invests high levels of funding and political will to its space program, which has driven its steady progress in achieving important milestones. This support, along with a focus on improving and standardizing the quality of manufactured components, has helped create a mature space program whose development was previously constrained by poor infrastructure and less advanced technology. Compared to the U.S. space program, China’s program is also more connected to the “levers of power”, meaning its goals more often draw support from top leaders and are interconnected with the overall priorities of China’s industrial and foreign policies. China’s deliberate and comprehensive approach to its space program gives it opportunities to derive important economic, political, and diplomatic benefits, including domestic legitimacy, international prestige, and access to tasking information and observational data derived by international clients using its space platforms’ (Bowe, 2019, p. 2).

## CONCLUSION

Commenting on China’s joint space exploration initiative, Simonetta Di Pippo, Director of the UNOOSA, stated in an interview to Xinhua that: ‘This is an agreement which will allow the entire world to use, for scientific purposes, the China Space Station when it will be ready... it’s the first time it is open to all member states’ (Xinhua, 2018). According to Weihua (2019), having in mind where the remark comes from, along with the fact that 9 projects have already been selected and that scientists from 17 countries around the world will take part in their implementation, this sends a strong signal for international cooperation and peaceful use of outer space.

However, some countries disapprove of China’s strengthening its space capabilities, although Beijing has consistently insisted that the future of space exploration should be cooperation-based while respecting the interests of all humanity. Even the name of a future space station that is about to come to life – harmony of the heavens – very strikingly evokes the way the Chinese think when it comes to the exploration and exploitation of space potentials. The fact that some people resent China’s rapid ascent to space may have more to do with their weaknesses than the fear that the world’s most populous country could use its space capabilities for military competition. In support of this, among other things, a recent study conducted in the US, EU and China is convincing enough. Specifically, a nonprofit study honoring the 50th anniversary of the first-person landing on the Moon involved 3,000 children between the ages of 8 and 12, divided evenly among the US, the UK, and China. The survey asked children to choose from five professions and answer which job they would like to do when they grow up:

astronaut, musician, professional athlete, teacher, or vlogger/YouTuber. While children in the US and UK put vlogger/You Tuber first, as many as 56% of children in China said they wanted to be an astronaut. In the US and the UK, an astronaut was the lowest-ranked out of these 5 professions, with only 11% of children opting for it (Cowing, 2019).

This information probably best illustrates the future that awaits not only the space nations that have already stepped into the fourth dimension but also those who would somehow want to be involved in various space exploration initiatives, such as the BRI. What gives the Chinese an advantage over others may not have as much to do with their current or expected degree of space program development, but it may have with the state of their awareness of how and in what manner space exploration should develop. In this respect, the idea more than 2,000 years old of connecting Europe and Asia through the Silk Road could be, under new circumstances, an adequate platform for such a venture, bearing in mind that China is ‘slowly and steadily’ winning the title of space power in a global context, but also having in mind words spoken back in 1959 by former U.S. President Lyndon B. Johnson, which are: ‘Control of space means control of the world’.

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## **PUT SVILE VODI DO MESECA: KINESKA SVEMIRSKA STRATEGIJA I NJEN BUDUĆI RAZVOJ**

*Apstrakt:* U poslednje vreme sve više država u svetu interesuje se za istraživanje tzv. četvrte dimenzije. Imajući u vidu da ovladavanje svemirskim prostranstvima donosi brojne strateške benefite, kao i pristup pozamašnim rezervama neiskorišćenih resursa, pojedine zemlje, a naročito one koje beleže visok stepen ekonomskog razvoja, poput Indije i Kine, iskazale su rešenost da se pridruže prestižnom 'klubu svemirskih nacija' koji je do nedavno bio rezervisan za Sjedinjene Američke Države, Rusku Federaciju, Japan, Kanadu i Evropsku Uniju. Rad analizira svemirsku strategiju Narodne Republike Kine. Nakon kratkog prikaza istorije razvoja kineskih svemirskih aktivnosti, posebna pažnja u radu posvećena je značaju Meseca. Njegovo osvajanje važno je radi sticanja preduslova za dalja istraživanja svemirskog prostranstva, ali i zbog toga što on predstavlja vrlo pozamašnu i još uvek neiskorišćenu resursnu bazu. Osim pomenutog, autor analizira i vojnu komponentu realizacije kosmičkih ambicija najmnogoljudnije zemlje na svetu, odnosno istražuje da li delovanje Kine doprinosi militarizaciji kosmosa ili pak razvoju četvrte dimenzije kao zone mira i prosperiteta od čega korist može imati celokupno čovečanstvo. Nakon toga, rad analizira aktuelne geopolitičke i ekonomske efekte razvoja kineske svemirske strategije uz pregled kosmičkih planova zvaničnog Pekinga za nadolazeći period. Autor zaključuje da će Kina u budućnosti pružiti veliki doprinos svemirskim istraživanjima, što je, ukoliko se bude pridržavala svojih dosadašnjih načela u međunarodnim odnosima, može kvalifikovati za poziciju ključnog aktera u domenu eksploatacije kosmičkih potencijala.

*Ključne reči:* Kina, svemir, resursi, strategija, Mesec, Put Svile, razvoj.

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## THE WESTERN BALKAN COUNTRIES' ACCESSION TO THE EUROPEAN UNION FROM THE ENERGY PERSPECTIVE

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*Abstract:* Given the particular historical, political and socioeconomic circumstances, the countries of the Western Balkans have met the necessary conditions for the integration of their national energy systems with the EU energy system to varying and often modest degrees. Recent changes in Europe's energy strategy and trends additionally complicate the situation in the Western Balkans. The situation is substantially different in the oil, gas, electricity, renewable energy, and energy efficiency sectors. The fact that the processes are often stalled is also indicated by the measures that have been taken against some of the countries from the domain of the Energy Community sanctions. This paper analyses the situation in the energy systems of the Western Balkan countries in terms of fulfilment of the criteria for the EU accession and the system of measures taken by the EU towards future member states in the accession process, as well as the factors affecting this situation, especially the influence of forces outside the region.

*Keywords:* the Western Balkans, the EU, energy, the EU accession criteria, the fulfillment of criteria, the EU accession forecast

### INTRODUCTION

The subject of this paper is the situation in the Western Balkan countries, as well as the setting of a realistic deadline for the criteria fulfilment in the field of energy, which would enable their accession to the EU regardless of all limitations.

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The paper aims to analyse the possibility of the Western Balkans countries to accelerate the process of European integration, adapt to the functioning of the European energy market and fulfil the accession conditions by 2025, and to point out the impacts of various factors, including the influence of countries outside the region.

The criteria for the EU accession from the energy standpoint are legal, implementation, and techno-economic-logistical. For each of the criteria, a necessary minimum of indicators is determined. The situation in all Western Balkan countries is analysed from the perspective of the fulfilment of the above criteria. The sectors of electricity, renewable energy, ecology and energy efficiency, gas and oil have been analysed individually. The ownership structure in the energy sector and its impact on meeting the accession criteria are particularly analysed to refute or prove the theses on political influence in the implementation of the EU enlargement strategy.

The possibility of accelerating the processes through the initiated measures from the domain of the Energy Community sanctions is analysed, but also through the activities of financial-technical support for the projects' realization, which should accelerate the integration and fulfilment of the preconditions or criteria.

The paper lists the commitments undertaken by future EU and Energy Community (EC) members, but also the measures the EC has undertaken to achieve these goals, and all the data are collected from official sources.

### **FOREIGN FORCES, THEIR ASPIRATIONS AND THE IMPACT ON THE WESTERN BALKANS THROUGH THE PRISM OF ENERGY**

The Balkan countries: Albania, Bosnia and Herzegovina, Bulgaria, Montenegro, Greece, Croatia, North Macedonia, Romania, Slovenia, Serbia, and Turkey (European part) occupy an area of nearly 800,000 square kilometres, with about 70 million inhabitants (excluding the Asian parts of Turkey) (Sakan, 2018). In many periods throughout history, the Balkans was a scene of conflicts (Russia, the United Kingdom, Austria, Germany, Turkey) and it continued to be the hotspot of the interest conflicts of the great powers (the USA, the Russian Federation, the European Union, China, and Turkey).

From eleven Balkan countries, five (Greece, Slovenia, Bulgaria, Romania, and Croatia) are the EU member states, while the remaining have the status of candidate countries, i.e., they have signed the *Stabilization and Association Agreement* (SAA), which regulates the rights and obligations of a country in the process of joining the European Union.

The European Union has long supported the European perspective of the Western Balkans, which is the focus of this paper. The *EU's Enlargement Strategy for the Western Balkans* (EU, 2018) has defined the year 2025 as a timeframe for the joining of the countries of this region to the EU. According to the *EU Strategy for the Western Balkans*, six measures (initiatives) have been identified to give greater support to the transition of countries: 1. strengthening the rule of law, 2. enhancing security and migration engagement (enhanced cooperation in the fight against organized crime, countering terrorism and violent extremism, border security and migration management), 3. increasing support for socioeconomic development, 4. developing the Digital Agenda for the Western Balkans (developing a broadband network in the region), 5. supporting reconciliation and good neighbourly relations, and 6. increasing transport and energy connectivity within the region and the EU, including new investment aid. For the fulfilment of the *Strategy for the Western Balkans* and support to the smooth accession, adequate funding is needed. The European Commission proposes a gradual increase of funding by 2020 within the Instrument for Pre-Accession Assistance (IPA), as far as the reallocation of funds under the existing package allows. For 2018 alone, €1.07 billion of pre-accession assistance is foreseen for the Western Balkans, in addition to nearly €9 billion between 2007 and 2017 (Delegation, 2018).

Every two years, starting from 2013, the European Commission draws up a new list of PCIs (*Projects of Common Interest*). On 24 November 2017, the Commission published the third PCI list, containing 173 projects; 106 for electricity transmission and storage, 4 for smart grids, 53 for gas, 6 for oil, 4 for transboundary carbon dioxide networks (EC, 2018).

Regarding the influence of other countries, China has supported investments in new production facilities over the last ten years, including coal-fired power plants that are unacceptable in most EU countries today (Stanari in BiH, the Republic of Srpska; Kostolac 3, Serbia) (Zarko Obradovic et al., 2019, pp. 159–171). So far, Chinese companies have not tried to gain ownership of energy companies in the Western Balkans.

Russian investment is dominant in the oil sector and less in the gas sector. However, Russia dominates in the region as the main supplier of gas and oil. The gas supply of BiH, Serbia, and North Macedonia depends entirely on Russia today. The oil supply of the remaining two refineries in the region (Brod and Pancevo) comes almost entirely from Russia, but this does not apply to petroleum products. It is indicative that the largest Russian oil and gas companies are present in the region, such as *Lukoil* (Lukoil, 2020), *Gasprom*, *Gaspromneft* (Petroleum Industry of Serbia, 2020) and *Zarubezhneft* (Optima Group, 2020).

Since 2013, Turkish investment in the region's energy sector has emerged, in so-called Kosovo (Keds, 2018).

To objectify the impact analysis of the EU and other individual countries, data on ownership of energy companies by country and sector, are summarized in Table 1. Ownership was chosen as clear material evidence and a precondition based on which economic and political influence can be exercised, which is also somewhat described in Milinovic's *Challenges of National Defence in the International States and Private Corporate Infrastructure Protection Management* (2013).

*Table 1. Ownership of energy companies in the Western Balkans by sectors and countries*

Country	Gas (dominant company)	ownership	Oil (dominant company)	ownership	Electricity (dominant company)	ownership
Bosnia and Herzegovina	BiH-Gas Ltd. Sarajevo (BiH Gas doo, 2020)	100% state-owned	Optima Ltd. with INA, NIS, OMV's share on the market (Optima Group, 2020)	JSC Zarubezhneft	Independent system operator in BiH - NOS BiH JSC Electro transmission BH (Elektroprenos, 2020)	100% state-owned
	Gas promet RS (Gaspromet, 2020)	100% state-owned			Electric Power Industry of the Republic of Srpska (ERS, 2020)	100% state-owned
	Sarajevo gas Ltd. (Sarajevogas, 2020)	100% state-owned			JSC Elektro transmission RS incorporated in JSC Elektro transmission BiH (Elektroprenos, 2020)	100% state-owned
Serbia	JSC Srbijagas (Srbijagas, 2020) and Jugorozgas (Jugorsogas, 2020)	100% state-owned, 75% Gasprom, and 25% Srbijagas	An oligopoly with the dominant player NIS, with the participation of EKO, MOL, OMV, SHELL on the market	Gasprom 56,15% and the Government of Serbia 29,87% (NIS, 2020)	Electric Power Industry of Serbia (Elektroprivreda Srbije) - EPS Electricity networks of Serbia (Elektromreze Srbije) - EMS	100% state-owned
Kosovo*	none	-	none	Private companies	KEK (KEK, 2020) (Kosovo Electricity network) KOSTT (KOSTT, 2020) KEDS (Kosovo Energy distribution)	100% state-owned Turkish company Calik & Limak is the owner of KEDS (Keds, 2018)

Country	Gas (dominant company)	ownership	Oil (dominant company)	ownership	Electricity (dominant company)	ownership
Montenegro	Montenegro bonus (the market is virtually non-existent, except for import via containers for KAP purposes)	100% state-owned	Jugopetrol Kotor (Hellenic Petroleum), INA, EKO	Private companies	Electric Power Industry of Montenegro (EPCG), Electricity transmission system of Montenegro (CGES) Electricity market operator of Montenegro (COTEE)	In EPCG 85,4% state-owned and 3,2% Italian A2A (A2A, 2019). Should be out of ownership by the end of 2019 (Bankar Me, 2019) CGES 55% state-owned, TREN (Italia) 22%, EMS (Serbia) 10%.
Albania (The Renewable Energy and Energy Efficiency Partnership, 2012)	Ministry of Infrastructure and Energy – Albpetrol regulating the market which is negligible	100% state-owned	Albpetrol (Albpetrol, 2020) and Albanian Petroleum Corporation (APC)	100% state-owned	Korporata Elektroenergjitike Shqiptare – KESH Operatori i Shpërndarjes së Energjisë Elektrike – OSHEE (76% sold to CEZ Group) Operatori i Sistemit të Transmetimit - OST	100% state-owned, except the part of distribution sold to CEZ Group
North Macedonia	GA-MA	Co-ownership Makpetrol 75% and the state 25%; ownership dispute unresolved (Makpetrol, 2018)	Makpetrol, Refinery OKTA (out of work), LUKOIL	Makpetrol – small shareholders (employees) and management OKTA refinery owned by Hellenic Petroleum	Macedonian transmission system operator for electricity transmission and power system management MEPSO Macedonian power plants (Elektrani na Makedonija-ELEM) EVN Makedonija (distribution) Thermal power plant - heating plant Skopje	100% state-owned (MEPSO, 2020) (ELEM, 2020) 100% EVN Austria (EVN, 2020) 100% Balkan energy group (Rusia) (BE group, 2020)



Based on the systematic review in Table 1, several facts can be discussed:

1. The only sector dominated by private (domicile, EU and Russian companies) companies is retail or broader, the trade of petroleum products.

2. All the refineries in the region have been privatized, but the state's share in the Petroleum Industry of Serbia (NIS) is quite significant.

3. Except for North Macedonia and a small part of the main gas pipeline owned by JSC Yugorosgaz in Serbia, the transport and supply activities for natural gas are practically 100% state-owned.

4. Electricity production is 100% state-owned, except in the case of North Macedonia (where the state share is also dominant) and Montenegro from the end of 2019 when the Italian owner withdrew and transferred its shares to the state.

5. The transmission of electricity is 100% state-owned, except in the case of Montenegro, where the minority package is controlled by foreign companies.

6. Privatization is the least advanced in Albania, and except for gas stations and part of the electricity distribution, everything is state-owned. The next is BiH and so-called Kosovo. The privatization progressed the most in North Macedonia and slightly less in Montenegro. Serbia is somewhere in the middle of the rankings. Note: We did not take into account the small-scale renewable energy plants present in all Western Balkan countries, which are mainly privately owned.

7. Turkey is present with an investment of €26 million only in so-called Kosovo, which is also the only major investment in the energy sector in that territory.

8. EU companies only invested in gas station networks in Albania, North Macedonia, and Montenegro (from which they will depart).

9. Russian companies dominate in refining, considering that the only two active refineries are in their hands.

10. Russian companies are dominant in gas trading because supply is tied to Gazprom's resources. The Russian capital is also present in the production of heat and electricity in North Macedonia (Skopje heating plant), but this case should be taken with a grain of salt since the company was not purchased with intent but obtained for debt.

Based on all this, no clear correlation can be established between the EC/EU accession and the beginning of the more extensive foreign investment. It is also indicative that there are no US energy companies in the region, and that the leading Western energy companies, such as Shell, have only entered the region since 2018 through the construction of several gas stations (OMV, MOL, and Hellenic Petroleum are medium or small companies in the sector) and the presence of Shell is somewhat more pronounced in Bulgaria and Hungary. Based

on the ownership of the energy companies, it is inconclusive that it is correlated with the political influence on the observed countries. Ownership of US energy companies that have a dominant influence in the territory of Albania or so-called Kosovo is almost non-existent, and energy sources such as coal are not promising (Novosti, 2018). Rather, it can be said that influence is exercised at the security-political level, through the presence of military forces in certain territories or the determination of political elites for the EU and NATO accession (as detailed in Jeftić, 2010, pp 623-653 and I. Djordjevic, 2016, pp. 193-208).

Russian-owned companies exert partial influence in the sphere of legislation, striving for countries to adapt EU requirements to their own development plans or investment opportunities. An example of this is the elimination of high sulphur fuel oil in Serbia, which instead of being finished in 2017, was postponed until the Pancevo Refinery is modernized in the next two years. However, similar requirements come from Western companies, e.g., in the case of failure to apply the provisions of the Large Combustion Plant Directive of the Pljevlja Thermal power plant or the Sulphur Directive in the case of the Hellenic Okta Refinery in North Macedonia. It could be concluded that they are essentially under pressure from investors, and in an attempt to save production and jobs, local governments consciously alter or avoid the application of certain regulations, unrelated to the specific country of capital origin.

The US is trying to impose itself as a potential gas supplier and squeeze the Russians out of, practically, a monopoly position. The EU also has the ambition to push the Russians out of the gas market by building a network of interconnectors and other pipelines that would allow supplies from other sources. Connecting and opening up the electricity market is also one of the EU's goals.

## **THE WESTERN BALKAN COUNTRIES IN THE EUROPEAN UNION ENERGY SYSTEM**

EU measures and activities to strengthen cooperation in the Balkans include a set of legal, economic and financial instruments as well as direct and indirect financial assistance through grants, EU programs, loans from the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). This paper will outline the energy goals to which the countries of this region have committed by signing the *SAA* and *the Energy Community Treaty*.

### **Energy Community**

The European Union (EU) through the Energy Community (EC) bodies constantly manages the process and monitors and reports on the degree of

compliance of energy regulations with the EU Acquis. *The Energy Community Treaty* (entered into force in 2006) was confirmed through the *Stabilization and Association Agreement* (SAA). The Energy Community is an international organization that brings together the European Union (on the one side) and its neighbours to create an integrated pan-European energy market (Picture 1)<sup>4</sup>. The main task of the *Treaty* is to create a stable legal, economic and energy framework, which will ensure the security of energy supply, attract investment in energy infrastructure, improve environmental protection, and create a single regulatory space for energy trade. To achieve these objectives, the member states have to fulfil three levels of commitments:

- implementation of the relevant *Acquis communautaire* in the energy sector, environmental protection, the use of renewable energy sources and the protection of competition,
- the establishment of a separate regulatory body and independent transmission system operators, which will allow the efficient functioning of the market within the Energy Community,
- creating an energy market for energy transmitted with grids without internal borders, and the possibility of creating a common energy trade policy with participants in markets outside the EU and the EC. In the EU, the internal electricity and gas market was fully liberalized in 2007, while candidates are expected to further liberalize by implementing the so-called *Third Energy Package*.

The key objective of the Energy Community is to extend the rules and principles of the EU internal energy market to the countries of Southeastern Europe, the Black Sea region and beyond, to fully integrate them into the EU energy market even before formally joining this community. The newly defined goal is the transition to “green energy“.

Areas of work of the Energy Community are contractual care, electricity, gas, investment, the security of supply, renewable energy sources, energy efficiency, environmental protection, competition, social issues, oil, as well as dispute resolution related to *The Energy Community Treaty*. For non-compliance with contractual obligations, the EC initiates sanctions, which may include: denying EU funds from various funds, withdrawing voting rights, offsetting the costs of cooperation with the EC, and more. Moreover, international financial organizations may suspend cooperation with a country under sanctions<sup>5</sup>.

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<sup>4</sup> Non-EU countries are highlighted in gray colour.

<sup>5</sup> Bosnia and Hercegovina is the first country to be sanctioned for not having any legislation on gas.

Picture 1. the EU and members of the EC



There are several regional initiatives within the EC. *The Western Balkans 6 Initiative* (WB6, known also as the Berlin Process) aims to support six Energy Community Contracting Parties in Southeast Europe - Albania, Bosnia and Herzegovina, so-called Kosovo, North Macedonia, Montenegro, and Serbia - in fostering regional cooperation and sustainable growth and employment. The Energy Community implements the WB6 Initiative in the areas of energy infrastructure development, energy “connectivity” and sustainability. *EU4Energy* is an EU support program for energy efficiency policy-making in the region of the Eastern Partnership, bringing together the EU, its Member States and six partner countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. On 10 July 2015, a Memorandum of Understanding was signed as part of the Central and South-Eastern Europe Energy Connectivity - the CESEK Initiative. This initiative advocates a common approach to address natural gas diversification and issues of security of supply. The Central and Southeastern European countries, including 9 EU members and 8 Energy Community members, have expanded cooperation on electricity, energy efficiency and renewable energy (CESEC, 2020) as part of the CESEK Initiative.

In Europe have been developed ENTSO-E and ENTSO-G - *the European Network of Transmission System Operators for Electricity (and Gas)*, representing 43 transmission system operators (TSOs) from 36 countries across Europe. ENTSO-E was established and received the legislative mandates of the EU’s Third Legislative Package on the Internal Energy Market in 2009, which aims to further liberalize the EU gas and electricity market.

### **Investments as a condition and incentive to create a common energy market**

The Energy Community budget is adopted by the Ministerial Council based on a proposal from the European Commission. This is in accordance with the needs identified in the organization's two-year work program. The EC budget for 2019 was €4.76 million (E-Community, 2019, pp. 195). Financial aspects include the role of the EIB and the EBRD. In 2015, the European Union launched the *Connectivity Agenda* to further strengthen the economic development of the Western Balkans by improving key transport and energy links. Energy security is still a priority of the EC, and therefore energy diversification is crucial (E-Community, 2019).

To this end, the EU is ready to donate €698.2 million to the Western Balkan countries for projects with a total value of €2,414.4 million, or about 30% of the total amount required (WB, 2018).

This money is raised through the *Projects of Energy Community Interest (PECI)* and *Projects of Mutual Interest (PMI)* and refers to infrastructure projects that meet the general and specific criteria.

The important infrastructure projects in the Western Balkans in the field of natural gas and oil are the interconnecting pipelines: 1. Slobodnica-Brod-Zenica-BiH-HR, 2. Licka Jesenica-Trzac- Bosanska Krupa-BiH-HR, 3. Zagvozd-Posusje-Travnik, 4. Stip-Strumica-Bulgarian border, 5. Strumica gas pipeline-Greek border, 6. Serbia-Romania interconnector, 7. Serbia-Bulgaria interconnector, 8. Serbia-Croatia interconnector, 9. Serbia-North Macedonia interconnector, 10. Serbia- Montenegro-Nis interconnector, 11. Albanian gas pipeline of Kosovo - ALKOGAP, 12. Ionian-Adriatic gas pipeline, 13. Trans Anatolian pipeline - TANAP, 14. Underground gas storage Dumrea - Albania, 15. LNG – Cluster Krk, LNG terminal with connecting and evacuation gas pipelines towards Hungary, and 16. South-Druzhba pipeline.

In the field of electricity, these are the interconnection between Resita (RO) and Pancevo (RS), transmission lines Kragujevac-Kraljevo, Obrenovac-Bajina Basta, Visegrad (BA) - Pljevlja (ME), Lastva-Pljevlja, Bitola (MK) - Elbasan (AL), Banja Luka (BA) - Lika (HR), and Tuzla (BA) - SS Gradacac (BA) - SS Djakovo (HR).

To these projects, it should also be added the funds the EC uses for the realization of the so-called technical assistance for the improvement of the legislation and regulatory environment of the energy sector in the region.

The analysis of the mentioned projects concludes that only the projects that either contribute to the opening of the market or those that increase the security of supply are explicitly funded. The infrastructural interconnection of countries enables the diversification of supply and provides an opportunity for more

manufacturers and suppliers to compete in until recently closed national markets. The projects are also intended for the development of markets not hitherto existing, such as the gas market of Albania, Kosovo and Montenegro. Regarding the security of supply, the interests of the supply of old EU member states, especially Italy, which is one of the world's largest energy importer, are taken into account. Notably, virtually no project is being funded that allows increased access to Russian producers to the EC countries' markets.

The previous presentation also concludes that from all the "influential powers", the EU is the only that has at its disposal an institutionalized (and contractual) mechanism embodied in the EC, which was voluntarily joined by the Western Balkan countries. This mechanism serves to steer and guide and, at the same time, pressure countries to move more quickly towards the common energy policy with the EU.

### **CRITERIA FOR THE EU ACCESSION FROM THE ENERGY STANDPOINT**

The criteria for EU accession from the energy standpoint are legal, implementation, and techno-economic-logistical.

#### **Legal and implementation criteria**

Legal criteria relate to the transposition of the Third Energy Package or *Aquis communautaire*, which essentially means the "enactment" of twenty-seven different documents (directives, regulations, bylaws). By 2020, we expect the implementation of the so-called "Clean Energy Packages", i.e., five documents on gas and three on electricity (E-Community, 2018).

The first liberalization directives (The First Energy Package) were adopted in 1996 (electricity) and 1998 (gas). The Second Energy Package was adopted in 2003. The Third Energy Package was adopted in 2009.

Actually, the number of documents to be introduced into legislation and practice has changed several times. By the time the Third Energy Package came into force in 2009, the implementation of twelve documents was mandatory (e.g., there was no regulation in the field of energy efficiency), which means that there are 130% more of them today. The last set of documents came on the implementation agenda in November 2016, when the Commission proposed a set of legislative proposals called "Clean Energy for All Europeans" (Community, 2018, pp. 21-26).

The EU also adopted the Fourth Energy Package in 2016 (the so-called Winter Package) precisely to be at the forefront of reducing CO<sub>2</sub> emissions for at least 40% by 2030 (foreseen in 2015 by the Paris Agreement) (Community, 2018, pp 24).

The 2017 Energy Community Report (Community, 2018, pp. 21-26) acknowledges that the tendency for a permanent expansion of the *Aquis communautaire* creates a growing gap between the EU countries and other EC members.

At the same time, the EC began to increasingly apply sanction mechanisms and even extended them to issues such as state aid, environmental impact assessments for coal-fired power plants, contractual destination clauses in gas delivery, costs in electricity distribution tariffs or retroactive changes of the *feed-in* tariff for renewable energy (Community, 2018), (Community, 2019).

The minimum criterion for legal regulation is the transposition of the Third Package into the relevant energy laws. North Macedonia is the last country to introduce the provisions of the Third Package into its legislation in 2017 (Community, 2018, pp. 98). Other Western Balkan countries did that before. Adoption of appropriate laws, by itself, is still not enough since it is necessary to adopt a large set of bylaws, which in practice enable the implementation of legal provisions. The problem is twofold and concerns the introduction (adoption) of the new regulations without implementing the old ones, as well as the implementation of the regulations themselves.

The adoption of laws and bylaws is influenced by two factors - political will and the level of competence of legislative bodies. The level of competence can be overcome through “technical assistance” and the enhancement of competencies whereby the EC helps all countries. Those countries that have more possibilities and competent staff solve this problem faster. Political will is a factor that depends on local circumstances in each country.

The state of implementation of the provisions governing energy is given in Table 2. The basis for the conception of this table was the 2018 EC Report (Community, 2018)<sup>6</sup>. For each of the Western Balkan countries, implementation progress assessments have been made according to a number of criteria related to the areas covered by the EC activities. For each of the criteria, a percentage of implementation is given. It is obvious from the report that there is no country whose implementation is complete (100%). Montenegro and BiH recorded the best result in the case of renewable energy (98%).

The situation with the implementation of investment projects from the PECE/PMIs initiatives is interesting. As Table 2 shows, some members from the Western Balkans have zero realization, and the highest level of realization is in Montenegro 44%.

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<sup>6</sup> The change between 2018 and 2019 was minimal for the Western Balkan countries, which was acknowledged in the 2019 report. Serbia’s progress between 2018 and 2019 was + 1% and Albania’s -1% (Energy Community, 2019). The 2018 report provided some quantifications of the results achieved, and was therefore used for display (Energy Community, 2018).

Table 2. – Review of legal and implementation criteria

	Albania	BiH	Kosovo	North Macedonia	Montenegro	Serbia
<b>PECI / PMIs</b>	<p><b>0</b> <b>50%</b></p> <p>Albania adopted EE Law in November 2015. The government formally established the Energy Efficiency Agency in 2016, while the process of the fund establishing is ongoing.</p>	<p><b>18%</b> <b>70%</b></p> <p>BiH's energy intensity decreased in 2015. However, the values of these indicators remain high. The transposition of EE Law in BiH is still insufficient.</p>	<p><b>0</b> <b>70%</b></p> <p>The final energy consumption in Kosovo* decreased during the period 2012-2014 and then increased slightly in 2015. So-called Kosovo has achieved partial compliance with energy efficiency regulations.</p>	<p><b>30%</b> <b>80%</b></p> <p>The final energy consumption decreased from 2012 to 2014. Directive 2006/32/EC is transposed by the Energy Act and bylaws. The public sector is obliged to implement measures in the field of EE.</p>	<p><b>44%</b> <b>85%</b></p> <p>The final energy consumption in Montenegro decreased in 2012 and 2014 but increased slightly in 2015. Except for a few missing delegated regulations on labeling, it has reached a relatively high level of the transposition of regulations.</p>	<p><b>35%</b> <b>84%</b></p> <p>Third Energy Efficiency Action Plan reported 4.4% savings between 2010 and 2015 (9% energy savings) to be achieved by the end of 2018.</p>
<b>Renewable energy</b>	<p><b>62%</b></p> <p>Albania achieved a 34.9% share of energy from RES from 38% it committed to. 10% by 2020 in the transport sector is only mentioned in the law. The Legislation is not in accordance with Directive 2009/28/EC.</p>	<p><b>98%</b></p> <p>Although it achieved a 41.5% of RES, exceeding the 40% target, BiH regulations have not been harmonized with Directive 2009/28/EC regarding RES in the transport sector, nor Article 13 (transparent and favourable investment framework for RES).</p>	<p><b>55%</b></p> <p>The target is 25% by 2020. It is currently 18.5%. Current legislation is not in accordance with Directive 2009/28/EC. As for biofuels (10% target), there is no certification scheme or a relevant body established to implement the plan.</p>	<p><b>25%</b></p> <p>A target of 28%, currently 19.9%. Directive 2009/28/EC is only partly transposed. The 2011 law and several regulatory acts.</p>	<p><b>98%</b></p> <p>Montenegro achieved a 37.7% share of RES in 2015, higher than the target of 33%. The Energy Law passed in 2015 is the main legal act of the transposition of the RES Directive. Amendments to the existing bylaws are required.</p>	<p><b>75%</b></p> <p>A target of 27% of RES, currently 21.8%. The National Action Plan for RES in Serbia includes a target of 10% of RES in transport by 2020. The share of renewable energy in the transport sector is 0% so far.</p>



	<b>Albania</b>	<b>BIH</b>	<b>Kosovo</b>	<b>North Macedonia</b>	<b>Montenegro</b>	<b>Serbia</b>
<b>Oil</b>	<p><b>20%</b></p> <p>Albania is the largest exporter of crude oil in the EC. State-owned Albpetrol is active in the development, production and crude oil trade. 2016 Privatization of Albpetrol failed.</p>	<p><b>0%</b></p> <p>Crude oil is mainly imported from Russia. At present, the policy of forming required reserves at the state level is in the initial phase.</p>	<p><b>20%</b></p> <p>So-called Kosovo neither produces nor refines crude oil. There are no regulations or reserve requirements.</p>	<p><b>80%</b></p> <p>The Directorate for Required Reserves was formed, partly formed reserves.</p>	<p><b>40%</b></p> <p>The 2010 Energy Act, which requires strategic reserves of oil and oil derivatives has never been implemented. Imports from Serbia and Greece.</p>	<p><b>80%</b></p> <p>Following the transposition of the most provisions of Directive 2009/119/EC on oil reserves in 2013, Serbia has adopted almost all bylaws. 85% imports from Russia. Partially formed reserves.</p>
	<p><b>15%</b></p> <p>Albania does not currently have a gas market. Its gas sector is characterized by the marginal domestic gas production (about 34 mcm).</p>	<p><b>17%</b></p> <p>The natural gas sector is regulated at the entity level. No separation due to entity disagreement. BiH continues to seriously violate the EC Treaty because of the failure to align with the Second Energy Package.</p>	<p>/</p> <p>The gas market does not yet exist in Kosovo*.</p> <p>The supply of gas is planned via the interconnector through the gas transmission system in Albania (ALKOGAP project).</p>	<p><b>45%</b></p> <p>GA-MA has not been divided in accordance with Directive 2009/73/EC. The state and Makpetrol are the only GA-MA shareholders.</p>	<p>/</p> <p>No natural gas consumption.</p>	<p><b>45%</b></p> <p>The implementation is lagging behind, especially regarding the separation of transmission system operators, Yugorosgaz Transport and Srbijagas. The right to freely choose suppliers is guaranteed to all customers, but it is not applied in practice.</p>
<b>Gas</b>						

	<p><b>Albania</b> 60%</p> <p>The separation of the distribution system operator into a state-owned joint-stock company OSHEE began but did not produce tangible results.</p>	<p><b>BIH</b> 70%</p> <p>The Government of BiH has not adopted the State Law on the Regulatory, Transmission and Energy Market and the Supplementary Law on the Establishment of Transmission System Operators.</p>	<p><b>Kosovo</b> 65%</p> <p>Contracts signed by transmission system operators EMS (Serbia) and KOSTT (Kosovo) in 2014 have not yet been implemented. According to the Electricity Act, all customers have the right to freely choose the supplier of their choice.</p>	<p><b>North Macedonia</b> 65%</p> <p>The legal and functional separation of distribution system operators and supply companies (2016) has been fully transposed by the new Energy Act. The amount of electricity supplied at unregulated prices in North Macedonia is the highest among contracting parties.</p>	<p><b>Montenegro</b> 85%</p> <p>No further action has been taken to improve competition in the retail market. There are no alternative suppliers. Regulated prices are available to households, small consumers, vulnerable customers. In terms of distributive separation, EPCG established in 2016 a separate legal entity (CEDIS) to operate, maintain and own distribution networks. Tariff methodologies in Montenegro are regularly challenged before the courts.</p>	<p><b>Serbia</b> 85%</p> <p>Production and supply prices have been deregulated since 2015, except for the price of electricity supplied to households and small customers. While the legal separation of the distribution system operator is completed, the functional separation is not. EMS is also the only transmission system operator in the Western Balkans not participating in SEE CAO. Cross-border balance cooperation is being implemented between EMS and CGES of Montenegro.</p>
<b>Electricity</b>						

	<b>Albania</b>	<b>BIH</b>	<b>Kosovo</b>	<b>North Macedonia</b>	<b>Montenegro</b>	<b>Serbia</b>
<b>Ecology</b>	<p>82%</p> <p>As for the emission from the large combustion plants, Albania has only one thermal power plant Vloja, not currently in function. A Legal framework was carried through the Law on Environmental Permits. There are several protected area systems in Albania. Albania has two refineries. It has transposed the Fuel Sulphur Directive, but it still has to transpose the provisions of the Fuel Directive.</p>	<p>95%</p> <p>The Environmental Impact Assessment Directive was transposed. Several rules need to be adopted for law enforcement. BiH has one refinery. The Government adopted the Decision on The quality of liquid fuels in 2002, which has been modified several times. BiH has five plants that fall under the scope of the Large Combustion Plants Directive. All units use lignite and/or brown coal as fuel. The Federation adopted Regulation on air emission limitation from the combustion.</p>	<p>70%</p> <p>So-called Kosovo * has no refineries and therefore no domestic production. So-called Kosovo has two plants that fall within the scope of the Large Combustion Plants Directive (all thermal power plants are now in this group). Requirements of the Sulphur Fuel Directive are transposed.</p>	<p>78%</p> <p>North Macedonia has one refinery but does not currently produce. Nine installations fall within the scope of the Large Combustion Plants Directive. The Sulphur Directive has not yet been fully implemented.</p>	<p>95%</p> <p>Montenegro has neither domestic crude oil production nor processing installations and has therefore prescribed fuel quality in accordance with EU directives and standards. Montenegro has TPP Pljevlja, which falls within the scope of the Large Combustion Plants Directive, which has only been partially transposed into legislation. Although the emission limit values for new plants are fully in line with those of the Industrial Emissions Directive, current regulations stipulate in their transitional provisions that plants put into operation before entry into force will be allowed to exceed the emission limit values by 250% up to 31 December 2025.</p>	<p>75%</p> <p>Serbia has two refineries. There is a detailed legal framework for petroleum-based liquid fuels. Serbia has also ratified the MARPOL Convention on the Prevention and Pollution from Ships. Serbia has nine thermal power plants that fall under the scope of the Large Combustion Plants Directive. Seventeen units work on lignite, while four work on natural gas. To this should be added 26 sections used in various industrial plants. Serbia has adopted a law governing emissions of large combustion plants and related regulations. The Sulphur Fuel Directive was only partially transposed into Serbian law. Domestic law effectively transposes the emission limit values of the Large Combustion Plants Directive (for the existing installations) and the Industrial Emissions Directive (for new plants) and will allow Serbia to apply the provisions of these directives within the deadline of 1 January 2018.</p>

Albania and so-called Kosovo have not implemented any of the planned investments. The reasons are twofold, justified for pipelines that cannot be built until gas arrives via the TAP pipeline<sup>7</sup> (Trans Adriatic Pipeline) to Albania, and others caused by the lack of political will and inefficiency of the states as in the case of the Bitola-Elbasan transmission line. On the whole, the situation with Serbia, BiH and Montenegro, which are implementing projects of 4 transmission lines, is somewhat better. Serbia is still slowly progressing regarding its gas interconnection project with Bulgaria, although 80% of the funding is provided through the grant. Some serious shifts in the development of EU-sponsored gas infrastructure should not be expected until the TAP pipeline is completed and another source of supply is provided for the region.

In terms of energy efficiency, almost all countries are on the right track, but lack funding and incentives.

According to the assessment of the EC Secretariat in the *Electricity Market Monitoring Report*, the Western Balkan countries are progressing in varying degrees in the development of their electricity markets, and a regional market is yet to be formed. The report states that in the region, the only functional Day-Ahead market is the Serbian electricity market/power exchange SEEPEX (Serbia), although other countries have taken steps in that regard (Montenegro founded the BELEN power energy exchange company in August 2017). Legal separation of distribution system operators has not yet been completed in Albania and Bosnia and Herzegovina, and functional separation in North Macedonia, Montenegro and Serbia. This hinders the efficient opening of the markets for small buyers and households. Serbia has also committed itself to the restructuring and reorganizing of the PE Electric Power Industry of Serbia (EPS) and JSC Electricity networks of Serbia (EMS). According to the plans, electricity markets in Albania, Bosnia and Herzegovina, North Macedonia and Montenegro should become operational and ready to merge with neighbouring markets by July 2019.

According to the provision of Article 20 of the Energy Community Treaty, all countries have been given a binding objective that, for example, for the Republic of Serbia, accounts for 27% of renewable energy in its gross final energy consumption, as well as the share of energy from renewable sources in the transport of 10% by 2020. Given the trend of increasing electricity consumption in Serbia, it will be harder to reach the binding percentage, although since 2009, when the legal framework with the feed-in tariffs was first established, in Serbia until 2016 for the production of electricity from RES were built new

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<sup>7</sup> Cross-border projects in the region - Trans Anatolian Pipeline (TANAP) Azerbaijan-Turkey-Bulgaria-EU, Trans Adriatic Pipeline (TAP) Turkey-Greece-Albania-(Adriatic Sea)-Italy, IAP (Ionian Adriatic Pipeline) Albania-Montenegro-Bosnia and Herzegovina-Croatia, Gas ring, LNG terminal Krk.

facilities with an installed capacity of 80.3 MW (MRE, 2018). The situation is similar in all countries, except partly in Montenegro and BiH regarding electricity, although they did not adopt an appropriate regulation. What is characteristic of all Western Balkan countries is that they are very far from reaching the target of 10% of renewables in transport by 2020. The actual share of energy from renewable sources in the transport sector is close to 0%, i.e., no one except Serbia, in part, has adopted all the necessary regulations and provided the necessary preconditions.

In order to raise the security of natural gas supply and fulfil the future obligations of the EC Member States but also the EU, the following is necessary:

1. to establish or raise gas production levels;
2. to strengthen gas infrastructure
3. to develop gas storage facilities
4. to develop LNG terminals
5. to raise the level of energy efficiency
6. to enable replacement of gas consumption by other energy in case of interruption of supply
7. to provide supply contract flexibility

Serbia (85%), and BiH and North Macedonia (100%) are import-dependent on the Russian Federation, and the pipeline supplying them passes through Ukraine.

In Bosnia and Herzegovina, the 234 km long transmission system is managed by three transmission system operators: BH-Gas Ltd. in the Federation, JSC Gas Promet, and JSC Sarajevogas East Sarajevo in the Republic of Srpska. Two of the three are fully linked and do not meet the separation requirements. The Republic of Srpska is slightly ahead of the Federation because it has transposed Directive 2009/73.

North Macedonia imports natural gas from Russia via a pipeline going through Bulgaria. The MER Macedonia (Macedonian Energy Resources Corporation) signed a Memorandum of Understanding with the DESFA (Greek transmission system operator) for the interconnection of the two systems. GA-MA is a vertically integrated company non-compliant with separation, according to Directive 2009/73/EC.

There are two transmission system operators in Serbia, the PE Srbijagas and JSC Yugorosgaz, under which Yugorosgaz Transport operates. On 27 September 2018, the Serbian Parliament approved the suspension of a destination clause included in the interstate agreement between the Government of the Republic of Serbia and the Government of the Russian Federation from 2012 for the supply of natural gas that does not allow re-export. After the Secretariat brought

this case before the Ministerial Council in late 2017, the governments of Serbia and Russia agreed to amend the agreement by removing the destination clause. The Secretariat, therefore, withdrew its case against Serbia (the case ECS-18/16). The Government of Serbia has adopted a binding action plan on restructuring the PE Srbijagas in accordance with the Third Package, but no action has been taken in this regard, which is why a misdemeanor procedure has been underway since 2013. The Secretariat considers that JSC Yugorosgaz Transport, which has filed for certification, is not properly separated (which is potentially prevented by an interstate agreement between Serbia and Russia).

Officially, in 2014, the realization of the South Stream failed, and the construction of the Nis - Dimitrovgrad gas pipeline remained the only activity carried out to improve the infrastructural integration of the market for Serbia. This interconnection ranks second on the priority projects list of the *Group for the project implementation* (CESEK). The expropriation of real estate on the pipeline route is underway, and the Annex to the Joint Statement on the construction of the Bulgaria-Serbia gas interconnector project signed on 17 May 2018 in Sofia, is scheduled to be put into operation in May 2022. The “Balkan or Turkish Stream” is a well-advanced project but not a priority of the EU, nor does the EC consider that it is intended to work according to EU rules (Community, 2019).

Countries in the region are supplied with the crude oil by the JANAF, (Croatia, Serbia, Bosnia and Herzegovina), Thessaloniki-Skopje (North Macedonia) pipeline and Druzhba pipeline (Hungary, Croatia section). BiH, Albania, and Montenegro are supplied mainly by derivatives through ports in the Adriatic Sea or from refineries in the region.

In accordance with the Energy Community Treaty, the Member States are required to implement Directive 119/2009/EC, which obliges them to establish minimum reserves of oil and/or petroleum products no later than 1 January 2023. The current situation regarding the implementation of Directive is as follows:

- *Albania* - currently working on a policy defining the formation and maintenance of mandatory oil reserves;
- *Bosnia and Herzegovina* - the formation of mandatory reserves at the state level is in its initial phase. The Federation of Bosnia and Herzegovina and the Republic of Srpska have adopted an act defining that commodity reserves will be in charge of the formation and maintenance of oil reserves, which is not in line with Directive 2009/119/EC.
- *So-called Kosovo* - neither produces nor processes crude oil, nor does it have any mandatory reserve regulations.

- *North Macedonia* - in the process of the formation of mandatory reserves. The Directorate of Compulsory Reserves of oil and oil derivatives was formed.
- *Montenegro* - a directive on minimum reserves has been prepared, but it has not yet been adopted. There are no reserves for now.
- *Serbia* - there are currently insufficient reserves. Serbia plans to build missing storage capacity for oil and oil derivatives in the next few years. Following the transposition of the relevant provisions of the Directive on Mandatory Reserves in 2013, Serbia has adopted almost all bylaws necessary for the implementation of the system. The only remaining bylaw that has not yet been transposed is the Emergency Response Plan in case of an interruption of oil supply.

The characteristic of the whole region is the need for significant investments in storage capacities, as well as the supply of oil and petroleum products.

Ecology is the region's most vulnerable spot. The Sulphur Directive has not yet been fully implemented due to the technological inability of the existing refineries. Also, due to the implementation of the provisions of the Directive on Large Combustion Plants, most of the thermal power plants (27 in total) in the region are under the threat of closure. In the case of strict application, so-called Kosovo would be left without almost whole electricity production, while in other countries, except Albania, more than 50% of capacities would be closed. This is the reason for the continued delay in applying this Directive.

### **Techno-economic-logistic criteria and limitations**

This set of criteria has been defined for reasons of complete and complex consideration of the situation. Namely, the transposition and enactment do not usually require considerable material, time or human resources. However, the realization of the prescribed, in addition to political will, requires significant material and human resources, and the realization deadlines are often breached.

In this paper, the techno-economic criteria are classified into several groups:

1. Formation of mandatory reserves of oil and derivatives
2. Application of renewable energy sources in transport
3. Implementation of the Directive on Large Combustion Plants
4. Realization of projects of common interest

As already mentioned, practically only Serbia and North Macedonia have started with the formation of mandatory reserves of oil and derivatives, i.e., the fulfilment of requirements for the acquisition and storage of oil and oil derivatives for the formation of reserves that can cover 61 days of average annual

consumption. In the case of Serbia, this is about 500,000t (rough calculation). The current value of the reserves is about \$200- \$250 million. To this figure must be added to the funds for building adequate storage and handling capacities. In total, roughly, in the Serbian case, it is about \$500 million. These funds are usually provided from a dedicated fee. In Serbia, it is 2.6 RSD per litre of gasoline and diesel (Srbijadanas, 2018), or slightly less than 2% of the retail price. Such a fee is determined under the assumption that reserves will be formed within 10 years, that is, by 2023 when Serbia obliged itself to form these reserves, provided that its impact on the increase in the retail price is not more than 2%, so as not to cause negative effects to general inflation. To date, Croatia has formed the required reserves in the shortest period, i.e., in 6 years (AZU, 2018). This was done through the purchase of "oil-bonds" (a type of commodity credit) during the period when Croatia became certain that it would become an EU member state and that it must fulfil this obligation. Given that other Western Balkan countries have not adopted the necessary regulations in this area, which takes about a year, the deadline of 2023 is practically unachievable, and the fulfilment of the conditions by 2025 will entail taking commodity loans.

The obligation to use 10% of renewable fuel in transport is in its initial phase in the Western Balkans. Ideally, it takes a year to pass the regulation, and at least a year until the first agricultural products from which these fuels can be produced arrive. Only Serbia has taken some steps in this direction by adopting several regulations.

As stated, for the implementation of projects of common interest, the EU has provided part of the funds in the form of grants. Some members from the Western Balkans have zero realization, and the highest level of realization has Montenegro with 44%. Each of the more complex projects (e.g., pipeline construction) takes an average of four years to complete. Without the realization of these projects, it will be difficult to speak of a common energy market. Thus, in the case of Serbia, without the Nis-Dimitrovgrad-Sofia gas interconnection, it will be difficult to obtain gas from a source other than Russian. The projects in which Serbia should participate are estimated at €546.1 million, and the EU is ready to sponsor them with €231.6 million. Serbia has to allocate €315 million, or about €53 million annually (by 2025) if it wants to complete the projects until the possible accession to the EU.

The implementation of the Directive on large combustion plants involves the closure of older thermal power plants that are larger pollutants. Serbia should close about 1080 MW or about 15% of its production capacity by 2023. It will take up to 6 years to build the new capacity of the same strength if the works start immediately. This means breaching the deadline (2023) and the need for urgent implementation if the deadline for the EU accession in 2025 is to be achieved. For the previously mentioned, it is necessary to allocate at least €1.5



billion for the implementation of these projects in the Serbian case or about €250 million on average per year.

It is clear from the foregoing that in order to meet the techno-economic-logistical part of the energy criteria by 2025, Serbia alone has to allocate more than €350 million annually. To this, it should be added about €500 million a year to solve environmental problems, according to estimates of the Fiscal Council (Fiscal, 2018) or about 10% of its current state budget.

### **Measures that were taken by the EC against the members in the Western Balkans**

Currently, the Energy Community Secretariat (SCS) has initiated 9 proceedings against BiH, 5 against Serbia, 3 against Albania, and 2 against so-called Kosovo (Community, 2019).

Montenegro and Serbia lead the way when it comes to meeting the obligations under the EC Treaty. Albania and North Macedonia are currently at a crossroads. So-called Kosovo is not focused on reducing coal use (97% of electricity production), but on maintaining energy independence from Serbia, from which it is trying to separate. On 2 July 2018, the EC Secretariat initiated a preliminary *ex-officio* dispute settlement procedure against so-called Kosovo due to a lack of the transposition and implementation of regulations related to emissions of large combustion plants.

In early 2018, the EC Secretariat initiated preliminary dispute settlement procedures against Albania, Bosnia and Herzegovina, and Ukraine over the lack of separation of electricity distribution system operators. The Secretariat considers that Albania and BiH continue to violate the Energy Community Treaty by failing to adopt all the legal provisions necessary to achieve a sufficient level of the transposition and implementation of the provisions of Directive 2006/32/EC, aimed at promoting and monitoring energy services and other energy efficiency improvement measures. Following the successful participation of the Macedonian Transmission System Operator (MEPSO) in 2017 on an auction of cross-border electricity capacities through the Coordinated Auction Office in South East Europe (SEE CAO), the EC Secretariat has decided to close the ECS-04/11 dispute settlement case against North Macedonia. On 21 May 2018, the North Macedonian Parliament adopted the Energy Law for the transposition of the Third Energy Package. Therefore, the EC Secretariat formally closed the cases ECS-09/16 and ECS-02/15.

As it is already mentioned, the EC has conducted misdemeanour proceedings against Serbia since 2013 due to the non-separation of operations at the EP Srbijagas. Besides, it is considered that Yugorosgaz Transport is not properly

separated. We can expect the opening of new cases against Serbia over the “Balkan or Turkish Stream” (Community, 2019).

## CONCLUDING CONSIDERATIONS

Consideration of the EU accession criteria, legal, implementation and techno-economic-logistical, clearly indicates the serious unreadiness of the Western Balkan countries to currently join the EU as equal members in the energy sector. The techno-economic-logistical constraints indicate the large resources needed to meet the set criteria. The amount of needed allocations is such that countries can hardly handle it on their own. Also, time is not on the side of the countries of the region, as can be seen from the example of Serbia, which has otherwise, along with Montenegro, progressed the most towards the accession processes. Serbia is on the verge of technical possibilities to realize all projects by 2025. Other countries, including Montenegro (due to mandatory reserves of oil and derivatives), have almost no possibilities to be prepared for the EU accession by 2025. If we add to these the recent need for the implementation of the Fourth Energy Package, the introduction of the carbon tax, etc., the gap becomes too large to be overcome as it has been done so far, that is, counting that the countries of the region will succeed on their own with the small help of the EC.

According to the trends (2017-2019), the EC reports analysed here show that the previous conclusion is correct. In its latest report of November 2019, the EC notes that the transition from the socialist to the market model has slowed, which will certainly delay the second phase of change called “towards clean energy” (Community, 2019).

The accession process is certainly multifactorial conditioned. Interestingly, ownership of energy companies by the non-EU countries cannot be directly correlated with meeting EU requirements (see Tables 1 and 2). Russian companies own the majority shares in the Petroleum Industry of Serbia (NIS), and JSC Yugorosgaz is the only foreign company in the region that owns a part of the transport pipeline. Yet Serbia has made the most progress in integrating with the EU. Albania is completely under Western influence, and there is virtually no major foreign investment in the energy sector. BiH has made the least progress in European integration, due to, *inter alia*, the continuing conflict over jurisdiction between the entities. North Macedonia has progressed the most in privatization, and it was the last one to adopt the law introducing the Third Energy Package from all the Western Balkans.

The only thing that can be argued with certainty is that sectors dominated by private capital in the region, such as the oil sector, are making faster progress in

the implementation of EU regulations. The public sector is undoubtedly trying to maintain its current state.

Of the non-EU countries, Russia has the greatest influence on the region and its energy sector, but more through the historically inherited position of the sole natural gas supplier than in other ways. It seems that maintaining the region's gas market share is, in fact, the only strategic goal Russia is pursuing using all the leverage available.

The EU is seriously catalysing the process of drafting relevant legal and regulatory documents in all countries of the region. One of the causes of the delay in drafting the regulations is certainly the lack of human resources and competence. Even when appropriate documents are drafted or enacted with the support of the EC, the countries of the region do not do enough to implement their own regulations. Examples of these are particularly characteristic in the gas sector where, for example, Serbia, BiH and North Macedonia have not separated the activities of gas companies, i.e., they have prolonged the implementation of their own regulations. One gets the impression that the existing structures, more or less related to current politics, both in state-owned companies and in private ones (e.g., GA-MA in North Macedonia) are resisting the introduction of any changes. The whole situation could be defined by the English term “lack of institutional capacity”, which encompasses a whole range of the causes ranging from lack of internal political capabilities, lack of human resources, lack of competence-knowledge, lack of will, lack of responsibility, lack of the inspection system, coercion and repression, etc.

For the “projects of common interest”, the EU has earmarked about 30% of total funds in the form of donations (Community, 2018). From the perspective of the countries of the region, these funds are certainly insufficient. However, when one considers the fact that some countries like Albania or so-called Kosovo have not implemented any project despite the approved funds, it is clear that there are other factors of some other nature than financial, which are seemingly mostly related to the “*lack of institutional capacity*”.

We have previously listed a relatively large number of proceedings initiated by the EC against the Member States. It could also be noted that the sanction mechanism, in the current lack of EU incentive funds, is one of the remaining mechanisms to accelerate the process. Also, it could be stated that incentives are sometimes not enough to realize the adopted plans. The fact that sometimes the actions against countries do not have a special effect is obvious if we observe those led against Serbia and BiH since 2012 (E-Community, 2019).

The answer to the question of whether the demands and pre-accession measures of the EU are stimulating and encouraging for the countries of the Western Balkans or, on the contrary, demands are made to slow down the process

of European integration of this region seems simple after this analysis. The EU member states also imposed on themselves all the requirements they set for the Western Balkan countries, so it cannot be concluded that some measures especially slow down the process of accession of the Balkan countries in the energy sector. Certainly, what could be helpful in this process is to increase donations and efforts for the building of the institutional capacity of the region. It should be noted that the introduction of the Fourth Energy Package and the new environmental regulations will increase the gap between the EU and the Western Balkan countries to the limit of insurmountability and that it will probably take decades to master it.

All the above-mentioned confirms that any decision regarding the accession of the countries in the region by 2025 can only be made for the sake of achieving the EU's political goals. It could be safely argued that without the clear political will, most of the Western Balkan countries, according to objective criteria, will not be ready for accession by the end of the next decade. This means that if the criteria are to be met quickly, the model in which the future member states mostly self-finance this procedure has to be changed, and the higher amounts of both technical and financial assistance must be approved. At the same time, it is clear that the EU, at least in the energy sector, is not leaving this region behind, given the ongoing activities and monitoring of the EC, regular meetings at the Ministerial level, approval of new donations, and project financing.

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### **PRISTUPANJE EVROPSKOJ UNIJI ZEMALJA ZAPADNOG BALKANA IZ PRESPEKTIVE ENERGETIKE**

*Apstrakt:* S obzirom na posebne istorijsko-političke i društveno-ekonomske okolnosti, zemlje Zapadnog Balkana su u različitom, često skromnom, obimu ispunile neophodne uslove za uključivanje svojih nacionalnih energetske sistema u energetske sistem EU. Najnovije izmene u evropskoj energetske strategiji i trendovima komplikuju situaciju na Zapadnom Balkanu. Bitno je različita situacija u sektorima nafte, gasa, električne eneregije, obnovljivih izvora i energetske efikasnosti. Da su procesi često u zastoju, govori i činjenica da su protiv nekih od zemalja pokrenute mere iz domena sankcija Energetske zajednice. U ovom radu analizirana je situacija u energetske sistemima zemalja Zapadnog Balkana iz aspekta ispunjenosti kriterijuma za pristupanje EU, kao i sistem mera koje EU preduzima prema zemljama budućim članicama u procesu pridruživanja, kao i uticajni faktori koji utiču na ovakvo stanje, posebno uticaj sila van regiona.

*Ključne reči:* Zapadni Balkan, EU, energetika, kriterijumi pristupanja EU, ispunjenost kriterijuma, prognoza pristupanja EU.

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review paper

## CHINA AND POLAND: ECONOMIC LINKAGES WITHIN THE COMPREHENSIVE STRATEGIC PARTNERSHIP

Hongfei GU<sup>1</sup>

*Abstract:* Poland is the largest economic, trade and investment partner of China in Central and Eastern Europe. In recent years, the comprehensive strategic partnership between China and Poland has developed steadily and made positive progress. Still, some problems persist in economic and trade cooperation, such as the expansion of Poland's trade deficit with China, the small scale of mutual investment, and the lack of awareness of China's SMEs on the Polish economy, trade and investment environment. This article begins with an analysis of the economic performance of Poland since its accession to the EU, then evaluates the development of China-Poland cooperation from the perspective of economic interaction in the fields of trade and investment, and aims to provide a useful reference for strengthening economic and trade cooperation with bilateral states.

*Key words:* China-Poland relations, trade, investment, cooperation between China with Central and Eastern European countries.

### INTRODUCTION

On 7 October 1949, China and Poland established diplomatic relations at the ambassadorial level. In 2004, the two countries became “friendly partners” and became “strategic partners” in 2011. In 2016, with Chinese President Xi Jinping's state visit to Poland, the relationship between the two countries was upgraded to a “comprehensive strategic partnership” (Embassy PRC, 2016). Despite the recent Sino-US trade disputes affecting the friendly relations between China and

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Poland, it has not seriously affected the development of bilateral economic and trade relations. China and Poland, as important emerging markets of Asia and Europe, have continued to develop rapidly in economic, trade and investment cooperation. In the past 70 years since the establishment of diplomatic ties, China and Poland have steadily improved cooperation in various fields. Especially in the context of the drastic changes in world politics and the economy, the common interests of China and Poland are expanding.

According to data from the Polish Statistical Office (GUS), by 2018, China has become Poland's third-largest source of imports after Germany and Russia, accounting for 8.63% (GUS, 2018) of Poland's main source of imports. At the same time, Poland is also China's largest trading partner in Central and Eastern Europe. In 2018, China's imports from Poland reached US\$ 3.644 billion, an increase of 8.7% over the previous year. In addition, China's investment in Poland has increased simultaneously. By the end of 2017, China's stock of direct investment in Poland was US\$ 405 million, an increase of 26.2% from the previous year (Ministry of Commerce PRC, 2017).

In 2018, the FTSE Russell Index raised Poland from the emerging market economy to the developed economy.<sup>2</sup> According to the World Bank data, Poland's GDP grew by 5.1% in 2018, far higher than the average of 1.9% in the EU member states. (World Bank, 2018) The good prospect of economic development has also gradually made Poland the most attractive investment destination in Europe.

Therefore, in the context of the "Belt and Road Initiative" and China-Central and Eastern European Countries Cooperation Mechanism (referred to as the "16+1 Cooperation"), the Chinese government and enterprises are paying more attention to Poland's manufacturing base, labor force, the EU market and other advantages. So, what is the current status of economic and investment relations between China and Poland? What opportunities and challenges meet the Chinese government and enterprises in their economic and trade cooperation with Poland? Therefore, this paper aims to analyze the trade and investment relationship between China and Poland under the comprehensive strategic partnership in recent years.

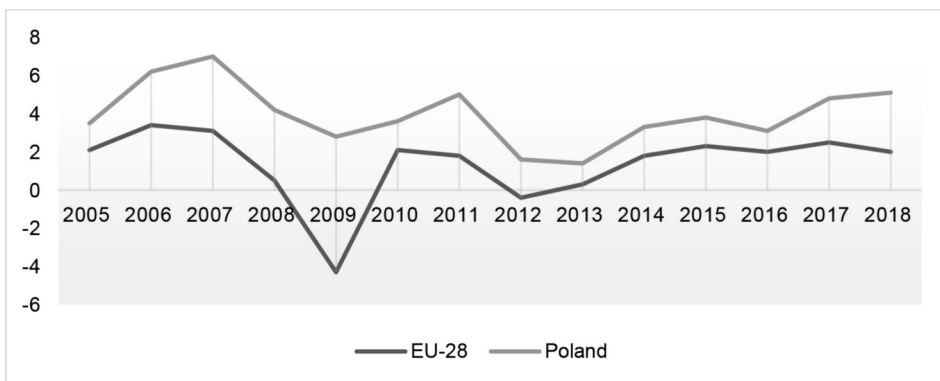
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<sup>2</sup> The FTSE Russell index's assessments relate to the regulatory environment, infrastructure and capital market quality, depository and clearing systems, and the status of derivatives markets. For such criteria, Poland has secure transactions and services, developed infrastructure. On 2 October 2018, the FTSE Russell Index upgraded Poland from the emerging market economy to the developed economy. Poland: The Journey to Developed Market Status, FTSE Russell Insights, available on <https://content.ftserussell.com> (last accessed on 18/04/2020)

## TRADE AND INVESTMENT IN POLAND: AN OVERVIEW

After the collapse of the Soviet Union, joining the European Union was the goal of the political and economic transformation for all Central and Eastern European countries, including Poland. Since joining the European Union in 2004, Poland has benefited a lot from free trade, tariffs and EU economic policies. The most significant one is that it has greatly boosted its economic growth, and its GDP growth rate has remained above the EU average.

Figure 1. Comparison of GDP Growth Rates between Poland and EU Countries (Average) (2005-2018, %)



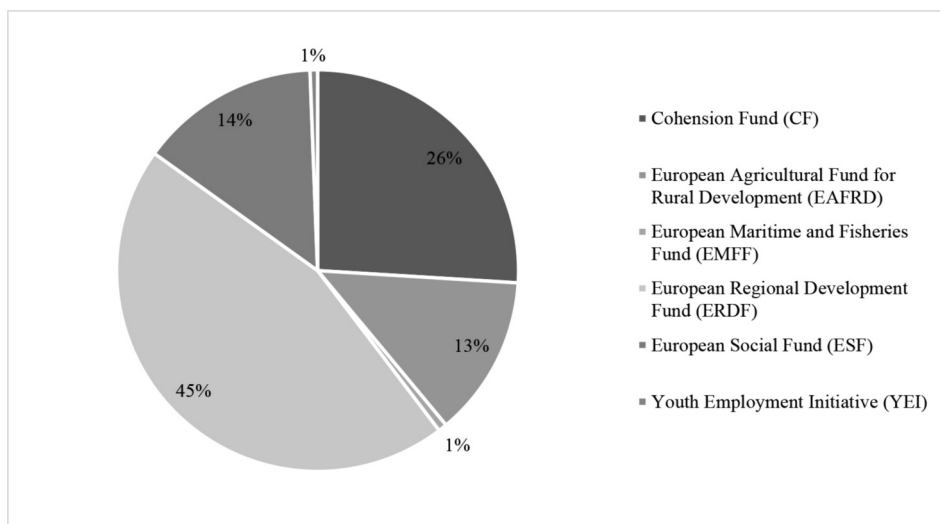
Source: Eurostat (2018). Statistics Poland, the data is counted by the author, available on <https://ec.europa.eu/eurostat> (last accessed on 12/04/2020)

The European Cohesion Policy, which aims to narrow the development gap between new and old member states, directly benefits the new member states of CEE, of which Poland is the largest beneficiary. The Cohesion Fund (CF), which accounts for one-third of the EU budget, is directly provided by the EU to the member states whose GDP per capita is less than 90% of the EU average. The operation of the Fund is composed of four levels: the European Commission, the governments of member states, local governments and interest groups at the transnational level.

The European Commission is responsible for the management and disbursement of funds; the relevant departments of each member state are responsible for the management of national structural funds; the various project management agencies under the recipient governments are responsible for specific project plans, applications, approvals, and fund disbursement. The structural fund is coordinated with the EU, member states and local governments, and constitutes a multi-level networked regional coordination mechanism. If we

take the fiscal year 2007-2013 as an example, 10 new member countries received a total of EUR 178 billion in financial aid.

Figure 2. Distribution of the EU Structure and Investment Fund (ESIF) in Poland (2014-2020)

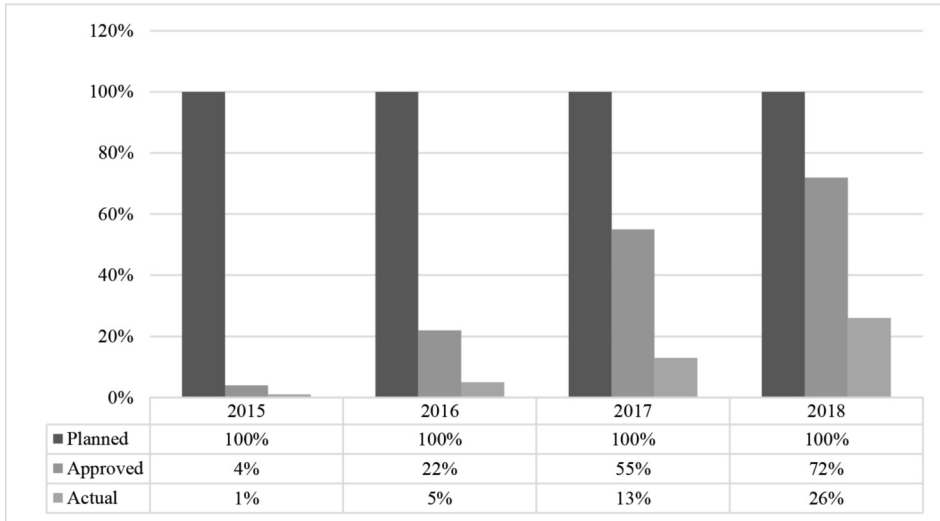


Source: The European Structural and Investment Funds (ESIF). 2020, Country: Poland, the data is counted by the author, available on <https://cohesiondata.ec.europa.eu> (last accessed on 12/04/2020)

In the period 2014-2020, the Cohesive Fund was incorporated into the EU Structural and Investment Fund (ESIF), while Poland received EUR 86.11 billion from the Fund, of which the most important parts were the Regional Development Fund (ERDF) and the Cohesion Fund (CF), accounting for 45.3% and 26% respectively (Figure 2).<sup>3</sup>

<sup>3</sup> The current Structure and Investment Fund (ESIF) is divided into six major projects: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD), the Youth Employment Initiative (YEI) and the European Maritime and Fisheries Fund (EMFF).

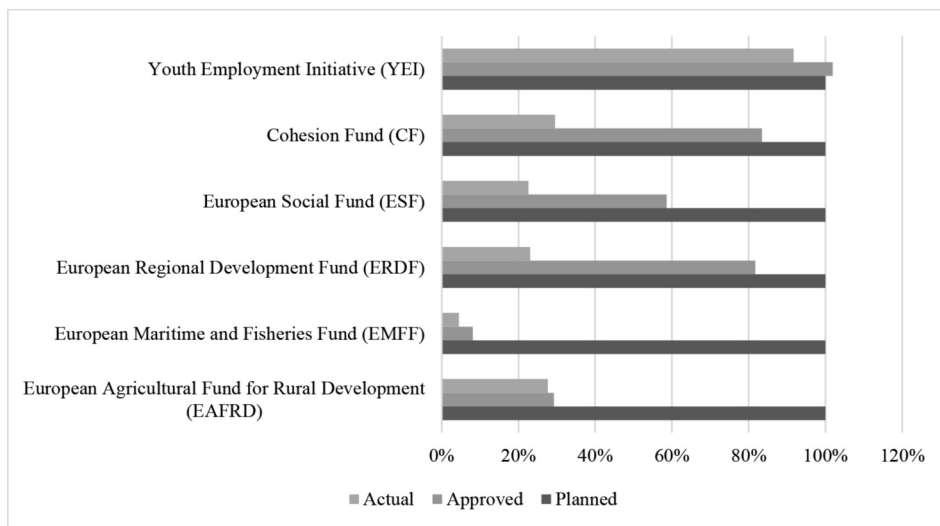
Figure 3. Usage of the EU Structure and Investment Fund (ESIF) in Poland (2015-2018, %)



Source: The European Structural and Investment Funds (ESIF). (2018), Country: Poland, the data is counted by the author, available on <https://cohesiondata.ec.europa.eu> (last accessed on 12/04/2020)

But according to the actual distribution and use of the above funds, since 2015, the amount of funds actually paid by the EU has been much smaller than planned. In 2018, the total expenditure of the ESIF Fund accounted for only 72% of the planned expenditure, and the final implementation amount only accounted for 26% of the plan (Figure 3).

Figure 4. Poland's Access to the EU Structural and Investment Funds (ESIF) in 2018 (%)



Source: The European Structural and Investment Funds (ESIF). 2018. Country: Poland, the data is counted by the author, available on <https://cohesiondata.ec.europa.eu> (last accessed on 12/04/2020)

In Poland, the decision expenditure of the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) accounted for 81.3% of the planned expenditure, while the final expenditure accounted for 23.05% and 23.52% of the planned expenditure respectively (Figure 4). Although according to the plan, Poland will receive support from the EU's cohesion policy, due to the European debt crisis and the sharp decline in the EU's overall budget, Poland's actual income is far from its commitments.

The reasons for the above status due to the following, first of all, the factors that affect the utilization rate of structural funds, exist at all stages of project management, especially in the selection and execution stages because there is a time lag between the selection and execution of projects by management agencies. Within the framework of the regional policy, the applicant for structural funds should be a member state or its region. After receiving the application for assistance, the European Commission must conduct a pre-evaluation of the applied projects or plans, the relevant agencies should investigate whether the applicant has the ability to operate the project, but the relative factors may have changed during this period. For instance, if the applicant's management team has changed, in this case, the applicant must provide relevant documents, which will undoubtedly reduce the efficiency of the structural fund.

Secondly, the EU stipulates that the use of structural funds must follow the “additional principle”. Structural fund assistance is not a “free subsidy” to the member states, but only a supplementary financial means. The relevant member governments or local governments must provide corresponding matching funds for projects assisted by the structural funds. If they cannot afford it, the structural funds cannot be started. Although it helps to mobilize and enhance the enthusiasm and sense of responsibility of the member states or regions receiving aid, it establishes an effective accountability mechanism and improves the efficiency in the use of structural funds. However, on the other hand, once the member governments are financially tight and cannot afford the corresponding matching funds, the pre-allocated structural funds of the EU will not be used.

Thirdly, the EU’s structural fund assistance implements the “reimbursement mechanism”, which is also helpful to enhance the sense of responsibility of the beneficiaries. Before the reimbursement of funds conforming to EU regulations is received, the beneficiary needs to advance the funds that the EU has promised to assist within a certain period when the project starts to operate. However, the utilization rate of structural funds depends on the administrative capacity at the EU or national levels. For example, the project requires that the funds be repaid within 45 working days (Szabó, 2011). In addition, if the beneficiary’s documents for reimbursement are incorrect, it must be rearranged, and the delayed date may cause some funds not to be paid, it may result in the beneficiaries not having sufficient funds to continue to operate, whilst decreasing the utilization rate of structural funds.

Therefore, with funding from the European Union likely to decrease after 2020, when a new EU budget goes into effect, the Polish government is looking for new sources of investment, and it would like to internationalize Polish companies and introduce them to Asian markets.

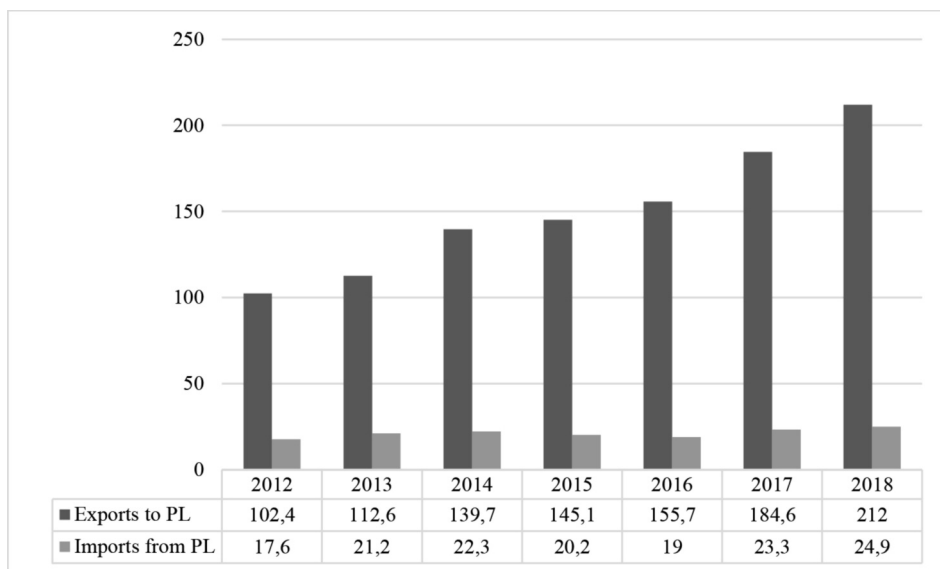
## **THE RISE OF CHINA-POLAND ECONOMIC RELATIONS**

Starting from 1951, Chipolbrok (Chinese-Polish Joint Stock Shipping Company) is the first joint venture in the People’s Republic of China (Wróbel, 2016, p. 5). Since entering the new era, the willingness to cooperate between China and Poland has prompted the exchange of visits between leaders in recent years, and the bilateral relations have upgraded to a comprehensive strategic partnership. The opportunities in the economy, trade and investment between the two countries are also expanding.

## Trade

In recent years, the volume of trade between China and Poland has grown rapidly. Statistics from China’s Ministry of Commerce show that in 2018, the total import and export volume of China and Poland was about US\$ 24.524 billion, up 15.5%. China’s export to Poland was US\$ 20.879 billion, up 16.8%, while China’s import to Poland was US\$ 3.645 billion, up 8.7%. The BRI and the “16+1” mechanism have greatly promoted Poland’s imports from China, but their effect on promoting exports to China is not significant. From 2012 to 2018, Poland’s import share from China rose from 5.22% to 8%, while its export share to China remained at about 1%. As China’s largest trading partner in Central and Eastern Europe, Poland’s trade deficit with China increased from US\$ 8.48 billion in 2012 to US\$ 18.71 billion in 2018 (Ministry of Commerce PRC, 2019). The excessive trade deficit between China and Poland is becoming an important issue in the bilateral economic and trade relations.

Figure 5. Import and Export Trade between Poland and China (2012-2018, US\$ 100 million)



Source: Ministry of Commerce of the People Republic of China. (2019). Country Trade Report, available on <https://countryreport.mofcom.gov.cn>, (last accessed on 12/04/2020)

Despite the large trade deficit, the cooperation between the two countries in the fields of food and agricultural products is still stable. Due to China’s strict laws and regulations or ban on public health considerations, it is difficult to obtain Chinese food and agricultural market access permits. Poland has expanded its

food exports to China by promoting institutional cooperation and using its industrial advantages to narrow the trade deficit with China. In 2015, China and Poland signed a quarantine protocol on the export of animals and animal-derived products to China (Suzhou Guidelines, Chapter VII, Article 4, 2015). It established fixed rules for Polish meat products to enter the Chinese market. Moreover, the Ministries of Agriculture of the two countries have also established a cooperative relationship and regularly hold meetings at the working group level. After several rounds of negotiations, dairy products from 71 companies in Poland, fishery products from 14 companies, meat products from 17 companies and milk-based infant formula from one company have obtained market access permits from China (Embassy of PRC, 2019).

### **Investment**

In 2018, Chinese companies signed 52 contract projects in Poland, which amounted to US\$ 259.346 million and the turnover was US\$ 9.665 million. A total of 43 laborers was dispatched, and 79 laborers were employed in Poland at the end of 2018. Some large-scale engineering contracting projects include Shanghai Electric Power Construction Co., Ltd. to undertake the reconstruction of the Polish Rzeszów 750/400/110 kV substation and the installation of reactive power compensation equipment (Embassy of PRC, 2019).

China's investment in new energy and environmental protection in Poland is an example. In September 2014, the China-Central and Eastern Europe Investment Cooperation Fund invested 240 million zlotys in the purchase of 16% shares of Polish Energy Partners (PEP). In August 2016, China Everbright International Co., Ltd. acquired NOVAGO, Poland's largest solid waste treatment company, for EUR 123 million, including a share value of EUR 118 million and a land reserve of EUR 5 million. In addition, Chinese companies CRRC Zhuzhou Electric Locomotive Co., Ltd., Huawei, and TCL have invested in Poland. On the other hand, some companies in Poland also choose to invest in China, including KGHM, Bioton, Polfa Łódź, PZL Świdnik, Selena, Kopex, Fakro and Rafako.

Besides, numerous investment projects of the China-Central and Eastern Europe Investment Cooperation Fund have also settled in Poland. In the first phase of the fund, Poland became the biggest beneficiary, and about one-third of the projects were invested in Poland. The Grenoble wind power project in Poland is a typical representative of the investment project of the China-Central and Eastern Europe Investment Cooperation Fund. The original wholly-owned owner of the project is GEO Renewables, the largest independent wind power project developer in Poland. In 2014, the Fund transferred part of the Grenoble wind power project and formed a joint venture with Israel Enlight Renewable



Energy to invest in a wind power station (Huang and Liu 2017, p. 65). Moreover, in December 2014, the Export-Import Bank of China proposed an additional capital injection of US\$1 billion for the fund. Currently, the fund has invested in several projects, such as in the table below.

*Table 1. Partial Achievements of China's Investment Projects in Poland*

Area	Investment Project	Year
Energy	Skyline Energy and the Grenoble Wind Power acquired a 50.1% stake in two premium wind farms, including the Grenoble Wind Power Station.	2014
	Invested PEP 2.4 billion zlotys in exchange for 16% of the company's shares.	2014
	Participated in the investment of the Polenergia Group wind power loan project.	2015
	Acquisition of the Zoborwy wind power project.	2015
Telecommunications	Investment telecommunications service builder Electronic Control System S.A.	2015
Biochemical medicine	Acquisition of a 13.2% stake in Bioton S.A.	2015
Manufacturing	Guangxi Liugong acquired the Engineering Machinery Division of HSW.	2012
	Hubei Tri-Ring Group acquired 89.15% of the shares of Polish KFLT.	2013
	China Haier teamed up with Fagor to build a refrigerator factory in Wroclaw, Poland.	2014
	Chinese LED manufacturers are stationed in the Walbrzych Special Economic Zone in Poland.	2016

Source: Huang Ping, Liu Zuokui, "The Cooperation between China and Central & Eastern European Countries (16+1) 2012- 2017", *CASS Report on China-CEEC Cooperation*, Social Sciences Academic Press, Beijing, p. 65, 2017.

At the same time, some Chinese-funded enterprises began to try to invest in Poland through mergers and acquisitions, holdings, or other means. For example, Liugong Group has acquired ZNN, a construction machinery business unit, and a core parts factory under the HSW Company in Poland. Since the beginning of the merger, Liugong Poland has concentrated on three aspects of work: first, cultural integration, which eliminates the inherent culture formed by the HSW's

75-year history and integrates the differences in the way of thinking among Chinese and Polish employees; Second is organizational restructuring, which breaks barriers between multiple independent accounting units within the HSW while improving communication and administrative efficiency; Third is cost optimization when signing the acquisition agreement. Liugong signed a social security-related agreement with five trade union organizations within the company to ensure that personnel optimization can be completed in the later period. At the same time, Liugong Poland attaches great importance to fulfilling local social responsibilities and providing assistance to local cultural bureaus, museums, nursing homes and orphanages.

### **Financial Cooperation**

The cooperation between Poland and China in the financial sector is mainly concentrated in the following aspects. First, China's commercial banks opened several branches in Poland. The Bank of China (BOC), the Industrial and Commercial Bank of China (ICBC) and China Construction Bank (CCB) established branches in Warsaw, Poland, to engage in the financial business. Second, in terms of financial laws and regulations, according to the Suzhou Guidelines in 2015, the China Banking Regulatory Commission (CBRC) and the Polish Financial Supervision Authority (KNF) signed a memorandum of understanding on bank supervision cooperation. Third, China and the Central and Eastern European countries have not cooperated much in the bond market in promoting the internationalization of the RMB. Currently, only Poland and Hungary have cooperated with China. Poland is the first European country to issue "Panda Bonds". On 20 June 2016, the Bank of China and the Polish Ministry of Finance signed a memorandum of cooperation on the issuance of panda bonds. As one of the lead underwriters, the BOC assisted the Polish Ministry of Finance in registering and issuing panda bonds. The issuance scale was 3 billion yuan, with a term of 3 years and an interest rate of 3.40%. The issuance of panda bonds was the first time the Polish government issued RMB-denominated government bonds, and it was the first sovereign country in Europe to enter the Chinese mainland to issue panda bonds. At the same time, China also opened its financial market to Poland, and the National Bank of Poland entered the Chinese interbank bond market in the name of an overseas central bank.

In addition, Poland sought to join the Asian Infrastructure Investment Bank (AIIB) as a founding member. Polish Finance Minister Paweł Szałamacha said during a visit to Poland by Jin Liqun, president of the AIIB, in May 2016 that Poland hoped to establish a representative office of the AIIB in Central and Eastern Europe, and stressed that membership of the AIIB and closer cooperation with China were very important for Poland to realize its own

economic strategy (Ministerstwo Finansów, 2016). As a founding member of the AIIB, Poland actively participated in the preparation and operation of the Asian Infrastructure Investment Bank. Moreover, as one of the 57 founding members, Poland was the only founding member of the Central and Eastern European countries. On 25 August 2015, Poland's Council of Ministers (RMP) approved the agreement between Poland and China to join the Asian Infrastructure Investment Bank. Poland contributed about US\$ 830 million, accounting for about 0.83% of the total AIIB capital (AIIB, 2016).

Poland aims to strengthen its participation in the construction of the BRI by joining the AIIB. It can further gain access to Asian infrastructure markets, especially for non-Asian enterprises. As a typical example of cooperation between China and Poland, China initiated the establishment of the AIIB, which aims to broaden financing channels, expand aggregate demand, and promote regional common development. In addition to actively joining the AIIB, Poland also actively participates in financial cooperation under the "16+1 Cooperation" mechanism. For example, Poland contributed EUR 300 million to participate in the China-CEE Fund and 16+1 Financial Co., Ltd., which is the largest contributor among the CEE countries (CCEE ICF, 2018).

### **Interconnection**

The China Railway Express is an essential way for China to connect with Europe. A focus on cooperation projects in such areas as infrastructure is one of the 12 measures to promoting friendly cooperation with the Central and Eastern European countries (China's Ministry of Foreign Affairs, 2012). "Connectivity" has also been officially included in the Budapest Guideline (2017).

Poland attaches importance to its position as a hub in China-Europe transportation and logistics, and actively promotes the development of China-Europe freight trains. In April 2013, Chengdu started an international railway freight train (Rong'ou Express Train) to Łódź, Poland, with transportation time of about 12 days. The goods were distributed to the various European regions within 3 days after arriving in Łódź from Chengdu. The Rong'ou Express Train starts from the Chengdu Qingbaijiang Container Center Station. The domestic section is 3,511 kilometers from Baoji and Lanzhou to the Dzungarian Gate in Xinjiang. The international section is 9,826 kilometers long from the Dzungarian Gate through Kazakhstan, Russia, Belarus and other countries to Poland's Łódź Station. In September 2015, the first cargo return train arrived in Chengdu, which marked the official two-way operation of the Rong'ou Express Train.

At present, the Rong'ou Express Train has become the largest and most stable trade and logistics channel between Asia and Europe. In 2017, 1,012 trains were

operated, accounting for a quarter of the 35 cities nationwide (Xie 2018, p. 36). According to the governor of Łódź Voivodeship of Poland, Witold Stępień, the Rong'ou Express Train has realized “three full returns for every five trips”, and the freight balance is expected to be realized as soon as possible (Kamiński 2019, p. 227). The Rong'ou Express Train is a successful example of the China Railway Express and a landmark project of China-Poland cooperation in the context of the BRI. After the connection between Chengdu and Łódź, the end of the line in China also extended to the Xiamen Pilot Free Trade Zone. The endpoint in Poland also extended from Łódź to the Łódź Special Economic Zone and Kutno. It takes only three days to transfer the goods to the European capitals (Yao 2018, p. 65).

As one of the crucial reasons for Poland's active cooperation with China is that its own development strategy is highly compatible with China's initiative, i.e., the “16+1” and the “Belt and Road”. In February 2016, Polish Prime Minister Mateusz Morawiecki made a “Sustainable Development Plan” for Poland's economic development in the next 25 years, which consists of five pillars, with strengthening Polish capital, large investments, supporting innovation, the digital revolution, and better-paid jobs (SDP, 2016). According to the plan, the Polish government unveils 1 trillion zlotys by 2040 to strengthen the innovative capabilities of Polish enterprises and their competitiveness in the international market. The investment will be used in 20 large projects in infrastructure and industry, focusing on supporting the development of innovative industries and helping Poland to participate more actively in global cooperation (SDP, 2016).

Similarly, in *Poland Foreign Policy Priority 2012-2016*, Poland regards its ambitions as an essential member state in the EU with its global competitiveness and influence (MSZ 2012, pp. 1-2). Therefore, Poland has put forward “strong Poland in a Strong Union” in terms to actively promote cooperation with non-EU countries (MSZ 2012, pp. 1-2). Moreover, the document emphasizes that China has become one of the rising actors in the FDI global game. Poland and China particularly declared activities promoting cooperation within the Polish Plan for Responsible Development and the Chinese “Belt and Road Initiative” (Xinhua, 2016). For example, it can expand exports to China by strengthening infrastructure interconnection, or further attracting Chinese investment through the establishment of special economic zones and industrial parks, thereby promoting the construction of the transportation infrastructure such as roads, high-speed rails and international ports in Poland and even in Central and Eastern Europe. In addition, such measures as the China-EU railway express and financial cooperation are highly consistent with Poland's objectives of re-industrialization and expansion of international competitiveness.

Following the first China-CEE leaders' meeting held in Warsaw in 2012, Poland established two multilateral business promotion agencies in 2014, namely, the China-CEE Joint Chamber of Commerce established by the Polish Agency

for Enterprise Development (PARP) and the China-CEE Investment Promotion Agency Contact Mechanism led by the Polish Investment and Trade Agency (PAIH). In April 2015, the first meeting of the China-CEEC Joint Chamber of Commerce was held in Katowice, Poland. In October of the same year, the sixth meeting of national coordinators for China-CEE cooperation was held in Warsaw, Poland. Besides, Poland has also assumed the China-CEEC Coordinating Secretariat for Maritime Issue to promote China-CEE maritime cooperation in the Baltic, Adriatic and the Black Sea regions (State Council PRC, 2017).

Poland has also made multi-level institutional arrangements, for example, the Polish Information and Foreign Investment Agency (PAIIZ) launched the “Go China” project and the Polish-Chinese Economic Cooperation Center. Poland’s embassy in China has put forward a representative post in the Ministry of Agriculture and Rural Development. The Polish government has specially established an inter-departmental committee to coordinate the development of the Polish-Chinese strategic partnership. Poland’s Ministry of Investment and Development (PMIR) has set up a working group on local cooperation between Poland and China.

## **LIMITATIONS AND PROSPECTS**

In recent years, trade and investment between Poland and China have been continuously developing, especially after China and Poland have reached a comprehensive strategic partnership. China and Poland are paying more attention to each other’s markets and capital. At the same time, Chinese enterprises have gradually realized Poland’s dominant position in logistics and transportation, infrastructure and other aspects, and its bridgehead role as the Chinese capital entering the EU. But with the rapid development of economic and trade relations, in recent years, the friction between China and Poland in the field of economy and trade is also prominent. In addition, as China’s investment in various fields in Poland has increased significantly, it has also attracted the attention of the Polish government, external powers and organizations (including the European Union).

### **Growing Implications in Sino-Poland Relations**

As with most Central and Eastern European countries, Poland’s economic cooperation with China remains underdeveloped. One of the most important problems in the current Sino-Polish relationship is that Poland’s trade deficit with China is constantly expanding, and the scale of mutual investment between China and Poland is still small. Despite cooperation mechanisms such as the BRI or “16+1” have greatly promoted the development of bilateral economic and trade relations and investment relations, the effect is not significant, and there is still a

clear gap between the two sides' expectations at the beginning of the establishment of the cooperation mechanism, especially in Poland, where disappointment has increased in recent years.

The large gap between the economies of China and Poland is an essential reason for such an issue. China's GDP is about 8 times that of the 16 Central and Eastern European countries in total and 22 times that of Poland (World Bank, 2018). The gap in an economic aggregate does not necessarily affect the establishment of friendly relations. It will certainly affect the degree and scale of economic and trade cooperation between the two sides. Also, China and Poland and other Central and Eastern European countries have relatively weak economic complementarity and are not major trading partners with each other. For instance, China is not one of Poland's major export destinations, while China ranked third after Germany and Russia in its major importing countries (GUS, 2018).<sup>4</sup> On the other hand, Poland is not one of the major countries in China's both import and export trade. Among China's trading partners in Europe, Poland is the 9<sup>th</sup> largest exporter, but its export volume is about 1/5 of Germany. Poland ranks 10<sup>th</sup> among the import partners, with the import volume only 1/32 of Germany (GUS 2018; Ministry of Commerce 2018).

China's investment in the Polish market is also developing rapidly, but the investment barriers it encountered are becoming the focus of the Chinese government and enterprises. As the only European country that maintains positive economic growth during the economic crisis, Poland has abundant capital, and the main purpose of attracting Chinese investment is to acquire advanced technology to promote the process of re-industrialization. However, Poland prefers China to invest in Greenfield rather than acquisitions and mergers, especially to avoid over-reliance on Chinese capital. In recent years, Chinese enterprises have significantly increased their investment in infrastructure in Poland. However, the twists and turns in the past cases of China's A2 highway and the Budapest–Belgrade railway project have also made Poland more cautious in its investment cooperation with China. For example, the recent inability of the China Railway Express to obtain investment in the Małaszewicze region was also affected.

The same example is the logistics park to be built in Poland's Łódź Voivodeship. Former Prime Minister Beata Szydło, who led the government from 2015 to 2017, seemed to be quite optimistic about the cooperation with China, but she encountered some opposition from the members of her Cabinet. For example, then-Minister of National Defense Antoni Macierewicz was known to

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<sup>4</sup> According to the latest data from Poland's Central Statistical Office (GUS) in 2018, the top three export target countries of Poland are Germany, Britain and the Czech Republic respectively.

be worried about Chinese plans to develop logistics hubs in Poland. In a 2015 interview, just before he became defense minister, he expressed concern that China's Belt and Road Initiative could pose a danger for Polish sovereignty. Two years later, the Ministry of National Defense, under his leadership, declined to sell a plot of government-owned land to the Polish container shipping company Hatrans, which wanted to build a logistics hub near Lodz. But due to the questioned implementation of the agreement between China and Poland, a communication (mainly the rail) hub is being created, not in Łódź as was initially intended, but in the nearby city of Kutno (Góralczyk 2017, p. 160).

In recent years, the number of new economic cooperation achievements between China and Poland is less significant than that of previous years, so they focus more on promoting the implementation of previous cooperation commitments. However, due to the expectation of the two sides for the cooperation outcomes, the decrease of economic cooperation highlights has affected their enthusiasm for participation to some extent. As the largest country in Central and Eastern Europe with a great impact in the region, China-Poland cooperation may remain crucial to the "16+1 cooperation". Such a phenomenon poses a challenge to China's engagement with partner countries' expectations and proper handling of bilateral relations.

### **Presence of the External Powers**

External factors such as the current Sino-US trade dispute and the EU's doubts about the "16+1 cooperation" pose potential risks to the economic and trade cooperation between China and Poland.

In the context of the Sino-US trade disputes, economic and trade cooperation between China and Poland has also been affected. For example, in early 2019, after the arrest of Huawei's local authorities, Poland set off a contradiction between the two countries. As Huawei has been accused by many countries of collecting intelligence for the CPC in recent years, it has been boycotted by countries including the United States. The European Commission and the Czech government have also publicly announced the banning of Huawei equipment. The Polish government may adopt amendments to restrict the products produced by Chinese IT companies.

In terms of pressure from U.S. officials, many European countries are considering banning Huawei equipment. U.S. Secretary of State Mike Pompeo said that the U.S. believed Huawei's equipment contained a back-door that China could use for espionage activities. Once Huawei equipment appears in the international network, it will damage the cooperation relationship between the United States and other countries (AP News, 2019). In December, Poland's

Ministry of Foreign Affairs released a statement of concern about cases of cyberespionage, singling out China. It was several weeks later that Wang and Durbajlo were arrested and charged with espionage.

Some Polish experts and commentators see this case as a sign that Poland is openly siding with the strategy of its ally, the United States, which is hoping to exclude Chinese 5G equipment manufacturers from entering European markets. There has indeed been a shift in Poland's stance related to cybersecurity and telecommunication toward a more cautious approach vis-a-vis China, but so far this shift has not spilled over into broader economic ties. For example, freight trade between Lodz and Chengdu is proceeding as usual, and plans to further develop the logistic links are moving forward. We will need to wait for more information from prosecutors on the evidence against Wang and Durbajlo and whether the allegations are reasonable. That will shape China's response and determine whether there will be a broader backlash affecting the bilateral relationship.

At the same time, the cooperation between China and Poland is also doubted by the EU. A study by the EU Council on Foreign Relations compared the attitudes of the EU member states towards China before and after the 2008 crisis. It showed that Poland was "an established industrialist" before the crisis. After the crisis, the EU was divided into "frustrated market-openers" and "cash-strapped deal-seekers" with Poland in between (Godement, Parello-Plesner, Richard, 2011, p. 9). Poland's economic attitude towards China shows that Poland hopes to reach more deals with China rather than confronting China on issues such as the market economy status. But this comparative study reflects the considerable anxiety of the EU. The EU argues that the member states on Europe's periphery that had long considered China's market with caution and feared dumping by China's low-cost producers now see China as a complement or even an alternative to the European or IMF loans (Godement et al., 2011 p. 8).

In addition, the EU's skepticism about the "16+1" mechanism has not yet been eliminated. The EU is concerned that the trade and investment agreements reached between the Central and Eastern European member states and China violate relevant EU laws and regulations. It is even more worried that the close relationship with China will weaken the EU's influence on the Central and Eastern European countries and make it difficult to form a unified China policy stance. For example, at the beginning of 2019, the European Commission and HR/VP contribution to the European Council (2019) released *EU-China: A Strategic Outlook*. In this report, it argues China as a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance.



At present, the problems existing in China-EU relations have increasingly become the most important influence variables affecting the “16+1 cooperation” and the bilateral relationship between China and Poland. The current protectionism prevailing in Europe has intensified the investment review of China and affected China’s investment in Europe. To this end, the EU’s tendency has also affected how Poland chooses to cooperate with China. For example, Poland needs to consider whether it is consistent with the EU in terms of investment protection and trade fairness and reciprocity. In addition, the EU has doubts about investments from China’s sovereign wealth funds and state-controlled enterprises, it argues that these investments lack openness and transparency, and is worried that the Chinese government will seek to control its target industries, especially strategic industries through these investments, thus threatening its economic security. At the same time, the increasingly close Sino-Russian relations and Poland’s accelerating “anti-Russia” movement have also made Poland wary of cooperation with China.

### **Non-correspondence to Mindset in Legislative**

As an EU member state, Poland must abide by EU law, and the EU’s economic legal system is particularly complicated and cumbersome. There are not only detailed economic and trade laws but also laws on labor, environment, government procurement, anti-monopoly, anti-dumping. If a Chinese company contracts a project in Poland and needs EU approval, it must act in accordance with EU law and the two sets of legal systems in the host country (Zhang X.W. and Zhang L.H., 2017, p. 81).

In addition, projects in China and Poland are also at risk of under-recognition of contract terms. In 2009, China Railway Group, Shanghai Construction Group (SCG) and the Polish local company consortium successfully won the Polish A2 highway project at a price lower than half the budget of the owner. The contract signed was strict for the contractor, and the tender contract was based on the Fédération Internationale Des Ingénieurs Conseils (FIDIC), which is commonly used in international engineering tenders. However, compared to the standard contract, the project contract removes the terms favorable to the contractor. The Chinese side was eager to win the project and signed a contract with the other party without knowing the terms and conditions. Before the start of the project, the owner did not advance the start-up funds. Due to the low bid price and the unexpected difficulties encountered during the construction process, the project was seriously insufficient. The Chinese asked the owners to properly raise the project funds and was rejected by the other party. In the end, China took the initiative to withdraw due to the shortage of funds and was unable to complete the work on time. As a matter of fact, the other owner’s failure to advance the

start-up capital and increase the project funds obviously violates FIDIC, which is commonly used in international project bidding. However, due to the cancellation of these clauses to protect the contractor in the contract, Chinese enterprises are unable to fight for their rights and interests and suffer serious economic losses (Wu, 2015, pp. 50).

At the same time, Chinese enterprises also need to encounter the problem of higher operating costs caused by the change of Polish laws. For example, under the existing Polish Retail Tax Act, retailers are taxed on income derived from their retail sales, i.e., income derived from the sale of goods to customers, but this does not currently apply to e-commerce sales.<sup>5</sup> Therefore, it means that enterprises such as Alibaba will also confront the problem of a tax rate increase when selling online to Poland, which also increases hidden costs for operators and consumers.

## CONCLUSION

Although China is currently expecting growing trade and investment cooperation with Poland, there are still a lot of obstacles to the partnership between China and Poland. For example, the expectations, the extraterritorial powers (or organizations) and Poland's unclear strategy towards China. At the same time, Chinese enterprises are still not familiar with the Polish investment mechanism or policies, and the overseas investment system and regulations need to be improved. The above obstacles not only affect the rapid growth of Chinese economic cooperation and trade investment in Poland but also impact the long-term development of China-Poland relations.

The trade deficit between China and Poland is a common phenomenon in the bilateral trade between China and most of the CEE countries, which is a structural problem in trade between China and the CEE countries. Poland's exports are mainly aimed at the EU market, i.e., Germany. Poland exports raw materials to Germany and Germany exports its manufactured products to China. In fact, the exports of the Central and Eastern European countries to China are underestimated. Poland's automobile, electronics, machinery and equipment manufacturing industry are well developed, and their exports account for about 80% of the country's total exports (GUS, 2018). The main market for these products is Germany. Poland has been deeply integrated into the supply chain of Germany, Poland and China. A large number of Polish products are actually exported to China under the trademark of Germany<sup>6</sup>.

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<sup>5</sup> Ustawa z dnia 6 lipca 2016 r. o podatku od sprzedaży detalicznej, Sejm Dz.U. 2016 poz. 1155.

<sup>6</sup> According to the interview with Professor Dominik Mierzejewski from the University of Lodz (Poland).

At the same time, the global industrial chain is increasingly complex, diversified and highly integrated, the geographical nature of products is becoming less obvious, the added value of products caused by the flow of industrial chain is constantly changing. In fact, it is difficult to fully reflect the trade relationship between the two countries only from the trade deficit data. At present, both China and Poland hope to obtain greater economic benefits from cooperation. Therefore, for China, it is necessary to implement various agreements reached with relevant parties in Poland in the future, the relevant departments in China need to prudent study and implement the agreements on cooperation, especially paying attention to some problems in the process.

First, Poland, as an EU member state, is different from China in legal and social systems. When developing investment relations with Poland, China should pay attention to the study of relevant EU laws and regulations. This requires a comprehensive understanding of Polish domestic law and European Union law, with directives and rules as the most important tools for dealing with Polish parties. On the other hand, the relevant legal system is also the most powerful tool for Chinese enterprises and individuals to safeguard their interests. In the process of carrying out relevant trade and investment activities, China should act in accordance with its legal provisions. In case of conflicts and disputes, it is the most reliable method to resort to law to safeguard rights and interests.

Second, China should develop industries that complement Poland's advantages and look for key areas. This requires relevant domestic parties, including government departments and think tanks, to jointly conduct in-depth research on the Polish market, industry and make their own judgments. At present, the service industry can be a major area of cooperation between China and Poland. The trade in services has a high added value, such as communication and information technology services, innovative industries, consulting, scientific and technological research and development, tourism and other fields.

Third, there is still a lack of support for SMEs and private enterprises in promoting cooperation between Chinese domestic and overseas enterprises. Due to ideological and social cognitive reasons, China's large state-owned enterprises encounter obstacles sometimes when investing in the Central and Eastern European countries such as Poland. According to the Polish Investment and Trade Agency (PAIH), Poland affords preferential treatment to investors in the development of small and medium-sized enterprises at the national and local levels, such as eliminating minimum employment creation limit, setting up investment subsidies and tax incentives, etc.

Fourth, the one-sided trade and investment between China and Poland (mainly the flow of Chinese products and capital to Poland) is a structural issue, which is difficult to convert in the short term. Poland also needs to enhance the

competitiveness of its own enterprises and products in China. At the same time, Chinese enterprises should also pay attention to innovation to gain a foothold in the Polish market.

In June 2016, China and Poland upgraded strategic partnership to a comprehensive strategic partnership to further deepen China-Poland cooperation. Moreover, the substantial cooperation between China and Poland is still in the field of the economy and trade, especially based on the huge differences in the international legal status, values, positions, preferences for actions, etc. At present, the cooperation between the two sides in the non-economic, trade or investment fields is mostly in plans or intentions. Therefore, China and Poland should strengthen economic, trade and investment cooperation as the main direction in the future, while promoting fair cooperation and growth of flow and quality for mutual benefit and common prosperity.

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## **KINA I POLJSKA: EKONOMSKE VEZE U OKVIRU SVEOBUHVAATNOG STRATEŠKOG PARTNERSTVA**

*Apstrakt:* Poljska je najveći privredni, trgovinski i investicioni partner Kine u Srednjoj i Istočnoj Evropi. Poslednjih godina, kinesko-poljsko sveobuhvatno strateško partnerstvo se postojano razvijalo i ostvaren je pozitivan napredak. Ipak, neki problemi i dalje postoje u privrednoj i trgovinskoj saradnji, poput povećanja poljskog trgovinskog deficita sa Kinom, malog obima uzajamnih ulaganja i nedostatka svesti o kineskim malim i srednjim preduzećima u poljskoj ekonomiji, trgovini i investicionom okruženju. Ovaj članak započinje analizom ekonomskih performansi Poljske počev od njenog pristupanja EU, zatim procenjuje razvoj kinesko-poljskih ekonomskih odnosa u oblastima trgovine i investicija, i pokušava da pruži korisne preporuke za jačanje ekonomske i trgovinske saradnje u bilateralnim odnosima.

*Ključne reči:* kinesko-poljski odnosi, trgovina, investicije, saradnja Kine sa zemljama Centralne i Istočne Evrope.

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review paper

## **THE SOUTH AND EAST MEDITERRANEAN POWER STRUGGLE: CASES OF LIBYA AND SYRIA**

Slobodan JANKOVIĆ<sup>1</sup>

*Abstract.* In this paper, the author uses the neoclassical geopolitical approach to analyse the power struggle in the Mediterranean as an echo of the changing world order by studying two war theatres in the Mediterranean, Libyan and Syrian. Jankovic firstly explained the importance of the Mediterranean Sea for the world economy and politics and examined the political and geographical features important for understanding the wars in these two countries.

In the second chapter, the author presents the Italian neoclassical geopolitical school. In the third part of the study, he overviews the geopolitical significance of the two mentioned countries. In the fourth chapter, the author argues that certain geographic elements and historical heritage account for understanding the political action of various actors in the Libyan and Syrian wars. Through the lens of the Italian neoclassical geopolitical school, he questions regional policies of the USA, Russia, France, Turkey, Egypt, and Israel. Finally, the author has two conclusions: a) he argues that the traditional geopolitical school of the Apennines is valid for the analysis of Mediterranean power politics, and b) he indicates that the wars in Libya and Syria are clearly showing that multipolarity auspicated by the Russian president in 2007 has come to this part of the world.

Key words: Libya, Syria, Mediterranean, U.S. Middle East policy, Egypt, French Mediterranean politics, Turkish interventions, Italian geopolitics.

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## INTRODUCTION

The Mediterranean Sea continues to weigh global economic importance even when the European global share of GDP is diminishing. *Mare Nostrum* accounts for roughly 20 percent of world sea trade, 30 percent of global oil trade, and 25 percent of container services. This commercial aspect was underlined after Egypt had enlarged the Suez Canal, and China started investing in Mediterranean shipping in the framework of its Belt and Road initiative. (Confitarma, 2018, p. 27)

Aside from economic trends, the Mediterranean in the past ten years has become the theatre of two multinational wars, Syrian and Libyan, involving countries from more than three continents. Parts of the Middle East and North Africa have been an important playground for weighing the strength of influence among several big and mid-range powers. In particular, Syria, Libya, Iraq and with minor importance (although with immense human tragedy) Yemen, proved to be theatres for assertive and status quo powers. While Iraq is embedded in the Middle East, Libya and Syria have parts of the Mediterranean coast. The seashore of Libya and Syria facilitated intervening countries to act, and to assert their influence in this area. Libya is mostly desert and a sparsely populated country, with important deposits of oil, some natural gas, and other minor riches.<sup>2</sup> Syria, on the other hand, is a medium-sized country with regional importance. It is clear that this part of the world continues to be significant for power politics. What is the importance of Libya and Syria, in the Mediterranean policy for local and outside actors?

These two countries are for different reasons important for intervening states – the United States of America (U.S.), Russia, France, the United Kingdom (UK), Israel, and Turkey. Italy and Egypt have strong interests in Libya. Iran helped Assad since the war started as his grip on power provides airlift and connection between Tehran and their affiliate Hezbollah in Lebanon, and is part of the area connecting the Shia population from Lebanon to the Persian Gulf. Wars in these countries started in the situation in which the USA started its pullout in Iraq (2011) and was reluctant to engage militarily farther under then-president Obama.

A broader Mediterranean power struggle important for centuries in order to control the trade routes between significant parts of Africa, Asia and Europe, today is increasingly significant for the protection of oil and gas sea exploitations. U.S. domination in the sea between Europe, North Africa and South-West Asia is increasingly challenged in the second decade of the century. Russia, another extra-regional actor, returned as a big power by projecting military force in Syria since

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<sup>2</sup> In 2008, Libya “produced 2.2% of the world’s crude oil output and was ranked 4th among African countries and 17th globally in terms of the volume of crude oil produced. Libya produced 15.9 billion cubic meters of natural gas, which was about 0.5% of the world supply of gas.” See: Mowafa Taib, “The Mineral Industry of Libya”, in: *Minerals Yearbook*, United States, Bureau of Mines 2010.

2015. France, Turkey, Israel and Italy are regional countries with military and economic interests in other Mediterranean countries. Israel intervenes in Lebanon and against targets in Syria, Italy and France have deployed armed forces in Libya, France was one of the leading countries in aggression against that country and participated also in the military operations in Syria. Turkey sent its armed forces and logistic help to Libya. We will conduct a neoclassical geopolitical analysis in the tradition of the Italian school by studying the policies of international actors in the determinant area and analysing the importance of the position of the areas in question for the Mediterranean policies of the mentioned countries.

### NEOCLASSICAL ITALIAN SCHOOL

The relation between politics and space is the heart of geopolitical thinking. Often cited thought of one of the classics of geopolitics Nicholas Spykman is “Geography is the most fundamental factor in foreign policy because it is the most permanent.” (Spykman, 1944, p. 41). Among various geopolitical influences in Italy, the local variant of classical geopolitics persists and continues to evolve directly from Giorgio Roletto and Ernesto Massi through Gianfranco Lizza up to Edoardo Boria, Paolo Sellari, Matteo Marconi and Alessio Stilo.<sup>3</sup> What characterized it in the 1920s and 1930s is still the trademark of the Apennine school. Namely, the insistence upon the history and contextualization of it coupled with the understanding of how politics uses geographical features. (Jankovic, 2020, pp. 107-8). Marconi, who as Stilo represents the fourth generation of the Italian school, insists also to add judgement and ethical background in geopolitical thinking. (Marconi, 2012, 48).

Carlo Jean, one of the neoclassical Italian geopoliticians, claims that the Mediterranean Sea is a geopolitical region and that any analysis of it cannot neglect its ‘sea hinterland’ (i retroterra marittimi). (Jean, 2012). This heartland area of *Mare Nostrum* is represented not only by the coastal states but also by those on the shores of the Black Sea and by another extension most of the Middle East. Some authors discard the Mediterranean as a fiction, a colonial product of the texts of Vidal de la Blache (traditional French geopolitical school), as Maria Paradiso.<sup>4</sup> Still, it is legitimate to analyse processes in a wider area as they do influence different shores not only via commerce but also increasingly through migration and wars. The case

<sup>3</sup> On Italian geopolitical thought see more in: Slobodan Janković, “Geopolitička misao apeninskog poluostrva: učitelji i učenici”, (Geopolitical Thought in The Apennine Peninsula: Teachers And Students), *Međunarodni problemi*, Vol. LXXII, br. 1, str. 101–125.

<sup>4</sup> Maria Paradiso, “Esiste ancora il Mediterraneo?”, in: Marconi, Matteo, Sellari, Paolo, Verso un nuovo paradigma geopolitico: raccolta di scritti in onore di Gianfranco Lizza, Tomo I, Aracne editrice, Roma, 2015, pp. 339-343.

study of Libya and Syria is useful as two examined countries have been part of the lost empire (of the Ottoman sultanate) or have been a former European colony (Libya), and the mandate territory (Syria). Today they represent theatres involving many Mediterranean actors in Jean's understanding of the geopolitical region.

How history and political judgement decisions influence the usage of a territory? Italy, a former colonial ruler of Libya (1911-1943), soon after World War II sought to reestablish the presence in that country situated opposite the Apennine peninsula, and even today maintains a strong interest in that desert country. Italian adhesion to NATO was publicly justified by a promising stronger role in international relations and for maintaining former colonies in Africa. (Bagnato, 2010, 411-413.) After World War II, as soon as Italy started to develop its foreign economic policy, it sought to reestablish ties with the former colony. The first attempts were made already in 1958 by Enrico Mattei (+1962) legendary director of Italian Energy company ENI. The year after, the Italian company was assigned the first concession for oil exploration and exploitation. (Cereghino, Fasanella, 2015b, 243-44.).

Some ten years later, a Libyan army officer schooled in Italy led a coup d'état and soon expelled the British and American army bases in 1969. Gaddafi will nationalise oil and make contracts with Italian ENI. (Cereghino, Fasanella, 2015a, 238, 265). This Italian interest and engagement with Libya continued until this day.

French interest in Syria has been constant since the actions of Napoleon III and brief intervention in Syria (1860-1861).<sup>5</sup> Still, it is mostly tied to its experience as mandate power in between the two world wars and regards both Damascus and Beirut. Many important families in Lebanon nurture ties with France like Hariri or Aoun. This relation with Lebanon is related to Franco-Syrian relations. Syria and France had ups and downs in their relations. Hafez el Assad's reach to power in 1970 marked improvement in previously weakened good ties with Paris. Macron's presidency is marked with open enmity of the official Paris against Damascus, as the French were insisting on aggression, and for the removal of Syrian President Bashar Assad from power. (Morici, 2015, 13-15; Maselli, 2018).

## **IMPORTANCE OF GEOGRAPHY AND HISTORY**

Geographic determinants surely affect policy planning and action. Be it for how military operations are to be conducted, be it a place along or outside main trading

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<sup>5</sup> There is an informative thesis on French intervention: Valérie Fortin-Gagné, *L'expédition de la France au Liban sous Napoléon III (1860-1861)*, Département d'histoire, Faculté des arts et des sciences, Université de Montréal, mai 2015, [https://papyrus.bib.umontreal.ca/xmlui/bitstream/handle/1866/13454/Fortin-Gagne\\_Valerie\\_2015\\_memoire.pdf?sequence=4&isAllowed=y](https://papyrus.bib.umontreal.ca/xmlui/bitstream/handle/1866/13454/Fortin-Gagne_Valerie_2015_memoire.pdf?sequence=4&isAllowed=y) accessed: 10/4/2020.

routes, quality of soil and natural riches, or variables regarding distance from the country that is projecting its power or closeness to the borders of its rival country. For example, Georgia and Ukraine have added importance for the U.S. and NATO strategies because they are bordering Russia and can be reached via sea. This potential maritime connection facilitates economic and eventual military cooperation. Besides that, Ukraine has symbolic meaning for Russian history. Syria and Libya are both maritime Mediterranean countries. Both belong to the Arab and Muslim world, and both have been under relatively secular regimes, and that more or less exhausts the similarities. Vuković and Đorđević explained why geography “still mattered” for policy planning when the U.S. was weighing its military options. Isolation and encirclement of war theatre in Syria were impossible due to presence of Hezbollah and Iranian forces, connection with Lebanon and unwillingness of three of five neighbouring states to contribute to eventual aggression (Đorđević, Vuković, 2018, 11-14, 30). Later on, Russia prevented military intervention of the eventual Western coalition.

Libya at the centre of the South Mediterranean is opposite Italy and the EU. In the study of the historical foundations of the Libyan war in 2011 and the subsequent importance of that territory for the Mediterranean politics, Roberto Motta Sosa traditionally describes the Mediterranean as the Middle area, a place in between three continents. He indicated growing demographic, and economic disparities among northern and southern coastal countries, in particular when compared with the situation in 1950 and recent years. (Sosa, 2016, p. 4). Libya is geographically at the centre of the South Mediterranean, but historically, due to predominantly desert territory, it has a small population and did not have historical importance like Egypt or even Tunisia and Morocco. If Libya has a small population and amount of cultivated area, it has a large territory of 1.759.540 km<sup>2</sup> and the longest maritime coastline in North Africa extending for 1.770 km<sup>2</sup>. It was the last territory in Africa recognizing the Ottoman sultan as sovereign, which indicates the lesser geopolitical value of that territory in the period of colonial policies. Its position vis-à-vis Italy was important for controlling or blocking the irregular migration from Africa toward the EU.

This country has the richest oil resources in North Africa, which along with smaller amounts of gas were exported regularly. In 2012, Libya controlled the largest proven oil reserves in Africa (36.85%, followed by Nigeria 28.55%) (Anyanwu and Erhijakpor, 2013, 7). Before the revolution, fossil fuel exports provided an annual profit of at least 70 billion dollars to the country. Italy was the single largest importer of Libyan oil (376.000 barrels per day), and France, Spain and Austria were also great importers. Apart from Libya's key trade partner – Italy, China also imported oil from Libya, covering some 3% of its needs.

“Gaddafi used the oil wealth to force foreign companies to leave the greatest portion of their income in Libya (the EPSA-4 Agreements — usually over 90%) if

they wished to continue to conduct research in order to exploit. After the sanctions were lifted in 2003, Libya started opening up to foreign investments primarily in the energy sector, which were followed by investments in infrastructure and tourism. The opening of two major iron mines was announced in 2010.” (Janković, Gajić, 2015, 58-59).

Syrian geopolitical importance is rather regional and has implications for the control of Lebanon and Israeli security. Historical heritage and politics shape the geographical features of it. Since Syria was one of the centres of Arab countries and it covered in times also contemporary Lebanon and sometimes parts of Palestine, together with the fact that part of its recent territory, the Golan Heights, is occupied by Israel, makes bases for its policies against the Jewish state and the interests in Lebanon. Ethnic, tribal and political ties between Lebanon and Syria intensified after Damascus intervened at the beginning of the civil war in Lebanon.

It was primarily Israel (also Turkey because of the Kurdish issue) that was interested in the weakening and eventual division of Syria.<sup>6</sup> Due to part of the river basin of the Euphrates and a small tract of the right coast of the Tigris, Syria is involved in the management of the most important water flows in Mesopotamia, and due to a system of dams built in Turkey, conflict with the northern neighbour has been perpetuated until the AKP came to power in Ankara in 2002. Stefan Jojić wrote about the Kurdish issue and Turkish aggression in Syria related to the potential dangers of the political and military strengthening of Kurds connected with the PKK (guerilla or terrorist organisation active in Turkey and Iraq), after partially lost trust and support of Turkish Kurds for the AKP. (Jojić, 2018, 58-59). Thus, the multiethnic composition and position of the river courses reversely determine politics between Ankara and Damascus.

Israel has sought for long to disintegrate Syria, as it was Egypt as the militarily most capable Arab country to challenge its objectives in the region. Aside from Syria, Saddam`s Iraq was also the aim of Israeli policies. (Janković, 2019, 299-309). With the end of the Cold War, defence cooperation between Tehran, Damascus and Hezbollah served all partners to strengthen their position.

## **SYRIA, LIBYA AND MEDITERRANEAN POLITICS**

Mezran and Varvelli published a collection of papers on roles of foreign factors in the years-long armed conflict still ongoing in Libya. It presents a good review of interests, roles and actions of big powers, regional countries, and the Gulf States.

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<sup>6</sup> See more in: Слободан Јанковић, *Блискоисточна криза: рат без мира*, Институт за међународну политику и привреду - *Сатена mundi*, Институт за међународну политику и привреду, Београд 2019.

(Mezran and Varvelli, 2017). A short overview of foreign and regional actors is another element in this geopolitical analysis, starting with power dominating the Mediterranean at the beginning of the second decade of the century.

### **The Challenge to the U.S. in the Mediterranean**

There is no strict U.S. Mediterranean strategy. Countries along this coast are in the Pentagon's view divided among three U.S. military strategic commands: *Allied Joint Force Command* is in the Mediterranean (Naples) (previously *European* renamed in 2004), but it covers only European countries including Turkey, CENTCOM encompasses those from Syria to Egypt, while most of North Africa is under AFRICOM.<sup>7</sup> In the wake of the Arab Spring, the U.S. had a dominant position in the Mediterranean Sea, ever since the end of the Cold War. Interests of Washington in the countries in the south and east of the Mediterranean Sea may be understood through major processes and policies it favoured in the past two decades.

After the U.S. had won the hegemony over the Mediterranean with the operation *Desert Storm* in Kuwait and Iraq in 1991, Syria along with Egypt, Jordan, Yemen and Lebanon, began to follow the IMF programs of structural adjustments, proposed even by the UN. Thus, West and Western-dominated organizations (UN, IMF, World Bank) imposed neoliberal solutions. At the same time started the Israeli-Palestinian peace process, and in parallel, Washington was a mediator in achieving the second Arab-Israeli peace agreement, the one with Jordan in 1994. After that Syria, Iraq and Iran became key regional enemies of a major American ally in the Middle East, of Israel.<sup>8</sup>

The process of complex changes in the wider Middle East and North Africa (MENA) region was announced by the U.S. and its Western partners already in 2003 and 2004.<sup>9</sup> It was a sort of justification for the occupation of Iraq and its announced democratization. (Carothers, 2007). Back then, already affirmed domination seemed to be set for deepening control by pushing for more internal reforms. The only regimes not fully accepting U.S. domination were those in Damascus and Tripoli, though Libya campaign had its own rationale. Ben Ali and Mubarak were remnants of Arab socialist nationalism. Tunisia and Egypt, whose leaders defied western

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<sup>7</sup> See the map at: Mark Thompson, "Tracking CINCellulite", *Time* May 17, 2013 <https://nation.time.com/2013/05/17/tracking-cincellulite/> accessed: 29/3/2020.

<sup>8</sup> See more in: Slobodan Janković, *Bliskoistočna kriza: rat bez mira (Middle East Crisis: War Without Peace)*, Catena Mundi and Institute of International Politics and Economics, Belgrade 2019.

<sup>9</sup> Slobodan Janković, Промене на Блиском истоку и у Северној Африци — Ка постсувереном светском поретку, (Changes in the Middle East and in North Africa — Towards the post-sovereign world order), *National Interest*. (Nacionalni interes), Belgrade N. 2/2011, vol. 11, pp. 261-315.

recommendations, were criticized, at least since 2005.<sup>10</sup> In order to transform the outdated regimes that tried to limit internal economic reforms encouraged by Washington and by International organizations like the World Bank or International Monetary Fund (IMF), major events were used or prepared. This was coupled with the interests of Israel, the U.S. major local ally to achieve change in Syria. Assad family was and still is the only regional state actor in alliance with Iran and Russia, and thus represents a potential target for regime change orchestrated by the West. What ensued since the end of 2010 is political, social, and economic turmoil that affected almost all of the MENA countries.<sup>11</sup>

The broader network used to tie the countries of the Mediterranean with Washington is NATO. This organization was for long looking at the south. Before the Arab Spring, NATO had the *Mediterranean dialogue* (since 1994) and the *Istanbul Cooperation Initiative* launched in 2004.<sup>12</sup> It served to deepen the ties between the West and Muslim world in a broader strategy of NATO and U.S. military expansion.

As Washington was leading its war on terror, the Atlantic alliance was divided on Iraq (2003) which induced planners in the White House and the Pentagon for more effective *ad hoc* partnerships for the ‘interventions’. According to public testimony of retired U.S. general Wesley Clark, already in 2001, the Pentagon planned for regime change in seven countries, among them Libya and Syria.<sup>13</sup> It was part of the new strategy for a *Greater*, later renamed *Broader* Middle East. It was clear, at least since 2007, that the real objectives of the NATO and U.S. military presence in the *Broder* Middle East is aimed against Russia and potentially to prevent China from spreading its influence. It was in that year that U.S. Secretary of Defence Robert Gates asked more resources for a big army operable to fight large armies (and not only paramilitary and terrorist groups). “Four days later President of Russia Putin had a famous speech at the Munchen Security Conference, publicly criticising aggressive imposture of American influence worldwide.”<sup>14</sup> In that year famous journalist Seymour Hersh published the legendary article *Redirection* on the secret

<sup>10</sup> For Egypt see: “The Backlash against Democracy assistance”, *National Endowment for Democracy* June 8, 2006, pp. 4, 7, 15, 26, 27.

<sup>11</sup> See for more in: Slobodan Janković, *Bliskoistočna kriza: rat bez mira*, op. cit; and Slobodan Janković, “Transformation of the Middle East after the Arab Spring”, in: (Ed) Taro Tsukimura, Ivona Lađevac, *Major International Issues in the 21<sup>st</sup> Century from a Perspective of Japan and Europe*, Global Resource Management Program, Doshisha University, Japan Institute of International Politics and Economics, Makedonska 25, Belgrade, 2015, (178), pp. 127-145.

<sup>12</sup> “Istanbul Cooperation Initiative”, *NATO* 28 June 2004, <http://www.nato.int/docu/comm/2004/06-istanbul/docu-cooperation.htm> 28/04/2008.

<sup>13</sup> “Wes Clark - America’s Foreign Policy «Coup»”, 05.11.2007, Youtube, <http://www.youtube.com/watch?v=TY2DKzastu8>, accessed 16/05/2011.

<sup>14</sup> According to: Slobodan Janković, *Bliskoistočna kriza: rat bez mira (Middle East Crisis: War Without Peace)*, op. cit., p. 130.

plan of the Pentagon against Syria, Tehran, and Shiite political groups.<sup>15</sup> This policy clearly was in line with Israel's interests, after the previously failed war against Hezbollah in 2006. Immediately after the war, supported by former British PM Tony Blair, U.S. Vice President Dick Cheney visited Saudi Arabia and soon both countries started to fund Salafist and Muslim Brotherhood groups in Lebanon and Syria (in Syria it was Syrian National Salvation Front). (Todd and all, 2013, 38, 39).

When the U.S. started its war on terror, Libyan leader Gaddafi was already in talks with Western countries, and in 2003 official Tripoli paid for victims of terrorist attacks conducted in the 1980s. (Gabellini, 2012, 198). After international sanctions were lifted, Libya invested billions in Italy, France, Spain, the UK, and in the USA. (Ibid, Janković, 2011). Nevertheless, Gaddafi thought that he could continue with the independent policy, keep the maximum profit of oil and even spread the virus of economic and thus political independence in Western and Central Africa with the project of the golden dinar.<sup>16</sup> In 2011 along with the UK and France, the U.S. conducted aggression against Libya and gained lucrative contracts. However, what ensued is a bloody civil war in which eventually the once rebelled Libyan general Khalifa Haftar is closest to victory in 2020.<sup>17</sup>

According to Wesley Clark the emergence of ISIL is again connected to the U.S. anti-Shiite and anti-Syrian strategy. Support for the creation of that monstrous entity by West and Turkey is confirmed by other sources as well. (Janković, 2019, 309-10). Anyhow, that phenomenon helped for the return of the U.S. Army units in Iraq since 2014, and in neighbouring Syria. Since September of that year, the U.S. military is present in parts of Syria, initially expanding the range of its actions officially because of fighting ISIS. (Al Jazeera, 2019).

Russia's return as a big power in the Middle East, problems between Washington and Ankara, Washington's reluctant policy in Syria (repeated threats by Obama over red lines)<sup>18</sup>, were more than not welcomed by hawkish Israeli lobbyists, Saudi Arabia and Israel.<sup>19</sup> By 2018, the U.S. Think Tank Center for Strategic and International

<sup>15</sup> Seymour M. Hersh, "The Redirection", *The New Yorker*, March 5, 2007, [http://www.newyorker.com/reporting/2007/03/05/070305fa\\_fact\\_hersh?currentPage=all](http://www.newyorker.com/reporting/2007/03/05/070305fa_fact_hersh?currentPage=all), accessed: 10/03/2012.

<sup>16</sup> See more of the reasons why Libya was attacked in: Slobodan Janković, *Bliskoistočna kriza: rat bez mira (Middle East Crisis: War Without Peace)*, op. cit., 156-159.

<sup>17</sup> For the actions on the battlefields and changes of territorial control between LNA forces headed by Haftar and Tobruk Parliament against GNA forces representing parliament in Tripoli see web page: <https://libya.liveuamap.com/>

<sup>18</sup> Although Obama initiatives garnered some diplomatic success.

<sup>19</sup> For a relatively neutral view, albeit claiming the usage of chemical weapons by the Syrian official Army without evidence see: Greg Jaffe, "The problem with Obama's account of the Syrian red-line incident", *The Washington Post* Oct. 4, 2016, <https://www.washingtonpost.com/news/post-politics/wp/2016/10/04/the-problem-with-obamas-account-of-the-syrian-red-line-incident/> accessed: 29/3/2020.



Studies (CSIS) already published an analysis of the need for the U.S. to re-establish a strategic approach in the area.<sup>20</sup> The year after that assessment, the U.S. agreed with Turkey to move its troops from North Syria towards North East, leaving the Turkish, Russian and Syrian forces to take over parts of the territory previously controlled by the Kurdish units – U.S. partners until then. (Alaaldin, 2019). Hence, the second decade of the 21st century begun with U.S. domination and ends with this great power in retreat, with the presence of numerous actors seeking to assert their own interests.

### Russia returns

Americans started the *War on Terror* in 2001 that should have lasted indefinitely. Russia just had begun economic recovery after years of poverty, and China was far away from being an economic superpower. In such circumstances Libya opted to negotiate and pay for lifting sanctions. Gaddafi offered the hand to the West and tried to 'bribe' it by pouring billions into western companies (Italian, French, British, American and others).<sup>21</sup> In parallel, it seems that he asked for guarantees from Russia, which in 2008 was not prepared for engagement in the Middle East. (Parfitt, 2008). Back then, he secured the cancellation of debt worth 4.5 billion and offered contracts worth billions of US dollars for Russian companies.<sup>22</sup> As Russia was economically growing steadily, it was focused on internal political and security consolidation (fighting terrorism in the North Caucasus) and developing cooperation among former Soviet republics and with China and India. The first significant diplomatic confrontation, by some erroneously defined as a challenge, was in 2007 when Russian President emphasized that the BRIC countries economically surpassed the EU, and that world basically needs a new distribution of power free from fear of the United States. That means that Moscow is preparing for engagement outside the perimeter of the former Soviet republics. (Kremlin, 2007).

Since Russia criticized U.S. policy, it was clear that it envisaged itself as a proxy target of Washington. Ukraine and the Caucasus were clear potential places of strategic pressure on Russia. Coloured revolutions in Ukraine and Georgia undermined Moscow's position in these regions and potentially represented new starting points for pressuring it. In order to prevent interference of the West in the

<sup>20</sup> "Restoring the Eastern Mediterranean as a U.S. Strategic Anchor", *The Center for Strategic and International Studies (CSIS)* May 22, 2018, <https://www.csis.org/analysis/restoring-eastern-mediterranean-us-strategic-anchor> accessed: 26/3/2020.

<sup>21</sup> "Kadhafi impose sa loi grâce au fric", *Courrier International* 08.03.2011, Интернет, <http://www.courrierinternational.com/article/2011/03/08/kadhafi-impose-sa-loi-grace-au-fric>, скинуто: 18/05/2011. Taken from: Slobodan Jankovic, „Libijska kriza i njene posledice”, pregledni članak, *Međunarodna politika*, God. LXII, br. 1142, april–jun 2011, IMPP, Beograd 2011, str. 30-51.

<sup>22</sup> "Отношения России и Ливии. Справка", *Ria novosti* 31.10.2008. <https://ria.ru/20081031/154145392.html> accessed: 23/3/2020.

Caucasus, Russia continued to collaborate with the remaining countries non-allied with the U.S. – Syria and Iran, and to offer economic cooperation to many MENA countries, and also to Libya.

After the Georgian war and diplomatic confrontation with the West over the status of the Serbian province of Kosovo and Metohija, Russia managed to stop or pause the actions of its rivals. But in 2011, it was not ready to react so far outside its borders in order to guarantee Gaddafi's Libya. Since 1991, it was focused on energy deals and the export of arms. (Oldberg, 2016, 11). Was it a mistake or calculus, it is hard to say. (Rozin, 2013). However, if Libya was a mistake, Russia played best its last card in the Mediterranean. Not only that it previously diplomatically blocked the UN authorisation for removing Assad *manu militari*, but also in September 2015, it entered the war to keep its ally afloat and help him to restore control over the most parts of the country in the course of the next four years. "In Syria, Russia's military decisively affected the civil war and also tested and demonstrated capabilities that showed off Russian boldness, lethality, flexibility and reach. Its attacks included the first combat use of various types of Russian precision-guided munitions." (Faith and Chorev, 2019).

From the initial enmity with Turkey over Syria and the downed jet, it gradually involved Ankara in the Astana talks since December 2016. (Ria Novosti, 2017). It was a result of a failed coup in July 2016, when Erdogan seemed to have received critical intelligence from Russia in order to avoid deposition if not losing a life. (The Moscow Times, 2016) The tactical partnership between Ankara and Moscow since then deepened tensions inside NATO and gave more diplomatic weight to Russia. It became again respected player in the wider Mediterranean region and even managed to be heard over Libya by endorsing Khalifa Haftar, just as Egypt and the United Arab Emirates (UAE). (Mezran and Varvelli, 2017, 8, 18, 19). Russian private military company Wagner Group is acting according to Russian interests and fights alongside Haftar's forces. Already in 2017, Western analytics concluded that Russia, Egypt and the UAE secured the "key role for themselves following Western powers' abdication of a larger role in Libya." (Mezran and Varvelli, 2017, 8).

## Turkey

Syrian, just like later Libyan intervention can be understood also as a way to partially restore some of the foreign policy economic, political and cultural expansion started by Turkey under the guidelines of former Prime minister and Minister of Foreign affairs Ahmet Davutoglu.<sup>23</sup> Turkey, which shares an 822 km

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<sup>23</sup> See more on the intentions of Turkey in the previous period in: Slobodan Janković, "Vectors of Turkish foreign policy: What remains of the strategy for 2023?", *Medjunarodni problemi*, Belgrade 2016 Volume 68, Issue 1, pp: 7-23.

long border with the southern neighbour, was almost immediately a sponsor of the so-called Syrian armed opposition. It hosted the military headquarters of the 'Free Syrian Army' and was likely the organiser for the illegal trade with various Islamists' controlled territories in the war-torn southern neighbour. (Jankovic, 2013, 143, 154; Janković, 2019, 310-11). Another internal reason for the aggression was the Kurdish issue, and when Kurds after the battle for Kobane managed to connect space controlled by them along the border with Turkey, Ankara prepared and in 2018 launched an operation to gain enclave of Afrin at the northwest of Syria. It was the second military operation (after the Shield of Euphrates in 2016) aimed against the creation of a strong Kurdish controlled territory that could trigger or support the terrorist activities of the PKK in Turkey.

If participation in the Syrian war is also a result of the previously failed foreign and internal policies, Turkish intervention in the Libyan war has a clear geoeconomic explanation. It is a conflict with Greece, Cyprus and Israel over the exploitation of gas in the Mediterranean Sea that was the main driver behind political decision to intervene in Libya. (Ahmedzade, 2020). Besides that, the decision to send troops in Syria and Libya is part of the policy of Erdogan after surviving the attempt of the coup d'etat to deal more aggressively in the foreign arena.

Both in Syria and Libya, it was also the ideological alliance of Turkey with the Muslim Brotherhood that influenced Ankara to pick sides in the war. Finally, public explanation for the war was also the need of Turkey to protect its brethren, the Libyan Turks, the descendants of Ottoman settled warriors Kuloglu, or in the local dialect Koroglu. Conveniently, they mostly live in Misrata and Tripoli, and their existence, like that of Turkmens in Syria and Iraq has always been a useful pretext for military involvement of Ankara. (Tastekin, 2019).

Thus, Turkish intervention is an example of how political decision uses the historical framework and geographic factors to promote certain policy.

### **French interventions**

French policy in the Mediterranean is influenced also by historical and geopolitical factors, as Parisian politicians tend to secure control of the shores across the sea. Colonial legacy and economic domination in foreign colonies represent determinants that support the decision-makers' will to act.

After decades of promoting the EU framework for cooperation with the African continent, France returned as an intervening power against Libya (2011). Previously it was the main instigator of cooperation with North Africa among the European Community members. This cooperation started with the Global Mediterranean Policy (GMP) in 1972 and continued with the Barcelona Process – the Euro-Mediterranean Partnership (in 1995). The EuroMed was basically a failure

to be repeated with the European Neighbourhood Partnership in 2005. (Jankovic, Gajic, 2015). When France during the presidency of Nicholas Sarkozy promoted the Mediterranean Union, it was blocked by Berlin. Nevertheless, in Libya, after the fallout of Gaddafi triggered by Franco-British aggression, an old French-Italian rivalry, present in the area since the second half of the 19<sup>th</sup> century, gradually evolved.<sup>24</sup> It happened within a complex political context.

At the time of the outbreak of the Arab Winter, France was leading a sterile Union for the Mediterranean (UfM launched in 2008), and was eager to impose itself in the European and the broader framework as a power broker. Its president wanted to re-launch the politics of *grandeur* and establish military and security cooperation with the UK in November 2010 — ‘*entente frugale*’. “Apart from aiming to maintain and strengthen their own military capacities in a period of economic crisis, the Franco-British cooperation was aimed at forging a partnership with the USA and Germany has been deliberately left out”, because of its previous obstruction of the French Mediterranean project. (Janković, Gajić, 2015, 54-55).

Since the demise of the previous regime, the country has gradually dissolved into chaos. “(N)one of the priorities planned by the international community for the post-regime transition has been achieved. Not only has the country been divided into two main political centres of powers, but it has sunk into an endemic civil war and the ensuing chaos has made it home to terrorists, criminals and smugglers.” (Illardo, 2018, 1). Although French soldiers, just like Italian, are stationed in the North African country, officially to train forces, for the time being, Russia and Egypt got to profit the most, as European powers that have already invested a lot of resources in securing their economic and political interests. After years of playing on both sides, as in 2016 when Paris collaborated with Haftar against ISIS (Mezran, Varvelli, 69), France finally opted to support the winning party, namely Tobruk and General Haftar. By doing so, it got into a rift with Turkey. This dispute between Ankara and Paris is part of a larger geopolitical struggle over the Mediterranean, as French Total and Italian ENI, energy companies are in negotiations with the Greek Cypriot government to explore and exploit natural gas deposits in the waters claimed partially also by Turkey. (The Soufan Center, 2020).

## Egypt

“Egypt in the post-Muslim Brotherhood rule is an important regional actor that shares many of the Israeli and Greek concerns.” (Inbar, 2014, p. 29) Al Sisi rule put back the country on the Nile River at the forefront of the Arab world with internal

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<sup>24</sup> See more on Franco-Italian rivalry in Libya in: Roberto Motta Sosa, “Libia. Radici storiche di un caso geopolitico”, *Fondazione De Gasperi*, Roma 2016.

investments helped by Saudis and with initial participation in the Yemen war. But, Egyptian cooperation with Greece and Cyprus, on the one hand, and its direct support to General Haftar in Libya clearly shows its growing regional ambitions.

Al Sissi (Abdel Fattah Saeed Hussein Khalil al-Sisi) formed a new Eastern Mediterranean partnership with Israel, Greece and Cyprus, building stronger ties also with Russia. That is why experts from the Israeli BESA Center vowed “Every effort should be made by Western powers to prevent Egypt from moving closer to Russia.” (Ibid). Its support for the Tobruk House of Representatives or secular forces is logical if one understands the general ideological rift between bearers of the Muslim Brotherhood, a world view defeated in a military coup in Cairo in 2013 dominant in Tripoli and Ankara. It seems that the Egyptian and the UAE military air forces conducted operations against Islamists in Libya in 2016. (Mezran and Varvelli, 2017, 19).

Israel already in 2010 entered into diplomatic conflict with Turkey over the Gaza freedom flotilla raid. Since then, officials in Jerusalem were looking for a new major ally in the Middle East. Until 1979, it was Iran and later it was Turkey. After security cooperation has already evolved in the Mubarak era, two countries, Israel and the post-Muslim Brotherhood Egypt indirectly cooperate through their partnerships with Greece and Cyprus. (Zemenides and Harris, 2019).

Besides these Mediterranean partners, Cairo has developed cooperation with the UAE in Yemen and Libya, where this oil-rich country is seeking to expand its political influence in an unprecedented military engagement.

### **Italian lack of will**

As old colonial power in Libya, and positioned directly to the north of Tripolitania and Cyrenaica, Italy has a long tradition of cooperation with regimes in Tripoli. Struggle to keep positions in the former colony and other southern Mediterranean countries (development of energy cooperation with Egypt and Libya) dominates the politics of Rome ever since the beginning of the 20<sup>th</sup> century. (Sosa, 2016). Two countries are important for the control of irregular migration flows from Africa to the EU. Before the war, the Berlusconi government has had an agreement since August 2009 to stop these flows, but as wars ravaged the countries, migrations soon resumed. As the Italian governments follow the official UN and EU policy since 2011, they supported the Tripoli government and have their forces stationed in the country since 2011 in various missions. Still active is *Missione bilaterale di assistenza e supporto in Libya (MIASIT)*, which has up to 400 people, terrestrial, and navy logistics. After fully sidelining with American policy in the time of Obama, Italy lost the possibility to have contracts in the eastern part of the country dominated by Haftar’s forces. ENI now has investments in

Tripolitania and is trying to secure them through diplomacy and involvement with Tripoli. (Mezran, Varvelli, 21). Still, by the end of 2019, Rome lost its diplomatic ace as it is openly and fully for the one side in the conflict. It is manning the military hospital for forces nominally loyal to Tripoli Prime minister Fayez Mustafa al-Sarraj. (Ibid, 123). This policy that could be defined as bandwagoning, but is more accurately the capitulation of Rome in internal and foreign policy, for the time being, makes Italy dependant on the uncoordinated Brussels foreign policy.

### CONCLUDING REMARKS

After examining the importance of the political activities of different players in Libya and Syria, we can confirm the complexity and importance of the Mediterranean for global politics. Geographical position and historical heritage definitely play a certain role in foreign policy calculus, but only after political decision to use them. Overview of the power politics in the Mediterranean, of different regional and extra-regional actors for their interventions and activities versus Libya and Syria one could conclude the validity of the Italian neoclassical approach that puts the political action and political interest as the major variable for the geopolitical value of some territory. Wars in Libya and Syria definitely exceed their merely geographical or economic importance.

Russian growing military and political presence in the Mediterranean (along with Chinese Belt and Road initiative) is paving the way for multipolarity announced in Putin's speech in 2007 and for the changed regional order in the Mediterranean. As Tony Chavez explains,

“Access to the Mediterranean Sea means access to the world, and Russia and China are seeking to gain veto power, via geopolitical and geo-economical influence, over other nations' economic, diplomatic and security decisions. Reaching the Persian Gulf from the East Coast of the United States through the Mediterranean Sea and the Suez Canal, for example, is shorter compared to the West Coast of the United States across the Pacific and Indian Oceans. The threats, then, are twofold. First, Russia and China have begun to sew instability in the eastern Mediterranean that concerns U.S. allies and partners, as well as U.S. economic interests. Second, Moscow and Beijing seem to be betting that the Mediterranean is an ideal choke point to challenge U.S. policy” (Chavez, 2018).

Turkey after suffering foreign policy failure of its policies of zero problems with neighbours and internal political polarisation, intervenes militarily in the examined countries, making it one of the military most engaged countries of the world (with their army participating in military operations in Iraq, Syria and Libya). In both cases, its leadership recalled historical and geopolitical reasons in order to

justify them. Egypt together with the UAE is seeking to regain political importance in the Arab world, by endorsing and helping Haftar's forces.

As before the Arab Spring Russia and China continue to affirm their presence in the Mediterranean, Russia militarily and politically through Libya and Syria, and China economically and diplomatically backing Russian initiatives. The U.S., France, and in particular Italy, despite maintaining some military presence (France in both countries, Italy in Libya, and the U.S. in Syria) are slowly losing ground in the Mediterranean.

If the first and second Iraqi wars were announcing and confirming American-led Western domination in the Mediterranean, the Libyan and Syrian war outcomes would demonstrate a changed balance of forces. Of course, this process is not something that cannot be transformed or slightly changed, but it is clear that multipolarity has already arrived in *Mare Nostrum*.

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## **BORBA ZA PREMOĆ NA JUŽNOM I ISTOČNOM SREDOZEMLJU: SLUČAJEVI LIBIJE I SIRIJE**

*Apstrakt:* U ovom radu autor koristi neoklasični geopolitički pristup u analizi sukoba sila na Sredozemlju. Ova borba predstavlja eho promena svetskog poretka kroz analizu dva ratna poprišta, libijskog i sirijskog. Janković isprva objašnjava značaj Sredozemlja za svetsku privredu i politiku. On ukazuje na politička i geografska obeležja bitna za razumevanje ratova u te dve zemlje.

U drugom poglavlju autor predstavlja italijansku neoklasičnu geopolitičku školu. U trećem delu studije on vrši pregled geopolitičkih obeležja pomenutih zemalja. U četvrtom delu rada autor tvrdi da pojedine geografske osobine i istorijsko nasleđe doprinose shvatanju političkog delanja različitih aktera u ratovima u Libiji i u Siriji. Kroz optiku italijanske neoklasične geopolitičke škole on ocenjuje regionalne politike SAD, Rusije, Francuske, Turske, Egipta i Izraela. Konačno on izvodi dva zaključka: a) tradicionalna geopolitička škola sa Apenina je korisna za analizu politike sile u Sredozemlju, i b) navodi da ratovi u Libiji i u Siriji jasno ukazuju da je multipolarnost, koju je ruski predsednik najavio 2007. godine, stupila u ovaj deo sveta.

*Ključne reči:* Libija, Sirija, Sredozemlje, američka bliskoistočna politika, Egipat, Francuska politika na Sredozemlju, turske intervencije, italijanska geopolitika.

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## BOOK REVIEWS

### THE END OF CHINA'S NON-INTERVENTION POLICY IN AFRICA

Obert Hodzi, *The end of China's Non-Intervention Policy in Africa*, Pelgrave Macmillan 2019, pp. 273, ISBN 978-3-319-97349-4

China's presence in Africa has been a "hot topic" in African Studies for more than a decade. In this book, Obert Hodzi implements the neoclassical realist theoretical framework to explore how an increase in China's relative economic power vis-a-vis other countries and changes in perception of threat to its interests abroad combine to explain China's intervention behavior in armed conflicts in Africa. Firstly, the author believes there is a direct connection between the growth of the economic power of the state and the need for interventionism. In other words, when China's economic power grows, the need for interventionism grows as well. This book seeks to explain the temporal variance in China's intervention, with the aim of deciphering emerging trends and patterns of China's intervention in conflicts in Africa. The author considers Chinese interventions to be cyclical. He gives examples dating back to the Chinese empire when the emperor considered himself a son of heaven, which gave him the right to intervene in neighboring countries. Then, he compares that era to the present day when China is promoting a non-intervention policy. In this way, the author implicitly announces a possible change in the Chinese approach regarding (non) interventionism.

Secondly, the book analyses changes in China's perception of threat to its (business) interests abroad and its willingness to intervene. By doing so, the author states that China does not subscribe to the Western-centric world order or Western norms of intervention (such as the responsibility to protect), human rights, good governance and democracy upon which the global discourse on intervention is premised. For China, the main motives are the safety of its citizens and the security of its investments. Therefore, the author notices that the Chinese intervention policy slowly evolves from a rigid non-intervention principle to a limited intervention approach focused on protecting the Chinese nationals and Chinese business interests.

The study employs the method of structured, focused comparison and the case study method. The method is structured by using a general set of questions asked for each case study to standardize the collected data. In order to remain focused, it does not address every random aspect of the case study; instead, it focuses on a specific aspect of the case being studied. Furthermore, not only that the case study method is suitable for a theoretically based historical narrative and historical analysis method, but it is also suitable for studies that employ the neoclassical realist theoretical framework. In the book, the author focuses on three case studies, three African countries that experienced intrastate armed conflicts: 1) the armed conflict in Libya in 2011; 2) the Tuareg rebellion that culminated in a military coup in Mali. These events took place in January and March 2012, respectively ceasing in August 2012 when a government of national unity was established; 3) the intrastate armed conflict in South Sudan that began in December 2013 and is still ongoing. Unlike single case studies that are common for studies on China's intervention in African conflicts, multiple case studies increase the methodological rigor of a study by strengthening the precision, validity, and stability of the findings. Data published in this study were mainly obtained from official statements issued by international organizations, such as the United Nations and the African Union. In addition, statements of the Chinese government ministries, namely the Ministry of Foreign Affairs and the Communist Party of China, were also used. Information from the PRC's official state news agencies such as Xinhua, newspapers and reports of Chinese International relations and security think tanks were used. To avoid overreliance on Chinese and African sources of information, the research also utilized publications from Western and African think tanks such as the Chatham House and the South African Institute of International Affairs.

The outline of the book is the following: This book consists of seven chapters. The background and introduction of this study have been given in this chapter. The theoretical and empirical significance of the study was discussed, and a brief introduction of the main arguments has been given in the first chapter.

The second chapter discusses the global discourse on intervention in foreign intrastate armed conflicts by non-Western rising powers. In this chapter, the author tells us there is a major gap in the existing literature, which is followed by the lack of systematic theoretical and empirical studies regarding intervention in foreign conflicts by rising powers, particularly China. The chapter advances the argument that in external intervention studies, the practice has preceded theory. In the example of China, the author shows how "situation on the field" forces the change in the narrative that has been dominant for years – the non-intervention narrative. The third chapter

describes the cyclical pattern of Chinese intervention, which we already explained above.

The fourth chapter analyses the case study of Libya. China's first reaction to the Libyan conflict was non-action and non-intervention because China's relations with African countries are based on the principle of non-intervention in their internal affairs, which includes intrastate armed conflicts. But the threat to the Chinese nationals in Libya raised domestic demands in Beijing to protect its nationals abroad, effectively bringing to question China's non-intervention principle. Furthermore, China decided not to veto the UN resolution which enforced sanctions on Gaddafi's regime for violating human rights and rights to peaceful protests. This was considered as a precedent. China justified its decision by the fact that other regional Arab and African organizations backed sanctions as well. However, China did not support any military action, including the no-fly zone. In the fifth chapter, the study analyses the situation in Mali. The author states that China completely ignored conflict in Mali up until the moment when it became obvious that the Tuareg rebellion succeeded. China avoided supporting the imposition of any sanctions or punitive actions against the new regime. Instead, China supported the ECOWAS mediation initiative. Furthermore, China took part in the MINUSMA peacekeeping operation. The author states that this was a strategic move by China to gain real-life combat experience for its army. The sixth chapter deals with South Sudan, which had been a challenge for China even before it existed as a sovereign state. The war of independence in Sudan, the subsequent split, and then the war between the president and vice president all contributed to making the South Sudan intrastate armed conflict more devastating to China's interests than any other conflict on African soil. The reason for this is that Chinese companies have significant investments in the oil sector. This is probably the reason why China resorted to direct mediation between the two opposing government factions. China also participated in a wider multilateral initiative under the patronage of the African regional committee IGAD. However, IGAD officials complained that China was sabotaging the peace process, taking into account only its own interests.

To conclude, *The End of China's Non-Intervention Policy in Africa* is a comprehensive and interesting book that gives a new look at China's intervention policy using both theory and empirical data. It states that China's non-intervention principle is gradually getting modified by tangible national and business interests.

*Danilo BABIĆ*

## **COMMON LAW AND CIVIL LAW TODAY – CONVERGENCE AND DIVERGENCE**

Marko Novaković (Ed.). *Common Law and Civil Law Today – Convergence and Divergence*, Vernon Press, Wilmington-Malaga, 2019, pp. 488.

The common law legal system has always represented an unknown and fascinating theme for everyone who came from the continental law system. Even though this system is studied in every basic law school curriculum, it is very hard to present all finesses of the interaction and intersections of two legal systems to a scholar. This is why the editor of this volume decided to use a very original point of view. This unveiling of the relationship between common law and civil law started with making different and concrete questions. The answers to these questions indicated all of the layers and depth present in such a relationship. In this way, the editor showed all of the different ways to get to the same target. Common law and civil law are both becoming closer, and there will be logical consequences of evening out of these two legal systems due to similar criteria present in these two legal systems.

This international collection of papers was made as a result of an international conference which was organized by the Southern European Center for Legal Research (SECLR). In Čanj (Montenegro), in May 2017, the authors from 13 different countries expressed their opinions on common law and civil law, referring to a large number of open and unresolved questions.

Based on a brief overview of the content, the reader can conclude that a lot of energy has been invested in compiling this volume, especially given the quality of systematization of important, key issues. This volume is divided into three parts and consists of 22 articles. The first part discusses the common law/civil law dichotomy in the international legal systems and theory. The second part focuses on case-law and arbitration, while the third part analyses the elements of common law and civil law in various legal systems.

The first part, also named, “International and European Law” consists of 8 papers that elaborate on the essential questions of International and European Law. In this regard, within the first three articles, particular attention has been paid to the determination, acceptance and implementation of international and human rights law in the common and civil law legal systems. The authors come to pessimistic conclusions: instead of having international law being a “bridge“ between two legal systems, it, due to the lack of neutral fundamental principles, only deepened the mutual misunderstanding that culminates in the practice of international courts. The practice of the International Institute for the Unification of Private Law represents one of the brighter sides in reconciling the relationship between common law and civil law. In addition, it is important

to mention that the global phenomenon of internationalization of constitutional law and constitutionalization of international law is pervasive today. Furthermore, the first part discusses the political aspects related to common law and civil law systems. Finally, the analysis of the European security policy points out that at the level of security policy, there are still many differences between the European and American approaches.

The second part, called “The Role of the Judicial Bodies“, begins with the analysis of the importance of the International Court of Justice (ICJ), primarily because of its important role in resolving conflicts between countries. In this way, the ICJ “tests“ the limits of international law and knowledge of common law. Furthermore, it analyzes the praxis of The Court of Justice of the European Union (CJEU), jurisdictional disputes in investment law and the European Court of Human Rights (ECHR). The authors are questioning the role of the ECHR on the convergence between common law and civil law systems, especially considering legal systems in the UK, Ireland, Germany and France. From this, we can conclude that with the force of precedent, the ECHR can succeed in “molding“ legal systems and providing *erga omnes* effect of their verdicts. Furthermore, this part analyzes the influence of the individual and overcoming social interests when they appear to conflict, as well as the importance of verdicts in Strasbourg on making a uniformed understanding of verdicts. In the end, from all that was said, we can summon that the ECHR “hid“ its own international court origins and started to look more like an international constitutional court.<sup>1</sup>

The third part, named “National implication“, analyzes various branches of law (criminal law, intellectual property law, contact law, legal history) within different legal systems. In that way, many similarities and differences between common law and civil law are highlighted. First, one of the authors analyses the question of how common law and civil law jurisdictions establish criminal responsibility for collective group crimes. Specific attention is paid to the British Jogee case on JCE and the Dutch Nijmegen scooter case. Then, one of the papers aims to describe and examine the new trend of Taiwan’s legal development, especially Information Technology Law in that Asian country. Reviewing the development of legal history and the formation of its economic market, we can conclude that Taiwan has been strongly touched by foreign influence. The next topic in this part is reserved for the comparative analysis of the conception of a contract in German and English legal systems. The next two papers analyze institutional transplants in Serbia, especially through the example of comparative analysis of the supreme audit institutions in the United Kingdom

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<sup>1</sup> Krisch N. (2008). The Open Architecture of European Human Rights Law: *Modern Law Review*, 71/2, 184.



and Serbia.<sup>2</sup> At the end of this volume, the research is focused on a study of the relationship between the Russian legal system and one of the most significant trends in Modern International Law – the phenomena of regional integration. For the Russian Federation, regional integration found its expression as the Eurasian integration process. That process is characterized by attempts at the integration of states which are connected by a common history, economic and demographic links within the post-Soviet space to create new associations by building common institutions and norms.

The greatest value of this collection of papers rests in the fact that it confirms the actuality of certain universal topics, which do not lose their significance but ask for constant care and elaboration. Common law and civil law, as well as their relation, represent lasting questions and challenges. The answers to these issues may be brilliant at a certain level, however, they are usually temporary and imperfect, always subject to criticism and re-examination. Several very important innovative answers are offered in some contributions, raising the rank of the collection as a whole very high and making it important literature for readers of different orientations.

In the end, the collection of papers “Common Law and Civil Law Today – Convergence and Divergence“ represents an excellent and comprehensive academic study that explores the capacities, effectiveness, and eventual challenges of this legal dichotomy. From its carefully selected authors to its comprehensive collection of articles, this edited volume is an essential resource for students, researchers and practitioners working or studying within both legal systems. Therefore, it can be used both as a scientific contribution and a practitioner’s manual.

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<sup>2</sup> For more details see: Watson A. (1993). *Legal Transplants: An Approach to Comparative Law*. Athens, GA: University of Georgia Press.

# INSTRUCTIONS FOR AUTHORS

## Formatting & Style

### *Paper length:*

Research papers should not exceed 6000 words including abstracts, references, acknowledgements and footnotes.

### *Title page:*

A separate title page should be attached. This will be detached during the refereeing stage to maintain the anonymity of the author. The title page should include: The name(s) of the author(s); a concise and informative title; the affiliation(s) and address(es) of the author(s); the e-mail address of the author(s); the author(s) academic biography, up to 150 words, in the third persons. If the first author is not the corresponding author, this should be clearly indicated.

### *Abstract:*

Please, provide an abstract of 100 to 250 words in English. The abstract should not contain any undefined abbreviations or unspecified references. Please, provide 5 to 10 keywords which can be used for indexing purposes.

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The manuscript text file should be submitted in Word or other similar format. Use a normal, plain font (12-point Times New Roman) for text, line spacing 1 (single), justified. The title of the paper should be written in capital letters, bold, font size 14. Page setup margins should be 2.5 cm (top, bottom, left, right), paper size A4. Use italics for emphasis. Use the automatic page numbering function to number the pages. Abbreviations should be defined at first mention and used consistently thereafter.

### *Paper body:*

An article may be divided into three levels of sub-divisions. Level one section should be introduced by a heading printed in capital letters, bold, centered. Level two sections should be introduced by a heading printed with the initial capital letter, centered. Level three sections should be introduced by a heading printed in Italic with the initial capital letter, centered. Paragraphs should be indented.

*Quotations:*

Any quotation needs to be followed by reference including page number. Use single quotation marks, except where ‘a quotation is “within” a quotation’.

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Use a normal, plain font (10-point Times New Roman). Footnotes can be used to give additional information. They should not consist solely of a reference citation, and they should never include the bibliographic details of a reference. Footnotes to the text are numbered consecutively; those to tables should be indicated by superscript lower-case letters (or asterisks for significance values and other statistical data). Footnotes to the title or the authors of the article are not given reference symbols.

*Acknowledgments:*

Acknowledgments of people, grants, funds, etc. should be placed in footnote on the first page. The names of funding organizations should be written in full.

*Title, abstract and key words in Serbian:*

Title, abstract and key words in Serbian language should be included at the bottom of the text, after the reference list.

## References

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Follow the author-date method of in-text citation. This means that the author’s last name and the year of publication for the source should appear in the text. For legal documents citations should be put in footnotes and cited according to the reference list instructions (see below).

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(Dimitrijević, 2003, p. 33).

When referring to the several works by the same author, provide all the years of publication chronologically after the author’s name.

*Example:*

(Dimitrijević, 2003, 2007).

If there are several works by the same author published in the same year, provide further specification using letters (a, b, c, ...) after the year of publication.

*Example:*

(Radakovic, 2001a, p. 101)

When referring to the several works by different authors, provide the authors' names in brackets following the alphabetical order, separating authors by semi/colon.

*Example:*

(Miljus, 2009; Novičić, 2006; Vučić, 2011, Young, 1999).

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The list of references should only include works that are cited in the text and that have been published or accepted for publication. The references should be listed in accordance with the APA Style. (See: <http://www.apastyle.org/>). Reference list entries should be alphabetized by the last names of the first author of each work. The works by the same author should be listed chronologically from the most to the least recent ones. All references should be in original language. If the reference is not in English translate title of the reference - in square brackets.

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*RLA format example:*

Finney, J. (1970). *Time and again*. New York, NY: Simon and Schuster.

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*RLA format structure:*

Author, A.A..(Year of Publication).*Title of work* [E-Reader Version]. Retrieved from <http://xxxx> or [doi:xxxx](https://doi.org/xxxx)

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**Citing a book found in a database:**

*RLA format structure:*

Author, A.A..(Year of Publication). *Title of work*. Retrieved from <http://xxxx> or doi:xxxx

*RLA format example:*

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Published Conference proceedings citations***

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*RLA format structure:*

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*RLA format example:*

Serviss, G. P. (1911). A trip of terror. *In A Columbus of space* (pp. 17-32). New York, NY: Appleton.

Hemingway, E. (1999). The killers. In J. Updike & K. Kenison (Eds.), *The best American short stories of the century* (pp.78-80). Boston, MA: Houghton Mifflin.

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or Afterword in APA Format:**

*RLA format structure:*

Last, F. M. (Year Published). Section title [Section Type]. In F. M. Last & F. M. Last (Eds.), *Book/anthology* (pp. Pages). City, State: Publisher.

*RLA format example:*

Sanders, S. R. (2007). [Introduction]. In L. Williford & M. Martone (Eds.), *Touchstone anthology of contemporary creative nonfiction: Work from 1970 to present* (pp. 148-151). New York, NY: Simon & Schuster.

Masur, L. P. (2011). Preface. In *The Civil War: A concise history* (pp. Iv-Xii). Oxford, U.K.: Oxford University Press.

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Author, A.A..(Publication Year).Article title.*Periodical Title*, Volume(Issue), pp.-pp.

*RLA format example:*

Nevin, A. (1990). The changing of teacher education special education. *Teacher Education and Special Education: The Journal of the Teacher Education Division of the Council for Exceptional Children*, 13(3-4), 147-148.

#### **Citing a journal article found online:**

*RLA format structure:*

Author, A.A..(Publication Year).Article title.*Periodical Title*, Volume(Issue), pp.-pp.  
doi:XX.XXXXXX or Retrieved from journal URL

*RLA format structure:*

Jameson, J. (2013). E-Leadership in higher education: The fifth “age” of educational technology research. *British Journal of Educational Technology*, 44(6), 889-915. doi: 10.1111/bjet.12103

### ***Magazine citation***

Author, A.A.. (Year, month of Publication).Article title.*Magazine Title*, Volume(Issue), pp.-pp.

*RLA format structure:*

Tumulty, K. (2006, April). Should they stay or should they go? *Time*, 167(15), 3-40.

Citing a magazine article found online

*RLA format structure:*

Author, A.A.. (Year, Month of Publication). Article title. *Magazine Title*, Volume(Issue), Retrieved from <http://xxxx>

*RLA format structure:*

Tumulty, K. (2006, April). Should they stay or should they go? *Time*, 167(15) Retrieved from <http://content.time.com/time/magazine/article/0,9171,1179361,00.html>

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#### **Citing a newspaper article in print:**

*RLA format structure:*

Author, A.A.. (Year, Month Date of Publication). Article title. *Magazine Title*, pp. xx-xx.

*RLA format structure:*

Rosenberg, G. (1997, March 31). Electronic discovery proves an effective legal weapon. *The New York Times*, p. D5.

#### **Citing a newspaper article found online:**

*RLA format structure:*

Author, A.A.. (Year, Month Date of Publication). Article title. *Newspaper Title*, Retrieved from newspaper homepage URL

*RLA format structure:*

Rosenberg, G. (1997, March 31). Electronic discovery proves an effective legal weapon. *The New York Times*, Retrieved from <http://www.nytimes.com>

### ***Website citation***

#### **Citing a general website article with an author:**

*RLA format structure:*

Author, A.A.. (Year, Month Date of Publication). Article title. Retrieved from URL

*RLA format structure:*

Simmons, B. (2015, January 9). The tale of two Flaccos. Retrieved from <http://grantland.com/the-triangle/the-tale-of-two-flaccos/>

**Citing a general website article without an author:**

*RLA format structure:*

Article title. (Year, Month Date of Publication). Retrieved from URL

*RLA format structure:*

Teen posed as doctor at West Palm Beach hospital: police. (2015, January 16). Retrieved from <http://www.nbcmiami.com/news/local/Teen-Posed-as-Doctor-at-West-Palm-Beach-Hospital-Police-288810831.html>

***Lecture citation***

**Citing online lecture notes or presentation slides:**

*RLA format structure:*

Author, A.A..(Publication Year). Name or title of lecture [file format]. Retrieved from URL

*RLA format structure:*

Saito, T. (2012). Technology and me: A personal timeline of educational technology [Powerpoint slides]. Retrieved from <http://www.slideshare.net/Bclari25/educational-technology-ppt>

***Encyclopedia citation***

**Citing an encyclopedia entry in print:**

*RLA format structure:*

Author, A.A..(Publication Year).Entry title. In *Encyclopedia title*, (Vol. XX, pp. XX).City, State of publication: Publisher.

*RLA format structure:*

Kammen, C., & Wilson, A.H. (2012). Monuments.In*Encyclopedia of local history*. (pp. 363-364) Lanham, MD: AltaMira Press.

***Institutions as authors and legal documents***

**Citing an institution document:**

*RLA format structure:*

World Bank.(2010). World development report—Development and climate change.The World Bank, Washington, D.C., USA.



United Nations. (2006, November 9). Delivering as one. Report of the Secretary-General's HighLevel Panel on UN System-wide Coherence in the Areas of Development, Humanitarian Assistance and the Environment, New York.

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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*RLA format structure:*

Military and Paramilitary Activities in and Against Nicaragua (Nicar. v. U.S.), 1986 I.C.J.14, 181 (June27)(separate opinion of Judge Ago).

### **Citing a law:**

*RLA format structure:*

Name of the law, Official Publication where the law was published. Number (Year).

*RLA format structure:*

Zakon o spoljnim poslovima, Službeni glasnik RS.Br. 116 (2007).

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The journal *The Review of International Affairs* publishes original papers and review articles. The journal also publishes lectures given by foreign ambassadors at the IIPE's Ambassadorial Forum, as well as a substantial book review section that identifies the most salient work of both emerging and enduring scholars of International Studies.

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327

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*International problems*  
A scholarly journal in Serbian and English  
Published quarterly

*Evropsko zakonodavstvo*  
A scholarly journal for European Union law  
Published quarterly in Serbian

## BOOKS:

*Security Challenges and the Place of the Balkans and Serbia in a Changing World*, Ana Jović-Lazić and Alexis Troude (eds.), tvrd povež, 2020, 346 str.

Vladimir Trapara, *Ratovi Rusije 1999-2019.*, broširano, 2019, 290 str.

*Integracioni procesi u Evroaziji*, Dušan Proroković, Ana Jović-Lazić (ur.), tvrd povež, 2019, 352 str.

Mihajlo Vučić, *Korektivna pravda pred Međunarodnim sudom*, broširano, 2019, 198 str.

Dragan Petrović, Rajko Bukvić, *Ukrajinska kriza 2013-2019*, broširano, 2019, 232 str.

*Strane investicije u Srbiji – novi pogledi*, Sanja Jelisavac Trošić (ur.), broširano, 2019, 218 str.

*Kontroverze spoljne politike SAD i međunarodnih odnosa u Trampovoj eri*, Vladimir Trapara, Aleksandar Jazić (ur.), broširano, 2019, 216 str.

Miloš M. Petrović, *Nastanak ukrajinske krize: od političke iluzije Evropske unije do bitke za postsovjetsku Evropu*, broširano, 2019, 120 str.

*Balkan u doba globalnog preuređivanja*, Slobodan Janković, Marina Kostić (ur.), broširano, 2019, 204 str.

Miloš V. Jončić, *Međunarodnopravni položaj civilnog stanovništva u oružanim sukobima*, broširano, 2019, 366 str.

Dragan Petrović, *Kraljevina Jugoslavija i SSSR 1929-1935.*, broširano, 2019, 290 str.

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