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Editorial

Dear readers,

"United we stand, divided we fall" - this motto is relevant also for the European Union, when an assessment must be made on how the EU could react to the very strange behaviour of the present Russian government. Not with "green men", soldiers without badges of rank, not with military force. As a soft power, with economic measures, with people-to-people contacts, with diplomacy. This is why the links should not be cut - and this is possible in addition to all firmness. Russians should see what means a good discussion culture in the EU - maybe this will help to have a similar one once in Russia, which should not become Soviet Union 2.0. We want a Russia, which has its great culture, literature, cuisine, other traditions, which is open to trade and for investment, complies to the rule of law and human rights, and where everybody can say and perform arts as s/he wants. And a Russia which is constructive towards its neighbouring states, as well protecting minorities. Then this Russia would not need to distribute ridiculous stories about the EU (and the United States, who play a smaller role as allotted by the ruling Russian party and the government) - like e.g. the EU is ruled by fascists, that Europeans are all homosexuals (so what...) etc. In fact, the cold war is back again, only under a different angle. But this time we can rely, that once the Russian population will, on a long term, not accept the logical economic consequences. And the EU as democratic system will also survive those short-sighted politicians and business leaders who openly advocate to accept the Crimea takeover and the military help to separatists in Eastern Ukraine. A strange alliance between Alexander Dugin from the lunatic paper "Sawdra", right-wing EU politicians - from the otherwise amusing Mr. Gauweiler (German CSU) over the Austrian FPÖ to the French Front National and the leader in the Kremlin, including also Mr. Platzeck (German SPD). This general panel - with some exceptions - leads to thoughts, if not the Russian policies merit the attribute of being close to fascism, at least to a modified, modernized form? If Vladimir Putin needs to play the strongman with navy ships at the G20 in Australia, with superfluous air force manoeuvres, probably another submarine before Sweden, and the downing of the MD17 airliner, then he qualifies himself as irrational. It would be the more the case if he would really think that the EU is split.

Let us hope that we will have a brighter time after the forthcoming Christmas holidays. For this, people-to-people contacts are widely intact. And we will continue to discuss all these questions - also controversially. According to the best traditions of a sound discussion culture.

With best regards,



Hans-Jürgen Zahorka

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Moldova Needs Support from the EU - Just Now!

Moldova will hold elections on 30.11.2014¹. The polls, as far as they are reliable (it is a problem in all transition countries that people sometimes think different compared to what they say - and we know, this also from some EU countries where polls sometimes are not very reliable, too), are predicting difficulties for the government to survive these elections. It is a pro-European coalition government, but, maybe, its lifespan can be somehow extended, however, in variations. There are groups and individuals who openly advocate to join the Putin invention of a Eurasian Union, and they as well as the population do in most cases not really know that the Eurasian Union (or its economic predecessor) cannot be compared to the European Union, at all.

The country is now in the phase of an Association Agreement with the EU, although this is not yet in power. It has been signed at the end of June 2014, then ratified by the Moldovan parliament, and the European Parliament was among the first EU parliaments to ratify it as well, after Romania, Bulgaria, Latvia, Estonia, Malta and Slovakia. The others will follow. Besides, an analysis of the macroeconomic figures which slowly permit some moderate optimism, of the still existing corruption, and, above all, the social situation. The country had repeatedly external trade difficulties with Russia: trade bans mainly for agricultural goods, all politically motivated, for they were all without any problems exportable into the EU who has their own lots of meticulous provisions (SPS = sanitary/phyto-sanitary, veterinary, etc.).

The Association Agreement which will come into power when all EU Member states' parliaments will have approved and ratified the pact, leads to a fully customs-free sales market for Moldova's products, with the exception of some few agricultural and textile goods. It will improve trade and investment and contribute to a sound economic development and to growth. Growth is needed to improve the social situation, to fight poverty, to create purchase power and jobs.

¹ see also the article "Is Moldova's European Integration Irreversible?" by Victor Chirilă, Victoria Bucătaru, Lina Grău in EUFAJ 2/2014, p. 5-19, <http://eufaj.eu/>.

After the success of the visa liberalisation with the EU², there is now also a small success against the prevailing dependency of Russian gas: first of all, little pipeline prolongation for a small sub-region from Romania has been managed. This, of course, cannot settle all the energy problems of Moldova, but has a high psychological importance.



One of the infrastructure tasks: a pavement in the centre of Chisinau, Moldova's capital. Here, nothing has changed since USSR times. Other streets have, however, been renovated.

Moldova has two giant tasks, besides further working for its industry: infrastructure, and agriculture. Infrastructure will be a permanent imperative, starting with streets (besides some main streets), sidewalks, public transport and other relevant structures. If this is done - partly with assistance of the EU, partly perhaps under schemes of public-private partnerships, partly with domestic or foreign investment - hundred thousand of workplaces/year can be created, mainly on the construction business. The "Johannes Hahn package", which was offered right after the start of the new EU Commission by the Enlargement & Neighbourhood Policy

Commissioner Johannes Hahn, from Austria, was and will be a strong push in the right direction.

It is also positive that a campaign has started recently not to give bribes to preschool or school staff. Also in the education system, corruption is a problem: to pass exams, to sit exams, for a better grading, to secure a place in crowded kindergartens and schools. The CNA (Moldovan National Anticorruption Centre) has made a decisive step, as it seems, to get to know everything what is a bribe or similar for any school employee.

² As all Transnistrians can have a passport of Moldova (and even ministers often have it!), they can profit of the visa-free circulation between Moldova and the EU.

But the most promising is that Moldova wants now to modernize its agriculture³. GNP of the country increased in 2013 for 8,9%, of which about the half was reached by agriculture and the food industry. Agricultural production increased 38,3% - a very high figure, but to be seen before the drought of the precedent year. Although it is very important for the country, the significance of agriculture decreases generally: while in the middle of the 1990s the agriculture share in GNP was still 25%, it is now only 10%. This is also an overall picture of the EU and is owed to the government's efforts, to make economic growth less dependent on natural influence. A national strategy will coordinate various efforts, by different donors and own capital funds, also in the direction of better and more exports. Moldova is for now, yet, the poorest country in Europe; this is a logical step to overcome this situation.

The EU should play also a bigger role regarding Transnistria. This is a strip of land, oriented to and financially supported by Russia. This frozen conflict - like others - seems not to be in the interest of Russia to be solved. Moldova, however, tries to maintain an osmotic border for persons, for business activity on its territory where hundreds if not thousands of Transnistrian enterprises are registered.

What is suggested here is that the citizens of the EU can actively prevent a Ukraine 2.0 situation, with some preventive measures, e.g. people-to-people contacts and information should play a bigger role, from the EU side. The language barriers are manageable: In Moldova, people speak either Moldovan (Romanian), or Russian, or both. Many younger people also speak English, and with Italian and/or French, one can often make themselves understood. Some people who may have worked a while in Germany also speak some German.

The political elite should be set on a broader basis: very often, voluntary but interesting tasks can only be managed by local think tank staff which is well loaded otherwise. In the ministries one can find open, transparent thinking and likewise action, but sometimes also very bureaucratic and retro-looking. There should be several short information programmes for the broad population, and this not only in Chisinau. There is a need for a certain information and political value-oriented "Mittelstand". This will not be easy, but it should be started, including schools and universities. Also business should be offered attractive compact courses about the EU and "European values". The EU has now Romania, which has no language problems, and this should be used and exploited.

³ see also: Michael Marks, Republik Moldau will ihre Landwirtschaft modernisieren, Germany Trade & Invest 6.11.2014,

People-to-people contacts are of utmost importance. When a staff member of this journal once was flying once to Moldova's capital Chisinau, he was sitting on the plane with two ladies from the Nürnberg-based Tiernothilfe Moldawien e.V., a German-Moldovan association active among others in saving dogs, castrating them, so that they cannot reproduce, mediating them sometimes to an appropriate dog holder in Germany, and setting up a dog shelter in a town outside of the capital. They maintain close cooperation with colleagues in this town (and all complained about corruption among the Romanian customs staff). But people-to-people contacts include also university and school contacts, as well as town twinnings (this could be a real task to broaden the number of twinnings between Moldova and the EU). However, who advocates town twinnings must know that right now a broad exchange is a unilateral affair concerning travel costs.

It should not be underestimated what the EU does already now. Among others, the EU and the United Nations Development Programme (UNDP) run an EU High Level Advisory Group, with seasoned experts from the EU in most of the ministries. There they have a lot to do, and all this brings a certain coherent policymaking, although sometimes they have to fight their own ministries and their very traditional bureaucracy.

Again, only in October 2014, Russian President Vladimir Putin criticized Moldova for refusing to hold consultations with Moscow on its Association Agreement which will strengthen ties between Chisinau and the European Union⁴. Speaking about the Commonwealth of Independent States (CIS) summit of October 10, 2014 in Minsk, which was also attended by Moldovan President Nicolae Timofti, Putin said Moldova's Association Agreement with the EU may affect economic ties between Russia and Moldova. He pointed out that the implementation of the free-trade part of the EU-Ukraine deal was postponed until December 31, 2015 as a result of the Kremlin's "intense consultations with the EU and Ukraine." He said Chisinau had not responded to Moscow's "numerous calls" to do the same. It will be interesting for the EU to see what the Moldovan policy will be towards the "big bear" in Russia, after the elections.

Moldova has a common history with one of the EU Member States, Romania, and its citizens are sensible to what we understand as "European values". However, they have been disappointed for decades - the Soviet Union, then the transition problems, now social problems which can hardly be quantified. But life goes on, and the restaurants and bistros are well frequented, there are (too) many cars driving in the cities, and public transport is incredibly cheap (2 Lei per trolley bus trip

⁴ see RFERL 10.10.2014

in Chisinau - one really must test these buses, some of them rather new, some of them oldtimers, and in every bus a person who collects 2 Lei per passenger (around 0,11 EUR). This way to get to know Chisinau should be tested as long as it is still that inexpensive. Until many people from the countryside can go to the European Union, which is now much too expensive for them, and they can only dream of this.

EUFAJ

What does Russia really want with Abkhazia?

Sergei Markedonov



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*This article was also published in *The Caucasus Times* and openDemocracy (see more under: <https://www.opendemocracy.net/about>). For the latest events see the next article.*

Talks about a new treaty between Russia and Abkhazia have been going on for some months now, but until the actual document appeared, the discussions were mostly conjecture and speculation: what principles would underlie this agreement between Moscow and Sukhumi? Would the aim be to hand over Abkhazian sovereignty to the Russian Federation? What limits could be placed on Russia's ambitions, and where might these limits begin and end?

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Hedging its bets

In Abkhazia, these questions have been the subject of wide public discussion, but in Russia have only been debated in specialist circles – a fact that highlights the one-sided character of relations between the two countries. For a major power like Russia, with the pretensions to be a global player, a question about state building in a small republic with limited international recognition is an obscure subject, just one element in the bigger political picture. However, a political crisis that unfolded in Abkhazia this year has given the discussions a new urgency.

The crisis had in fact been brewing for some time. The government's opponents were already voicing their discontent with the rule of the republic's third president Aleksandr Ankvab, in 2013, but the Sochi Winter Olympics and a reluctance to spoil relations with Moscow meant the denouement was postponed until this year. Many linked both the crisis and Ankvab's resignation, with his government's unwillingness to sign a new agreement reflecting the current state of Russo-Abkhazian relations.

On 13 October 2014, however, the Abkhazian Parliament received from Moscow the first draft of a treaty on 'alliance and integration' with Russia. The very name of the document allayed some alarmist fears, since it was not presented as an Association Agreement, a term that had caused some disquiet in previous discussions. But a document does not consist solely of a title, and the content of this one received an emotional and complex reaction. What was also important, however, was the fact that the new presidential administration sent the draft to parliament with a recommendation that it return it with its comments and suggestions within two weeks, sending a clear message of intent from new president Raul Khadjimba to both his own supporters and also to those who had not voted for him but would no doubt have to deal with him.

This tells us that the new team has at least learned some lessons from the failures of its predecessors. A back-door attempt to push the draft treaty through would have aroused all sorts of fears, phobias, and mixed reactions, and triggered a mass backlash even among Khadjimba's supporters. So the new government is hedging its bets: if something goes wrong, blame can be apportioned equally between Moscow and Sukhumi.

In any case, the draft agreement cannot be regarded as a working document. Russia may well get a much-revised version back; and its final adoption may take some time. It will be discussed and commented on not only by Abkhazian MPs but also by representatives of the republic's NGO sector, who regard the present discussion as insufficiently open and transparent. They would prefer a wide debate on the agreement from the beginning, and not when it is completed and presented

to the public after some backstage reworking and backroom deals. Moreover, even when the treaty comes into force, many of its provisions on, for example, the armed forces, trade, social welfare, and pensions, will be the subject of separate detailed agreements.

The emotional response

But what is causing such an emotional response among Abkhazians? Here we need to bear in mind that territories with ‘disputed sovereignty’ (or as some specialists refer to it, ‘suspended’ sovereignty) are naturally very sensitive about the whole subject of sovereignty. Unrecognised or only partially recognised statehood can give rise to questions, scathing comments, and sometimes contemptuous sneers; and for the governments and populations of such states, any question about handing over powers to anyone else is a cause of deep sensitivity and alarm.

If Russia, a nuclear power and permanent member of the UN Security Council, puts the preservation of its ‘full sovereignty’ at the centre of its relations with the West (in both its internal politics and on the global stage), then little Abkhazia, recognised by only a handful of other countries, regards any intervention from outside with apprehension, at the very least.

The draft Russo-Abkhazian agreement does, however, contain clauses proposing the handing over of a considerable chunk of sovereignty to Russia, in the shape of ‘a concerted foreign policy,’ and ‘the formation of a common defensive and security zone’ that will include ‘the creation of a ‘joint force for repelling any attack from outside,’ as well as joint operations to protect the Republic of Abkhazia’s borders.

Another clause provides for the creation, within a year of the treaty being signed, of a Coordination Centre to facilitate joint police action against organised crime, and other dangerous criminal activities, and extremism on Abkhazian territory. The treaty would also create a single trade and customs zone across the two countries, although Russia would set up a ‘specialised customs agency’ whose monitoring activities would have to be recognised by the Abkhazian authorities.

In essence, there is nothing new in this document. Russia already has an FSB border checkpoint inside Abkhazia; and agreement has also been reached on a joint army base. The only extra element here is integrated policing.

The citizenship question

One section of the treaty has attracted less attention as it is by definition less political, and mainly covers the gradual harmonisation of social welfare and pensions in the two countries. But it does contain a more interesting clause, on a key question for any country – citizenship. At first glance this does not look particularly controversial, establishing as it does the principle of encouraging and simplifying the naturalisation of citizens of one country in the other. But in terms of citizenship legislation, Abkhazia is in fact the most rigid of any de facto Eurasian state.

Historically, Abkhazia was one of the small Caucasian states that shifted between the Ottoman and Russian empires; and in 1810 it became an autonomous principality within the latter. In Soviet times it became an autonomous republic inside Georgia, but as the USSR crumbled, ethnic tensions grew, and in 1992-1993 led to a war between Abkhazia and a now independent Georgia; and to Abkhazia's declaration of independence in 1999. As a consequence, the Republic of Abkhazia refuses citizenship to anyone who, by fighting against it, effectively called its national project into question.

That means mostly ethnic Georgians who left Abkhazia during or after the fighting. Another factor affecting this hardline stance on nationality is the high Abkhazian population loss at the time, estimated at 2000-4000 out of a pre-war 93,000; and the fears of both the Abkhazian government and the general public that returning ethnic Georgians with Russian citizenship could buy up property in Abkhazia. Until now, property rights for Russian Georgians have been somewhat 'selective,' but the draft treaty effectively outlaws this selectivity; and in private Abkhazians are much more afraid of this potential shift in the ethnic balance than about all the military stuff.

It is not just an influx of Georgians that worries them: easier access to Abkhazian citizenship opens the way for Russians to acquire property in Abkhazia, or to attempt to reclaim property they owned previously, which does nothing to endear the document to the Abkhazian elite and the public.

Asymmetric allies

This brings us back to the subject of the inevitably complex questions and contradictions in the relations between asymmetrical allies (although it does not exclude the possibility of their being resolved). Abkhazia aspires to autonomy and independence, but is dependent on Russia for its defence and security, not to mention balancing its budget – everything from social benefits to post-

war reconstruction). For its part, Russia wants greater access to the Caucasus and the Black Sea, offering opportunities for big business and a barrier to NATO penetration into Georgia (and the post-Soviet space in general). At the same time, however, Moscow cannot apply an ethnocratic principle to its own citizens, since any exclusion along ethnic lines would create a dangerous precedent. Abkhazia, on the other hand, while recognising all the advantages of ‘opening up the republic’ (new investment and greater financial viability), can also see a downside in moving away from the ‘ethno-democratic’ model that has developed since its armed conflict with Georgia.

All these contradictions can be resolved – they are an inevitable factor in any discussions about an alliance or partnership. Moreover, the text of the treaty (or rather, its silence on several subjects) shows it to be based on compromise. In truth, Abkhazia has to compromise, but looking around at Russia’s relations with its other neighbours there has not been much evidence of a willingness to do that.

On the So-called Treaty between Abkhazia and Russia - and Reactions to it

On November 24, 2014 Russian President Vladimir Putin and the President of Abkhazia Raul Khajimba signed an agreement on cooperation and strategic partnership. An earlier, more provocative version of the document referred to “integration” with Russia and included a proposal to fast-track Russian applications for Abkhaz citizenship, which would have allowed Russians to acquire property. Both elements were dropped from later drafts.



The agreement between Russia and Abkhazia **provides, inter alia, military alliance**, under which the parties undertake to help each other in the hypothetical case of external aggression. It is also planned **to create a United group of troops**, it must be formed not later than one year from the date of entry into force of the Treaty. In conjunction with the signing, Putin announced that **Russia would invest more than 12bn roubles (\$270m) in Abkhazia** over the next three years, a figure equivalent to more than twice Abkhazia's 2014 government budget. **Russia will provide financing for Abkhazia to increase government salaries, pensions and healthcare plans to the same level as those in Russia's southern district.**

The agreement comes at a time of increasingly belligerent Kremlin behaviour towards its former Soviet neighbours, including the annexation of Crimea in March and a dramatic increase in Russian military incursions into Baltic countries' airspace. Abkhazia, an 8,700 square kilometre stretch of land along the eastern coast of the Black Sea, gained de-facto independence from Georgia after a war in 1992-1993 that followed the collapse of the Soviet Union. After Russia's five-day war with Georgia in 2008, Moscow acknowledged it and South Ossetia – another breakaway Georgian territory – as independent states, although they are still considered part of Georgia by the international community.

Furthermore, analysts said the timing of Monday's **agreement appeared to be a message to Tbilisi, the Georgian capital, which signed an agreement with the EU in June** to cement closer ties with the bloc. Thomas de Waal, senior associate at the Carnegie Endowment for International Peace, said the Abkhazia treaty "looked to be Russia's answer to Georgia's Association Agreement with the European Union".

The agreement with Russia follows political upheaval in Abkhazia in May 2014, when thousands of protesters stormed the presidential administration and unseated the president, a move some believe was supported by Moscow.

On the 24th November, 2014, **two competing protests were held in Sukhumi, the Abkhazian capital – one in favour of and one against the treaty with Russia.** The latter found it to impinge on the sovereignty of Abkhazia.

Raul Khajimba, Abkhazia's president, rejected the suggestion that he was surrendering the republic's sovereignty, saying in an interview with Abkhazian state TV that the **new agreement laid "a new framework for our equal co-operation with Russia"**.

Meantime, **Vladimir Putin** noted that the **agreement aims at improving social standards in Abkhazia.** He mentioned that the **investment projects** of the Republic **will be spent annually over four billion rubles**, reports *RIA Novosti*.

However, **Georgia did not approve the signing of the document, moreover, the international community refused to recognize it, either.**

The agreement has caused protests from the Georgian authorities, who still consider Abkhazia their territory. **Georgian Foreign Ministry** warned that **“The signature of this document is directed against Georgia's sovereignty and territorial integrity, and constitutes a further step taken by Russia towards the annexation of Georgia's occupied region of Abkhazia. ...The Ministry calls upon the international community to properly assess, both politically and legally, Russia's actions and exercise due pressure on Moscow. The firm and unanimous support of the international community will be of decisive importance as part of efforts to bring an end to Russia's destructive activities”.**

Georgia's State Minister of European and Euro-Atlantic Integration David Bakradze also responded to the recent developments in Abkhazia after meeting with head of European Union (EU) delegation to Georgia Janos Herman. He stated, "Despite the fact that the treaty is not legitimate according to international law, of course it causes a lot of concern. **This raises threats and challenges for Georgia and for the European and Euro-Atlantic security architecture.** Therefore actions of the Georgian Government are directed towards mobilising the international community so that the pressure and the successive and firm policy from EU and Euro-Atlantic structures continues until a result is reached". Bakradze also stressed that the Georgian Government will focus its efforts on European and Euro-Atlantic integration and for opening European and Euro-Atlantic perspectives for Georgian citizens, including those who lived in breakaway Abkhazia and Tskhinvali (South Ossetia).

As mentioned the international community also rejected the treaty:

The representative of the USA State Department Jeff Ratko stated “The United States’ position on **Abkhazia and South Ossetia** remains clear: these regions **are integral parts of Georgia**, and we continue to support Georgia’s independence, its sovereignty, and its territorial integrity. **The United States will not recognize the legitimacy of any so-called “treaty” between Georgia’s Abkhazia region and the Russian Federation.** We once again urge Russia to fulfill all of its obligations under the 2008 ceasefire agreement, to withdraw its forces to pre-conflict positions, to reverse its recognition of the Georgian regions of Abkhazia and South Ossetia as independent states, and to provide free access for humanitarian assistance to these regions. We renew our full support for the Geneva international discussions as a means to achieving concrete progress on security and humanitarian issues that continue to impact the communities on the ground in Georgia”.

The statement of **NATO Secretary General Jens Stoltenberg** said “**NATO fully supports the sovereignty and territorial integrity of Georgia** within its internationally recognised borders. Therefore, **we do not recognise the so-called treaty on alliance and strategic partnership signed between the Georgian region of Abkhazia and Russia** on 24 November. This so-called treaty does not contribute to a peaceful and lasting settlement of the situation in Georgia. On the contrary, it violates Georgia’s sovereignty and territorial integrity and blatantly contradicts the principles of international law, OSCE principles and Russia’s international commitments. **We continue to call on Russia to reverse its recognition of the South Ossetia and Abkhazia regions of Georgia as independent states and to withdraw its forces from Georgia**”.

The **EU High Representative/Vice-President Federica Mogherini** stated that, “**The Russian Federation’s signature today of a so-called “Treaty on Alliance and Strategic Partnership”** with Georgia’s breakaway region of Abkhazia is detrimental to ongoing efforts to stabilise the security situation in the region. Just like earlier agreements signed between the Russian Federation and Abkhazia, this **violates Georgia’s sovereignty and territorial integrity, contradicts principles of international law and the international commitments of the Russian Federation**, including the 12 August 2008 Agreement and its Implementing Measures of 8 September 2008. The EU reiterates its firm support for the sovereignty and territorial integrity of Georgia within its internationally recognised borders”.

The **co-rapporteurs of the Parliamentary Assembly of the Council of Europe (PACE) for the monitoring of Georgia**, Michael Aastrup Jensen (Denmark, ALDE) and Boris Cilevics (Latvia, SOC), have also expressed their deep concern over the treaty: “**This proposed agreement violates international law and is another example of the creeping annexation of the Georgian region of Abkhazia by the Russian Federation**,” they said. “Instead of creating new barriers between peoples, Russia should rather encourage and facilitate contacts between people residing in Abkhazia and those in the rest of Georgia.” The Baltic Assembly expressed; “it’s deep concern over the Russia-elaborated and imposed so called “Treaty on Alliance and Integration” with Georgian region of Abkhazia”. They reiterated their full support for the sovereignty and territorial integrity of Georgia within its internationally recognised borders. The Assembly highlighted that “such measures violate territorial integrity and sovereignty of Georgia and contradicts the principles of international law, OSCE principles and Russia’s international commitments made in 2008. Actions by the Russian Federation will entail imminent implications on the security and stability on the ground and wider region and will not contribute to the peaceful resolution of the Russia-Georgia conflict. **The Baltic Assembly calls on the Russian Federation to stop provocative actions against Georgia, withdraw the so called draft “treaty” and to fulfil its obligations under the ceasefire agreement of 12 August 2008 and its subsequent implementing measures of 8 September 2008**, including the constructive participation in the

Geneva International Discussions and free access of the EUMM to the Georgian regions of Abkhazia and the Tskhinvali region/South Ossetia. We also reiterate the call for unhindered access for humanitarian organisations to these regions”.

The Estonian Foreign Minister Kate Pentus-Rosimannus stated that **the agreement** between Russia and Abkhazia **indicates the desire of Russia to annex the part of Georgia** (Abkhazia is recognized only by Russia and some other States in the West, this area is considered part of Georgia), reports *Newsru.com* with reference to the publication of Postimees. As noted Pentus-Rosimannus, **"this step violates the sovereignty of Georgia, in violation of international law and the commitments that Russia has undertaken before the Council of Europe, and the so-called sixth point peace plan"**.

Also, **Lithuania** expressed its firm support for the sovereignty and territorial integrity of Georgia within its internationally recognised borders, **concurring the 24/11/2014 statement of HR Federica Mogherini**. Lithuania stressed “the importance of the Geneva International Discussions in ensuring the security and stability in the region and reaching for peaceful resolution of the conflict”.

Migration Issues in Armenia: Genocide, Inflow and Brain-Drain

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Abstract

Why are there more Armenians outside the borders of Armenia than in the country itself? Why did Armenians almost always had to leave their birthplace, willingly or most of the time unwillingly, to seek for a better future for themselves and for their children? And why does this tendency continue to grow even nowadays? We will look through the historical development of the events that were the cause for the Armenians to widely spread in the world and give birth to new generations, trying to preserve their 'Armenianess' and Armenian roots by founding Armenian Apostolic churches and Schools in the new lands of their residence.

In these countries, which will be mentioned in details later, the Armenians have reached success in their carriers in such spheres as business, politics, medicine, arts, etc. Alongside the older generations of the Armenians, the younger generation is leaving Armenia for a lot of different purposes, among them being education, relatives living abroad, work and family.

The purpose of this study is to give detailed explanations on each of the causes and reasons explaining why from the eleven millions of Armenians only three millions live in Armenia and why even now in the 21th century they are still continuing to leave it, with or without a hope to go back to the motherland one day.

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Introduction

The history of Armenia or (Hayastan - Հայաստան in Armenian) dates back to the ancient times - as far as 5000 years. The origins of the Armenians begin from the highlands of the Biblical Mount Ararat. The people inhabiting there called themselves Hay in their language and were called Armenians or “people of Ararat, (Urartu, Aratta) by others.”⁵ They called themselves Hay after their ancestor Hayk who was one of the grandsons of Japheth, Noah’s son. According to the father of Armenian History Movses Khorentasi, who lived in the 5th century AD, Japheth called his son Togarmah (Torgom in Armenian) who was mentioned by Armenian and Greek historians as the grandfather of the Armenians. Hayk, his son, who is considered to be one of the heroes of the Armenian epic, was the leader of the group of the people that migrated to the south, near to the lands of Babylon. However, that land was being kept in tyranny by Bell and soon after Hayk’s son grew up he went back to the Mount Ararat and found his home there.⁶

The Armenian Empire was at the peak of its success during the reign of Tigran the Great (Tigran Mest) in 95-55 BC. As it can be seen on the map below, the territory was rather big and was surrounded by the Caspian Sea in the North East, the Black sea on the North West and the Mediterranean Sea on the South West. The map shows the territories of the Armenian Empire during 95-66 BC.

⁵ Thomas J. Samuelian , “Armenian Origins: An Overview of Ancient and Modern Sources and Theories”

⁶ Thomas J. Samuelian , “Armenian Origins: An Overview of Ancient and Modern Sources and Theories”

The Empire of Tigran the Great, 95-66 B.C.



The original source of the Map is: Robert H. Hewsen "Armenia: A Historical Atlas". The University of Chicago Press, 2001, ISBN 978-0-226-33228-4. Map 20 (The Empire of Tigran the Great, 95-66 BC), page 34.⁷

⁷ http://commons.wikimedia.org/wiki/File:Maps_of_the_Armenian_Empire_of_Tigranes.gif

The following several hundred years after the death of Tigran the Great the Empire was not able to preserve its territory and already in the 30th BC it was conquered by the Roman Empire. However, in 62 AD the Romans were defeated by the king Tiridates that came to power in 53 AD in Armenia. The further ruling of the country was in the hands of not one king but small kingdoms, which is, of course, one of the reasons for an Empire to fall.

The middle ages were relatively prosperous for the Armenian art and culture though it was under the control of the Byzantine Empire and already at that time the Armenians started to concentrate towards the territories of the Black sea and Cilicia. Things changed dramatically in 1453 when the Ottoman Turks invaded the territory and came to power and established the Ottoman Empire. In the 18th century Armenia was again divided between the Tzarist Russia and the Ottoman Empire into Western and Eastern Armenia. Eastern Armenia is now the proportion of the part that went under the control of Russia and gained its independence after the collapse of the Soviet Union.

Western Armenia is now completely in the territory of Turkey which at the beginning of the 20th century launched a wide policy of eliminating all the Armenians living in land of their origin and that resulted in the 1915-1923 Genocide of the Armenians during which 1.500.000 (one million and a half) Armenians were killed and a lot more had to flee to different countries of Europe as well as to the USA, Latin America and Russia.

The people living in the Eastern part of Armenia, which was one of the 15 states of the Soviet Union, were migrating internally but the migration rate was not that high as it was after the collapse of the Soviet Union. The two prominent stages of migration were the 1988 Spitak Earthquake and the 1992 war with Azerbaijan. The following years were really challenging for the country and for the people, struggling to overcome the disastrous conditions the country found itself in. The economic conditions and low living standards as well as constant war threats by Azerbaijan make people leave their homes and try to find a better life somewhere else even now.

As it can be seen, the Armenians have had to leave their country over the centuries, forming the Armenian Diaspora worldwide. The process has not been homogeneous because the country was separated into two parts. Thus, we need to consider different historical periods and conditions that caused the major waves of emigration. The further parts of this essay will be devoted to the detailed analysis of those continuous conditions and the events, supplemented with numbers drawn from Armenian National databases and official international resources.

When did it all start?

The first information about the Armenians' 'journeys' is coming to us from 1045. At that time Armenia was invaded by Turkic and Mongol conquerors which made the Armenians seek their new homes: "around the Black Sea, in what is now the Ukraine and southern Poland, in largely artisanal and mercantile communities, subject to indigenous rulers; and in the region of Cilicia (now the southeastern strip of Turkey's Mediterranean coast), where most of the emigrating feudal nobility and highest clergy settled (along with their client populations), achieved domination over the fragmented native peoples - mostly the Greek and Syriac, with no single dominant majority — and founded a state that lasted nearly three centuries (roughly 1075–1375)."⁸ This situation lasted till 1453 when the Ottoman Turks conquered Constantinople and renamed it into Istanbul. In 1461 there the Armenian *millet* was created⁹ which meant that all the Christians of that area were under the control of the Armenian apostolic church which was enjoying the assistance of the nobles of that time. However, the highest instance was the Ottoman emperor.

The years of 1605-1784 are mentioned by Tololyan as the timeline during which the merchant Armenian diaspora was developing and prospering. The countries of their concentration encompassed such countries as India, Iran, the Netherlands and Java. Due to the wealth and intellectual abilities, the Armenian merchants had also political power and could impose certain things such as the formulation of nationalist views by printing the first newspaper in Madras, India, in 1794. A well-known Catholic order of monks, the Mkhitarians (the Mechitarists) were printing and distributing dictionaries, poems and other works, but alongside they were also printing papers with Italian, German and French nationalistic ideas and views, enlightening the Armenian diaspora worldwide.¹⁰

The founder of this 'family' is Mkhitar Sebastaci who was born in the Ottoman Empire and wanted to improve the level of education of the Armenians under the Turkish rule. Hence, he moved to Italy and founded the Armenian Catholic Church in Venice in 1717.

Making a leap in history for a couple of hundred years, we need to get to the first actual great wave of imposed and forced migration of the Armenians during which a lot were killed, others remained homeless and were sentenced to seek a new home far from their roots.

⁸ Khachig Tölölyan, 2001, Elites and Institutions in the Armenian Transnation

⁹Ibid.

¹⁰Ibid.

The Genocide

The Armenian Genocide of the 1915 is considered to be the first biggest cause of the massive spread of thousands of Armenians all over the world. At the roots of the violations of all possible and impossible types of human rights, that can come to one's mind and go beyond any imagination on the degree of its inhumanity and cruelty, stand several reasons.

At the beginning of the 19th century the Ottoman Empire was experiencing a serious decline because 1) a lot of its parts were given away to Europe and Africa and 2) the Christian minorities and, primarily, the Armenians were requesting autonomy and reduction of taxes from which they were suffering heavily. Another factor - which was threatening for the Turkish government - was the persistent demands of the national minorities, mainly the Armenians, to have a representation in the government. Along the history of the Ottoman Empire, the Armenians were occupying certain leading roles in its political life, for example in the Ministry of Foreign Affairs there were Armenian ministers and Armenian undersecretaries: "Mihdat Pasha had one *Odyan* Efendi, Mahmud Nedin Pasha had one Artin *Dadyan* Efendi, Safvet Pasha had one Serkis *Hamamchyan* and Huseyin Hilmi Pasha had one *Noradonkyan* Efendi."¹¹ This kind of distribution of posts at the Ministry was mostly because "...Armenians constituted the intellectual backbone"¹² of the latter.

However, with the end of Abdul Hamid Sultan's reign in 1909 and emergence of the Young Turks the situation changed and the Armenians began to concede their places to the Turks since, firstly, the new government could not stand the idea of sharing the political power, secondly, seeing the massive upheavals in the Balkans that managed to become free of the Ottoman yoke, the new government was really concerned of taking steps in order to prevent a similar situation to happen in case of the Armenians. And the most striking of all the reasons was the idea of the Islamic movement to create a state where the Muslims would dominate; the so-called policy of Pan-Turkism, which had been developed from the 16th century.

The main caretakers of this project were "Enver, the Minister of War; Talaat, the Minister of the Interior (Grand Vizier in 1917); and Jemal, the Minister of the Marine. The CUP (Committee of Union and Progress) espoused an ultranationalistic ideology which advocated the formation of an *exclusively* Turkish state. It also subscribed to an ideology of aggrandizement through conquest directed eastward toward other regions inhabited by Turkic peoples, at that time subject to the

¹¹ Dogan Gurpinar (2014), Ottoman Imperial Diplomacy: A Political, Social and Cultural History

¹² Ibid.

Russian Empire.”¹³ The order for the deportation of the civilian Armenians from their homeland came into force starting from April 22, 1915.

It was a very well-planned, multi-phased strategy on the elimination of the entire population. Firstly, the central government of Turkey ordered to arrest all the prominent Armenians of that time. Those Armenians constituted the so-called intellectual layer of the population who were able to make the violations happening in Turkey, being heard in the other parts of the world by raising their voices. There were a lot of politicians, doctors, lawyers, monks, musicians as well as representatives of art and science among them. As a result, two hundred and seventy people were gathered and slaughtered violently on the 24th of April, 1915. Below is the picture of those notables who were taken into a death march and were eventually killed by Turkish soldiers.¹⁴



The Second phase was the recruitment of the Armenian men to the Turkish army to fight against the Turkish enemies during the First World War. However, the plan was rather cruel than that. As soon as they were in the army, they were disarmed and killed by the Turkish soldiers to leave the most vulnerable part of the Armenian population, i.e. women, children and elderly, without any protection.

By these two phases they managed to weaken and threaten the Armenians to show them that they had no choice but obey. The rest of the population underwent the deadly deportation which was

¹³ Rouben Paul Adalian <http://www.armenian-genocide.org/genocide.html>

¹⁴ <http://www.azad-hye.net/news/viewnews.asp?newsId=319lgz11>

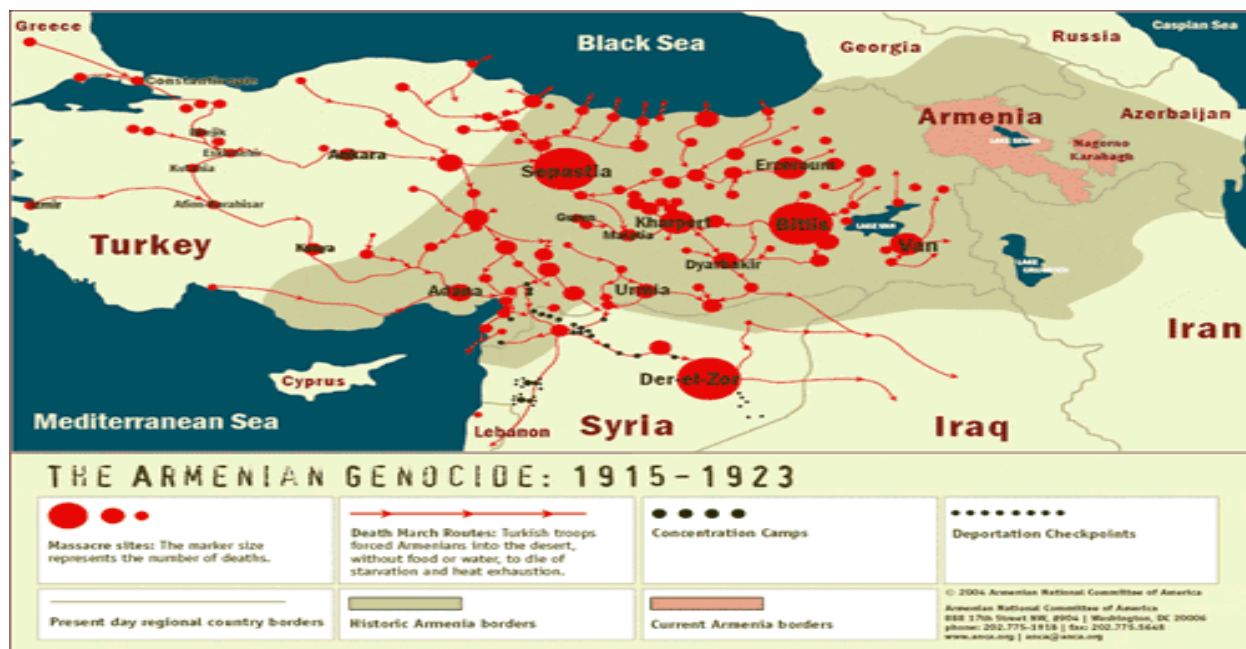
called resettlement by the Turkish government. Hundreds and thousands of women, children and elderly were forced to walk to the deserts in Syria and Iraq without any food and shelter. The soldiers that were leading those people were ordered to literally do whatever they wanted. For the most of the Armenians who didn't convert to Islam and remained Christians these wanderings in the desert were fatal; children and women were killed, raped, burnt alive and tortured heavily, a lot of children were sold during the human trafficking and grew up as Muslims without knowing their true origin. The number of those who managed to survive and escape to Eastern Armenia, to different countries of Europe and Americas constituted five hundred thousand, while one million a half perished, letting their further generations pray for their souls, mourn and demand the recognition of the Genocide from the International Community. Out of the many official documents found in the archives and publicized, below is one taken from the official site of the Armenian National Committee of America: "Henry Morgenthau's report of his conversation with Talaat Pasha dated 8 August 1915. *United States Diplomacy on the Bosphorus: The Diaries of Ambassador Morgenthau 1913-1916*, p. 298.

*"I argued in all sorts of ways with him but he said that there was no use, that they had already disposed of three quarters of them, that there were none left in Bitlis, Van, Erzeroum, and that the hatred was so intense now that they have to finish it. I spoke to him about the commercial losses and he said they did not care, that they had figured it out and knew it would not exceed for the banks etc. five million pounds. He said they want to treat the Armenians like we treat the negroes. I think he meant like the Indians. I asked him to make exceptions in some few cases which he promised to do."*¹⁵

Eventually the deportations, mass killings and eliminations of Armenians ended in 1923, by that time the biggest part of the population having been killed and with almost no Armenians in Western Armenia.

In the below map the red spots, where the massacres were taking place and the routes, which people were forced to take and meet their death, are depicted. As it can be seen, the biggest number of the victims are in Sepastia, Bitlis in the desert of Der Zor in Syria and at the coast of the Black Sea.

¹⁵ <http://www.anca.org/genocide/records.php>



The Armenian Genocide 1915-1923, by Armenian National Committee of America¹⁶.

The relatively small pink spot on the right corner is the territory of nowadays Armenia which is left from the huge Empire, it once used to be. From this point on Eastern Armenia will be the subject of investigation on its demography and migration issues.

Spitak Earthquake, Collapse of the Soviet Union, the War with Azerbaijan

We have seen one of the reasons why there are so many Armenians who live in different countries of the world, starting from older times. After the Armenians were eliminated from the land of their origin, the part of Armenia, that was under the control of the Tsarist Russia and afterward gained its independence, is now considered to be the home for so many Armenians out there. However, the historical development of the events that came to the fore in Armenia triggered emigration waves from Eastern Armenia (further Armenia) itself.

¹⁶ www.anca.am

From 1922 with the invasion of the Bolshevik Army Armenia joined the Soviet Union and was one of the fifteen constituent countries up to 1991. During the Soviet times, up to 1970, the USSR was a growing and prospering economy and all the constituting countries were tied up by the import and export of goods. With the decline of the development of the economy of the Soviet Union, the migration rates, both seasonal and permanent, went up.

The Spitak Earthquake, mentioned above, is the starting point for the end of the transitional period which, according to the UNDP (United Nations Development Program) National and Human Development report, lasted from 1960 to 1988 - the actual year of the earthquake.¹⁷ During this period the migration, both external and internal, was relatively stable and, on the contrary, immigration was more active than emigration. “The annual net migration was 13,000-14,000 people, constituting a permanent source of population increase, migration accounted for about one fifth of the population growth. The flows responsible for this situation were clearly of an ethnic character. About 9,000-10,000 ethnic Armenians permanently relocated to Armenia every year from other Soviet republics in a process of migration between the Soviet republics, mainly from Azerbaijan and Georgia 2,000-4,000. Diaspora Armenians relocated to Armenia every year mainly from the Middle Eastern countries such as Iran, Syria, Jordan and others.”¹⁸

In 1975, after the Helsinki Summit, as a result travelling to the West from the USSR became much easier and a lot of Armenian who were inhabiting in Armenia left it for various Western countries. In addition to the above mentioned, the period from 1988-2001 is characterized with a range of factors that had their specific influence on the migration pace and form. This period has the three of the dramatic periods in the history of Armenia from the migration point of view. Firstly, the 8 December 1988 Spitak Earthquake is to be mentioned which took 25,000 lives and a lot more changed their place of living because of medical assistance which was not possible to acquire in Armenia at that time. After losing their homes some had to go and live with their relatives in different countries, others had to seek jobs in the constituent countries of the Soviet Union or abroad because a lot of local factories became malfunctioned as they were destroyed by the earthquake.

A few years later, in 1991, the USSR collapsed and changed the lives of many people upside down. There were people who used the situation for their favor, others had to cope with the situation as much as they were able to do in order to provide the minimal living standards of their families.

¹⁷ UNDP Armenia, National and Human Development Report (2009), Migration and Human Development: Opportunities and Challenges

¹⁸ Ibid.

The Nagorno-Karabakh conflict and the 1992 war with Azerbaijan which ended in 1994 intensified the outflow. Table 1 below shows the numbers of inflow and outflow in chronological order.

Table 1.

External Migration Process	Item	Indicators by Years													
		1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Refugees	Inflow	420													
	Outflow		170												
	Turnover	590													
	Balance	250													
Evacuation and re evacuation of the Earthquake Zone population	Inflow		150												
	Outflow		200												
	Turnover		350												
	Balance		-50												
Public political emigration	Inflow			30											
	Outflow		250												
	Turnover		280												
	Balance		-220												
Mass outflow of the population	Inflow					370									
	Outflow					980									
	Turnover					1350									
	Balance					-610									
Migration activity decline phase	Inflow								350						
	Outflow								600						
	Turnover								950						
	Balance								-250						

This table is built on the analogy of the table 1.1 in Migration Trends, Globalization and Human Development from expert Assessment of the External Migration Volumes of Armenia's Population during 1988-2001, thousand persons¹⁹.

The above table is explaining the external migration process in Armenia in 1988- 2001. Firstly, by looking at the refugees, it is seen that the balance is positive which is connected with the fact that during that period 350,000 Armenians returned to Armenia from Azerbaijan because of the massacres in Sumgait, while others came back from different former USSR countries. At the same time 170,000 Azeris who were living in Armenia left the country. The second factor, the evacuation and re-evacuation of the earthquake zone, is directly explained by the fact that in 1988 on the 7th of December, as mentioned above, a devastating earthquake, caused evacuation of a huge number of people, amounted to 200,000, from which 160,000 were evacuated by the state program and the rest left the country with the help of their relatives, living abroad. As it is stated in the table, only 150,000 returned, which resulted in the negative net balancing and the loss of a considerable number of people in the country. As a consequence 50,000 people left the country which later became a more serious danger for the emigration. The people who settled in different countries were a source for further emigration for their relatives living in Armenia.²⁰

The public-political emigration of the population, which is the next issue to be discussed, was in 1989-1992. First of all it is connected with the fall of the so-called Iron Curtain. This fact was in a way an opportunity to go abroad for those who had a wish to migrate, however, were not able to do so because of various political restrictions. As a result, firstly, the major part of the people leaving the country were those who wanted to expand their business abroad. Secondly the members of the former soviet administration who found themselves in rather unfavorable conditions after the fall of the USSR were concerned. Thirdly; the Russian speaking population; including the minorities, left the country.²¹ As it can be seen on the table, the net migration is 220,000 people and the probability of their repatriation is low.

The most horrifying numbers can be found in the row that represents the mass outflow of the population. More than half a million of people left the country during those years. These were the years of the war, Armenia was having with Azerbaijan on the Nagorno-Karabakh conflict. Coupled with the previously mentioned factors, i.e. the fall of the Soviet Union and the Earthquake, the war

¹⁹ UNDP Armenia ,National and Human Development Report (2009), Migration and Human Development: Opportunities and Challenges

²⁰ UNDP Armenia ,National and Human Development Report (2009), Migration and Human Development: Opportunities and Challenges

²¹ Ibid.

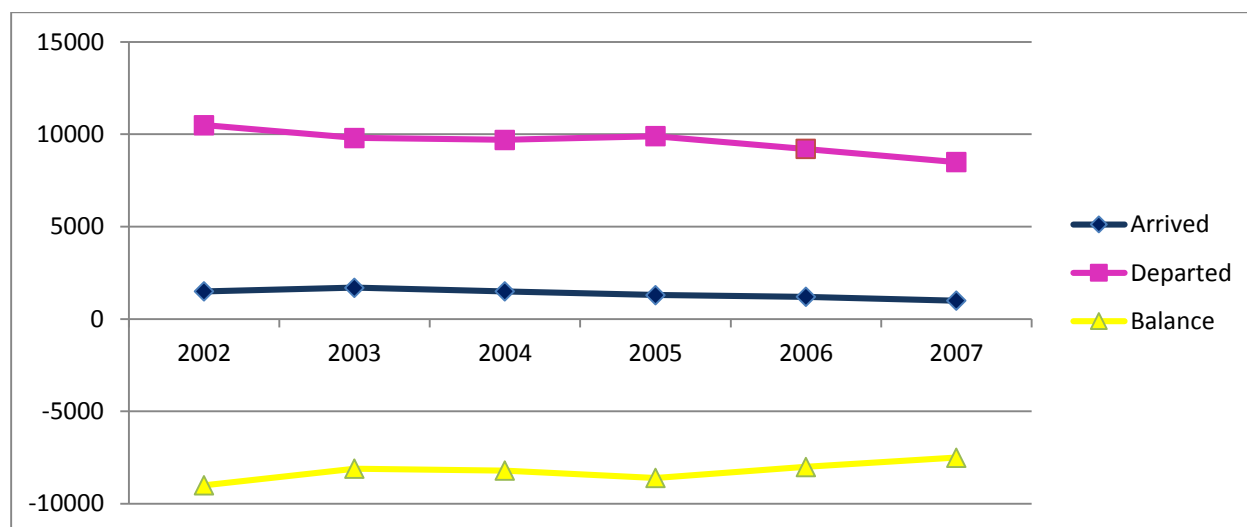
was the peak point for the population to totally lose hope for any betterment of their lives and the lives of their further generations. In spite of the fact that 370,000 returned, more than 600,000 left the country which is in fact a devastating fact for a country like Armenia.

The last, but not least, migration activity decline which has not so pleasant numbers, however, compared to the previous years' net migration is only 250,000. This is partially connected to the fact that the socio-economic conditions were more or less stabilized as well as the residence provision for those who lost it after the earthquake was gradually being solved.

The years of 2002-2008 saw the gradual decrease in migration which can be considered a positive move in the demographic recordings of Armenia as well as in the country's overall socio-economic situation.

Chart 1 is compiled on the analogy of the chart that is used in the UNDP Armenia report (page 42) that demonstrates the country's external migration during the mentioned years. The numbers are represented in thousand persons.

Chart 1.



According to the survey carried out on Armenia's External and Domestic Migration by the UNHCR (UN High Commissioner for Refugees) and the National Statistical Service of Armenia in 2007, the net migration for the 5 years is 150,000 people with 750,000 and 600,000 outflow and inflow, respectively. The negative net migration is 150,000 for five years. According to the

surveys, the majority of the migrants who crossed the borders for several times during five years were men, aged 24-54, who travelled to mainly Russia for seasonal and long-term labor.²²

Starting from 2004 there is a considerable shift in the outflow rates of migration process, compared to the previous years. According to the MPC (Migration Policy Center report) of 2013 the: “growth in the previous year's data constituted 18% against 2004, 14% against 2005, 15.9% against 2006 and 33.0% against 2007.”²³

The most recent data on the stocks of the Armenians worldwide can be seen in the table drawn from MPC which indicates where Armenians are settled during the years of 2009-2013.

Table 2.

Country of Residence	Definition	Reference date	Number	
	(a)	(Jan 1st)		
European Union			58,323	
			15,368	
Of which France	(A)	2005	12,319	
			10,982	
Germany	(B)	2012		
Spain	(A)	2012		
CIS countries + Georgia			494,860	72,673
Of which Russia	(A)	2002	481,324	X
			X	59,351
Russia	(B)	2010		
Ukraine	(B)	2001	10,686	
			1,622	
Belarus	(B)	2009		
Other countries (b)			90,850	
Of which US	(A)	2011	85,263	
Canada	(A)	2006	2,345	
Israel	(A)	2005	1,066	
Main Total			643,823	221,846
(a): Armenian migrants are defined according to the country of birth (A) or country of nationality (B) criterion according to countries of residence; in Russia both numbers are reported.				

²² UNDP Armenia National and Human Development Report (2009), Migration and Human Development: Opportunities and Challenges

²³ European University Institute, MPC – Migration Policy Center (2013), MPC Migration Profile: Armenia

(b): "Other countries" include Iceland, Lichtenstein, Norway, Switzerland, Jordan, Turkey, Canada, Australia, Japan and Israel

Sources: national statistics (Population Censuses, population registers, registers for foreigners, etc.)

An interesting fact about the table is the one that “in Russia, while individuals born in Armenia are 482,328, Armenian citizens stand only at 59,351. The former (largest) number is the result of massive ethnic repatriation waves occurred just after the collapse of the USSR, according to which significant numbers of people - born in the Armenian territory before 1991 with Russian descent - decided to ‘return’ their origin country. They are the so-called ethnic Russians who are generally not perceived as Armenian emigrants, but Russian nationals”²⁴.

When we try to draw conclusions about the migration process character of Armenia, we see that in the continuation of a long period the reasons are mainly the same, with the exclusion of two major points in the time - those of the war and the earthquake.

The outflow and inflow of the people have always been existent in Armenia in the form of labor migration, family reunion, leaving the country on the basis of unsatisfactory socio-political and socio-economic conditions. One generalization that is always possible to assert is that the main countries Armenians migrate are Russia and the USA, while the countries of the EU are mainly residual ones. The above said can be also seen in the below table that is taken from the IOM 2008 Armenian profile, which estimates the number of the Armenian emigrants until 2005.

Table 3.

Country of Destination	Number of emigrants
Russian Federation	485,460
United States	76,364
Ukraine	69,134
Georgia	20,314
Germany	16,663
Israel	14,939
Turkmenistan	7,807
Greece	7,788
Spain	6,836
Belarus	6,634
France	6,373
Kazakhstan	5,977

²⁴ European University Institute , MPC – Migration Policy Center (2013), MPC Migration Profile: Armenia

Other countries	86,346
TOTAL	812,700

Source: World Bank, Development Prospects Group (2008) Migration and Remittances Factbook 2008. Data taken from Ratha and Shaw (2007). Bilateral Estimates of Migrants Stocks Database, South-South Migration and Remittances, World Bank Working Paper No. 102, <http://go.worldbank.org/ON5YV3Y480>²⁵.

According to these official data more than 800,000 people migrated from Armenia while according to the unofficial data more than 1,000,000 people left the country from 1991-2013. These migration tendencies are really very dangerous for a country like Armenia which now, according to the 2011 census official data has de jure population of 3,018,854 while de facto population is 2,871,771²⁶. There are several scenarios of how to reverse migration from Armenia by supplying with two basic essential factors which are jobs and higher living standards because, as we saw, these are the two main problems, forcing the Armenians to leave the country. If we take also into consideration the fact that 80% of migrants are aged 15-49²⁷, then the demographic situation will only worsen in Armenia as these people are in their best physical and mental reproductive age when they can produce social, cultural, physical, mental activities with the maximum utility as well as transfer the heritage to the future generations. To prohibit the future growth of migration rates the Armenian Government has to take steps as soon as possible to develop the desire and aspiration of the Armenian nation to travel worldwide mostly on touristic purposes.

Conclusion

The current study by no means is not enough to describe all the important facts in the history of Armenian nation from the point of view its migration issues and their consequences. However, we managed to cover the main questions that were set at the beginning of the study. The reasons

²⁵ IOM International Organization for Migration (2008), Armenia: A country Profile

²⁶ De facto population number of each administrative unit during RA 2011 Population Census was formed by summarizing the total numbers of persons enumerated therein as permanently (usually) resident and present at the time of Census and temporarily present (at the time of Census). Temporarily present population includes the number of those persons whose permanent residence was located outside the boundaries of the given community (including the Republic) and whose duration of presence at the current community (town, village, house/building) or organization of temporary residence was less than one year, as of the Census time. De jure population number of each administrative unit during RA 2011 Population Census was formed by summarizing the total numbers of persons enumerated therein as permanently (usually) resident and present at the time of Census and temporarily absent.

armstat.am (<http://armstat.am/file/doc/99486128.pdf>) page 122, <http://armstat.am/file/doc/99486103.pdf> page 79

²⁷ MPC – Migration Policy Center (2013), MPC Migration Profile:Armenia

why there are so many Armenians all over the world starting from the ancient times as well as why these tendencies continue to exist even nowadays in the 21th century are explained. The waves of migration are described as massive outflow of Armenians from both Western and Eastern Armenia

These waves have quite different character and forms. Firstly, it was due to some historical events - like invasions and wars, but the first and foremost outrageous facts come to the fore after the Genocide of 1915 in Western Armenia, where not only one and a half million people were killed but also thousands were forced to leave the land of their origin and spread all over the world. Secondly, in Eastern Armenia, causes for the outflow of the population, as detailed above, were several: the 1988 Spitak earthquake, the fall of the Soviet Union in 1991 and the war with Azerbaijan that started in 1992 as well as the country's continuous economic recession during the following years.

There are a few facts that I would like to mention as a person who by destiny took direct and indirect part in some of the events which took place in a few years after my birth. In 1988 I was two years old and we had to leave to Georgia²⁸ for one month because our block of flats was totally destroyed by the earthquake. Fortunately, I was too small and don't remember how we managed to escape from the collapsing building. However, I remember when I first went to school in 1993 we were at war and due to the fact that our state was spending the lion share of its budget on the military we had to economize on almost everything else. The situation was not of a pleasant one because of the lack of electricity, water, food and heat. However, schools and universities were functioning, and we - as kids - were playing outside till late evening and were always ready for our lessons, notwithstanding the existent conditions.

Now I realize, that it was a very hard time for our parents and grandparents and additional pages will not be enough for me to describe on the one hand all the difficulties and on the other hand the positive things in the form of happy childhood we experienced. However, the fact that more than 600,000 people left the country during those few years is totally justified. The number grew during years and we ended up in one million who left the country up to 2013 in spite of the repatriation policies the government is exercising.

As to the 2011 census, I was directly taking part in the process, by working as a supervisor and having four employees under control. I had to report the results to the head of the census area. The interesting fact about that was that after the census was over, the supervisors were to check all the paper work and check those apartments and houses which were labeled as closed doors. During the checks, a lot of closed doors were revealed. When we were enquiring about the inhabitants from the neighbors, we were getting informed that the absentees had left the country a few years ago. The number of those closed doors should really make the government be concerned about the decreasing numbers of its population.

Hopefully, the anti-migration policies that Armenia's government is implementing with the help of the international organizations and grants, will be used appropriately and serve their purpose.

²⁸ My father was born in Georgia and we have relatives there

The Ministry of Diaspora is taking tremendous efforts trying to preserve the knowledge of the Armenian language, history, art and overall culture among those Armenians who migrated long ago as well as among the new born ones not born in Armenia by organizing summer schools, Sunday Schools in their countries of residence and different projects in Armenia (one of them being Come Home ‘Ari Tun’) that will help the youth be closer to their roots.

Taking into consideration all the described historical and recent events, the overall picture of the migration process of the entire Armenian nation can be grasped from the below table which is taken from the International Organization for Migration report.

Table 4. Historic Armenian diasporas, 1988 and 2003

Country of destination	Estimation 2003	% total	Estimation 1988	% total
Russian Federation	2,000,000	28.8	530,000	8.1
United States	1,000,000	13.3	650,000	10
Georgia	320,000	4.4	440,000	6.8
France	300,000	4.2	250,000	3.8
Ukraine	150,000	2.1	55,000	0.8
Iran	100,000	1.4	100,000	1.5
Lebanon	100,000	1.4	120,000	1.8
Syrian Arab Republic	70,000	1.0	80,000	1.2
Argentina	70,000	1.0	40,000	0.6
Azerbaijan	70,000	1.0	400,000	6.1
Turkey	60,000	0.8	70,000	1.1
Canada	50,000	0.7	30,000	0.5
Bulgaria	50,000	0.7	10,000	0.2
Australia	40,000	0.5	20,000	0.3
United Kingdom	20,000	0.3	15,000	0.2
Other	800,000	11.6	600,000	9.2
Total	7,200,000	100	6,510,000	100

Source: Panossian (2003) in International Organization for Migration (2008), Armenia: a country profile

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What do People Mean in Turkey by Armenian Genocide Recognition?

Burcin Gercek



Burcin Gercek is a journalist from Turkey.

This article was originally published by “REPAIR - Armenian-Turkish platform”²⁹.

In spite of many initiatives to develop awareness of the Turkish society regarding what happened in 1915 and appeals to ask for official forgiveness, a deeper reflection needs to be carried out in Turkey about how to render justice a hundred years after the genocide.

On the eve of the centennial of the Armenian genocide, the positions of the Turkish civil society and authorities are very different from those in the days when just uttering the word genocide was still taboo. The time is over when suggesting that Ankara recognize the genocide was considered utopian – although the people who take or follow steps in that direction remain a relatively small circle in Turkey. However, there still are very different meanings attached to the word recognition

²⁹ “REPAIR - Armenian-Turkish platform” is a project conducted by the French-Armenian NGO Yerkir Europe in partnership with the Turkish foundation Anadolu Kültür. This project aims to debate the Armenian-Turkish issues by allowing various players in the Turkish, Armenian and Armenian Diaspora civil societies to voice their standpoints. See more under: <http://repairfuture.net/index.php/en/repair-project>

according to various community groups in Turkey, and they may seem far from what Armenians understand by it.

“Facing 1915” -- the growing awareness of Turkish civil society

When the words Armenian genocide were still a taboo in Turkey, with rare initiatives trying to break it, the only available sources in Turkish were the studies of Taner Akçam and the publications of Ragıp Zarakolu. The priority of some intellectuals was to raise awareness in the Turkish society – who had remained in ignorance for decades – about what had happened in 1915. Thus, the recognition expected at the time was from the civil society. It was not necessarily a call for official State recognition, and even less for reparations. In those days, some intellectuals even stressed – through many articles and lectures given in Turkey and abroad – that the use of the word genocide could be an obstacle to raising awareness among the Turkish society, and that asking for official recognition was still premature.

In that same period, journalist Hrant Dink took a different approach. Convinced that developing awareness in the Turkish civil society was paramount and that a new language was needed to speak to people’s consciences, Hrant Dink would nevertheless use radical words, and did not shy away from the word genocide. He refused however to focus on efforts to obtain recognition by parliaments abroad, and even at home. “Will your story be true when the Turks recognize it? I don’t doubt my own story. I don’t have any problem with either recognizing or not recognizing the genocide. It’s an issue that concerns human rights and your conscience. It’s not my problem, since I know very well what happened to us in the past,” he declared in an interview for Nokta Magazine in 2004.

After Hrant Dink’s assassination in 2007, debates on 1915 and genocide recognition took another turn in Turkey. In March of the same year the NGO Dur De! (“Say Halt to racism and nationalism”) was founded, and three years later it staged its first 24th April Remembrance Day in Taksim Square, Istanbul. In the meantime, the “Ask for Forgiveness” campaign was launched by Ali Bayramoglu, Cengiz Aktar and Ahmet Insel, with the support of many Turkish intellectuals. Opening a wide debate in Turkey, the movement was nevertheless mostly concerned with “developing awareness through society.” The text of the Appeal is based on an individual approach to asking forgiveness and sharing “of feelings and pains,” without mentioning any need for action on the part of the Turkish State.

Clearly breaking a taboo, the first commemoration of 24th April organized in 2010 in Taksim Square, initiated by Dur De!, was not going beyond that framework either. The Appeal text essentially referred to the “great catastrophe,” and “feeling immense pain,” without mentioning any request for recognition.

Requesting State recognition

Long before remembrance ceremonies took place in public squares, the Human Rights Organization IHD (Insan Haklari Derneği) had organized ceremonies in smaller circles. “We have called for State recognition at the very beginning of our action, in 2005,” recalls Ayse Günaysu of the IHD. In 2014, the Dur De! And IHC celebrations, which had until then been organized separately, were unified and the demand for State recognition was thus included in the Appeal text. At the same time, many organizations and foundations, including Anadolu Kültür, Heinrich Böll and the Helsinki Citizens Assembly worked out projects towards normalizing relations between Turkey and Armenia, raising the sensitivity of public opinion about the rights of minorities and promoting better knowledge of the Armenian genocide by Turkish society. Many cultural activities, lectures, exhibitions and workshops for the young were organized by the NGOs working in that field.

The Hrant Dink Foundation also became a major player in organizing activities towards better understanding the 1915 events. The main goal of these activities is to contribute to the democratization of Turkey, which cannot progress without overcoming the taboo subject of the Armenian genocide. In the eyes of some political players, making 1915 known to a larger audience in Turkey also makes it possible to question the foundations of a State system based on the absence of responsibility and judgement for the crimes perpetrated against those who were qualified as “inner enemies” – namely, at various times, Kurds, Alevis, non-Muslim communities, but also any kind of opposition.

The Kurdish movement thus considered that, after aiming at Armenians, State violence had turned against Kurds. Together with the BDP-HDP alliance (Peace and Democracy Party-People’s Democratic Party) and the councils led by those two parties, it undertook several actions calling to face the past and asking for State recognition of the Armenian genocide. For instance, the Sur district council, in Diyarbakir, erected a monument of “common conscience.” A remembrance ceremony was even organized on 24th April 2014 with the exhibition “99 portraits of Exile: 99 photos of Armenian Genocide survivors” in partnership with the Diyarbakir Council and French-

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Armenian NGO Yerkir Europe. Many intellectuals, academics, researchers and activists who define themselves politically as left wing or liberal wrote about the need for State recognition of the genocide and asking for forgiveness in the name of the State. But few of them mentioned the meaning of such recognition and above all which answers to bring to the requests for justice made by descendants of genocide victims. The question of reparations/compensation – and which form they should take – is only broached by a handful of activists or intellectuals.

As for circles considered close to the Justice and Development Party (AKP, in power), the stands are diverse and sometimes include very different proposals on government position. As shown by the “condolences” text published by Erdogan in April 2014, the government has recently showed an approach based on the recognition of “common suffering” and “fair memory,” a concept made up by the former minister of Foreign Affairs and current Prime Minister Ahmet Davutoglu. There is of course no chance at the moment that the government will pronounce the word genocide or recognize it. The condolences presented by Erdogan last 24th April were thus presented by pro-AKP columnists as a “revolution” and a response to the demands of Armenians.

But some pro-government columnists, such as Hakan Albayrak or Rasim Ozan Kütahyah, go further and write about the need for an official asking for forgiveness for “the wrongs causes by what appears to have been genocide perpetrated against innocent Armenians,” and even suggest possible financial reparations. In the words of Albayrak, the payment of indemnities “of maybe 5 or 10 billion dollars, would lighten Turkey like a bird” and “the world industry around the genocide would collapse.” Reading those lines, one cannot help remembering Erdogan’s refusal to apologize for the victims of the military blunder that cost the lives of 33 people in the Kurdish village of Roboski in 2011, in the most arrogant statement: “We gave out indemnities. What else do they want?”

Another approach, which does not deny the 1915 facts but tries to find an alternative to recognition or asking for forgiveness, has been worked out by conservative circles called Helallesme – or “to be even” in Turkish. (See article by Yetvart Danzikyan on the subject: “Apology, confrontation, mourning”).

Asking for justice and reparations

Despite tangible breakthroughs regarding awareness of the 1915 events in the Turkish society as well as debates about the need for recognition and for the State asking for forgiveness, only very

few intellectuals have tackled the question of reparations and how to respond to requests for justice from the descendants of genocide victims. In 2011, the human rights organization IHD (Initiative for Freedom of Thought) included a request for reparations in its demands. Taner Akçam, Ümit Kurt, Mehmet Polatel, Sait Cetinoglu and Nevzat Onaran are some of the few researchers working on the subject of properties belonging to Armenians which were confiscated during and after the genocide. As for the government, its sole proposal for “reparations” has so far consisted in granting a right of return to the country and citizenship to the descendants of the genocide victims. On the 24th April 2014 Remembrance Day, which was coordinated in Ankara by the IHD, Dur De!, the Modern Lawyers Association, the HCP (People’s Democratic Party) and ÖSP (Socialist Party), more precise requests were made about reparations. The Appeal document, signed by intellectuals like researcher Sait Cetinoglu and writer Temel Demirer, addressed the following requests to the government:

- End genocide denial.
- Ask for forgiveness on behalf of the Turkish State.
- Grant citizenship rights to victims of the genocide and return all of their confiscated material properties or indemnify correspondingly.
- Take the names of genocide criminals off schools, boulevards, squares and streets.
- Give the names of genocide victims to public squares.
- Stop deliberate misinformation through public institutions, mass media and school programmes.
- Criminalize genocide denial as a “hate crime.”

The need for official recognition and for reparations should also be voiced during the 24th April centennial celebrations which will be organized separately by both the IHD and Dur De! next year. Beyond these steps and the current embryonic debate on the possible ways reparations could be implemented, deeper reflection still needs to be carried out in Turkey on how to render justice a hundred years after the genocide.



Présentation

Multipol est un réseau international et interdisciplinaire de chercheurs et d'experts en droit international et relations internationales, provenant de milieux professionnels tels que la justice internationale, la diplomatie multilatérale et bilatérale, la recherche et la formation, la fonction publique internationale.

Sa première et principale réalisation est le site <http://reseau-multipol.blogspot.com> plateforme d'échanges, d'analyses et d'informations en temps réel sur l'actualité internationale. Ce nouveau media se positionne ainsi entre les publications journalistiques, qui manquent parfois de recul et de données précises sur les événements de la scène internationale, et les publications scientifiques, qui paraissent dans un délai souvent tardif.

Multipol est né à Genève, durant l'été 2006, de la rencontre de passionnés de relations internationales. Le réseau est régi par une association de droit suisse, apolitique, non religieuse et à but non lucratif. Il est composé d'une vingtaine de membres spécialisés dans les différentes branches des relations internationales (droit international, science politique, géopolitique, économie internationale, géostratégie, etc.).

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- Permettre aux membres de ce réseau de publier leurs analyses et les informations dont ils disposent dans un délai très court, et susciter des commentaires pertinents de la part des autres membres du réseau et des lecteurs.
- Organiser des colloques visant à diffuser la connaissance du droit et des relations internationales.
- Établir des liens avec des institutions et organismes poursuivant des buts analogues ou voisins.
- Proposer l'expertise scientifique des membres du réseau.

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Nagorno-Karabakh Situational Assessment

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Giragosian previously served from 2009-2011 as the Director of the Armenian Center for National and International Studies (ACNIS), another think tank in Armenia. From 1999-2008, he was a regular contributor to Radio Free Europe/Radio Liberty (RFE/RL) publications, and also served as a contributing analyst for the London-based Jane’s Information Group from 2003-2010, covering political, economic and security issues in the South Caucasus, Central Asia and the Asia-Pacific region. From 2008-2010, he was a regular columnist for the Turkish-language international edition of Newsweek and still serves as a consultant and adviser to several Turkish media outlets and analytical publications.

The article “Nagorno-Karabakh Situational Assessment first appeared in the RSC on 17.11.2014 - assessing the situation after a Nagorno-Karabakh helicopter was shot down by Azerbaijani defence forces.

Summary

On the afternoon of 12 November 2014, an Azerbaijani frontline unit downed a Nagorno-Karabakh army helicopter, killing three Karabakh army officers onboard. The shoot down of the Mi-24 combat helicopter, utilizing a shoulder-held anti-aircraft missile, marks a fresh escalation of tension, only enhanced by an earlier surge in fighting in August 2014 that was the most serious since the May 1994 ceasefire. The repercussions from this one incident are even more significant, however, with broader implications, ranging from the military situation to the peace process itself:

- The downing of the Karabakh helicopter was the first incident of its kind in over two decades, suggesting a new risk of an expanded “battlespace” of the Karabakh conflict, with a possible new “air war” dimension to the theater of operations. Such a danger of an expanded air war may also be exacerbated by the recent procurement, development and deployment of unmanned aerial vehicles (UAVs) or “drones” along the “line of contact” separating Karabakh forces from the Azerbaijani side;
 - Although the Azerbaijani side claimed that the Karabakh helicopter was armed and had attacked Azerbaijani positions, local observers and other sources confirmed that the downed Karabakh helicopter was unarmed and, along with a second lead Mi-24 helicopter, was participating in a training mission well within Karabakh airspace;
 - Nevertheless, the downing comes in the wake of several days of what the Azerbaijani side defined as “provocative flights” by Karabakh and Armenian fixed- and rotary-wing aircraft over the frontline, suggesting a heightened state of alert on the Azerbaijani side. That may also explain the presence of the shoulder-held anti-aircraft missile, normally not present along the frontline, and suggesting the deployment of at least one special Azerbaijani unit in the immediate period preceding the downing;
 - Thus, the shoot-down was most likely a response by the Azerbaijani side to the large-scale military exercises between Armenian and Karabakh forces, but rooted in a trend of increased ceasefire violations and a more aggressive Azerbaijani force posture emboldened by clearly more assertive rules of engagement;
 - Timed with three recent Armenian-Azerbaijani presidential summits, this incident may also directly challenge the peace process and pose a new test of resolve of the OSCE mediators.
- Regional Studies Center (RSC) Yerevan, Armenia 1

Background

In the first incident of its kind since the May 1994 Nagorno-Karabakh ceasefire went into effect, the Azerbaijani downing of a helicopter over Karabakh marks a significant escalation of tension.

Against the backdrop of a pronounced upward trend of ceasefire violations and heightened tension, this incident may spark an even further destabilization of the situation on the ground and only reaffirms the danger of renewed hostilities over Nagorno-Karabakh.

Yet it was an earlier surge in clashes, in August 2014, that was the most serious escalation since the May 1994 ceasefire agreement that effectively suspended open warfare with Azerbaijan over the Armenian-populated region of Nagorno-Karabakh. More specifically, there are five underlying factors that reaffirm the inherent risk of a possible “war by accident” amid heightened tension:

- First, there has been a consistent increase in both the number and intensity of ceasefire violations, with higher casualties on all sides and no longer limited to mere exchanges of sniper fire and periodic probes of defensive positions. This is also evident in operations involving more advanced Azerbaijani incursions testing Armenian and Karabakh defenses, an increase in Azerbaijani reconnaissance missions, and by Azerbaijani attempts at “combined arms” operations, involving the use of mortars and artillery, the deployment of armored units, and a limited air campaign, with unmanned aerial vehicles (UAVs) and combat air patrols. Statistically, this trend in ceasefire violations surged in 2014, with at least 60 deaths for the period of January-August 2014 alone, representing the highest level of deaths over the past twenty years;
- Second, there has been a pronounced expansion of the geography of fighting, well beyond the “line of contact” separating Karabakh from Azerbaijan proper and including Armenia’s north-eastern Tavush border and southern border with Nakhichevan. This is rooted in an effort by Azerbaijan to directly target Armenia proper, rather than only Karabakh, most likely as an element of a wider strategy aimed at provoking an Armenian over-reaction in order to draw in Armenia more directly into the conflict to bolster Azerbaijan’s diplomatic position within the peace process. Although this strategy has generally failed to provoke an Armenian overreaction, it has led to the development of a policy of “overwhelming response” by the Armenian and Karabakh sides, aimed to deter and retaliate for Azerbaijani attacks;
- Third, the trend of escalating tension has also been driven by an underlying military buildup by the Azerbaijani side. Although the military buildup has included a steady surge in defense spending and a more recent procurement of more modern, serious weapons systems, the absence of any real defense reform or any attempt to tackle corruption within the armed forces have tended to negate any real improvement in combat readiness or force capabilities, however;

- A fourth factor, involving a more assertive force posture by Azerbaijan, also adds a dangerous risk of greater warfare, due to the combination of frontline units in closer proximity and a new willingness by the Azerbaijani side to resort to force of arms;
- And the fifth factor is rooted in the domestic political situation in Azerbaijan, driven by a politically convenient use of nationalism to distract from a crackdown on civil society and stemming from a sense of profound frustration with the peace process timed with this year's 20th anniversary of the Nagorno-Karabakh ceasefire.

Conclusion

Therefore, the shoot-down of the Mi-24 combat helicopter, which killed three Karabakh army officers, not only suggests a newly expanded theater of operations or “battlespace,” but also risks a new “air war” dimension of the Karabakh conflict. Clearly, the incident will only encourage and embolden a more serious policy of “overwhelming response” by the Armenian and Karabakh sides, making the danger of further hostilities more likely and only increasing the intensity of each round of attacks and responses.

Although formulated as a defensive policy to deter Azerbaijani attacks, this policy of “overwhelming response” on the Armenian-Karabakh side only contributes to the likelihood of a rapid escalation of tension, as skirmishes and clashes may quickly spiral out of control and exceed normal tactical expectations or operational objectives.

Although the Azerbaijani side claimed that the Karabakh helicopter was armed and had attacked Azerbaijani positions, the helicopter was unarmed and merely participating in a training exercise already underway for several days. Nevertheless, the downing comes in the wake of several days of what Azerbaijani claimed were “provocative flights” over the frontline in the last few days.

Thus, the shoot-down was most likely a response by the Azerbaijani side to the large-scale military exercises between Armenian and Karabakh forces. That massive, week-long exercise, which was the largest in recent years, reportedly involved 17,000 Armenian soldiers, 250 tanks and armored personnel carriers and 550 artillery systems, with another 30,000 reservists and active duty personnel from Karabakh that also included some 600 tanks and armored vehicles and over 1,800 artillery and anti-aircraft systems. The downed helicopter was participating in the seventh consecutive day of those exercises.

And in the wake of a flurry of diplomatic activity by the Organization for Security and Cooperation in Europe's (OSCE) Minsk Group mediators, co-chaired by France, Russia, and the United States, this incident will only undermine diplomacy. It may also only bolster the Russian position, which was the only party to successfully halt the earlier round of clashes in August, after Russian President Putin summoned the Armenian and Azerbaijani presidents to a summit in Sochi on 10 August. In the broader context, the Russian position may be further emboldened and encouraged by these developments to pursue similar unilateral diplomatic initiatives outside of the OSCE Minsk Group format. Such a bid may be bolstered by Russian leverage over Armenia and due to its position as the primary arms supplier to both Armenia and Azerbaijan.

Thus, the further increase in tension on the ground and the now enhanced risk of renewed hostilities over Nagorno-Karabakh only mandates closer scrutiny and greater policy attention by the international community.

First Nagorno-Karabakh Group announced in the European Parliament

On 15 October 2014, the European Parliament Nagorno-Karabakh Group was presented with the assistance of European Friends of Armenia (EuFoA), aiming to support civil society and democratic governance, as well as European values within Nagorno-Karabakh. Following the French and Lithuanian parliaments that have already established similar groups, members of the European Parliament are creating the first international group, spanning over national borders.



Nagorno Karabakh President Bako Sahakyan (left) talking before the last presidential elections in July 2012 with members of an unofficial election observer delegation from the European Union, composed by European Friends of Armenia. Third from left Eleni Theocharous M.E.P., from Cyprus (EPP Group), second from right Hans-Jürgen Zahorka from EUFAJ, at the right the Cypriot journalist Ioannis Charalampidis.

With nationally diverse members from various European political families, the Nagorno-Karabakh Group will facilitate contacts between EU officials and CSOs with representatives of Nagorno-Karabakh at all levels, including civil society and will also promote study visits to the region. The

informal group is also concerned with Nagorno-Karabakh's representation and presence for NK in international forums and EU programs.

The European Parliament has stated that the EU, through complementary confidence building measures, can support the Minsk Group's efforts to solve the decades-old conflict between Azerbaijan and Nagorno-Karabakh and the group will contribute to these endeavors.

"This group is an organ that brings together people who have an interest in the region, have a certain knowledge about the region or want to require it and who put themselves at the disposal of the people of Karabakh," explains Frank Engel, a Luxemburg M.E.P. who acts as chairman.

"We want to create awareness towards an unrecognized piece of territory, which, at the end of the day, is a democratic republic and behaves like that."



In a polling station in Nagorno-Karabakh during the presidentials 2012. In the background as observer: Ms. Eleni Theocharous M.E.P. The findings of the EuFoA observers: the elections were fully acceptable and according to EU standards, and the Karabachis can claim "the solidarity of freedom", i.e. from the EU - they would not like the way of voting of Azerbaijan which is based on faking results, a restricted selection of candidates, who were partly deposited in prison when success could be feared, in short: on an authoritarian system

Mr. Engel also adds "European Friends of Armenia has been and remains instrumental in putting Karabakh on the European agenda. Being able to rely on European Friends of Armenia's expertise and experience for all practical purposes of maintaining communication and interaction with the authorities of Nagorno Karabakh has been of vital importance for the group."



Frank Engel, MEP from Luxembourg, the Chairman of the new NK Friendship Group in the European Parliament

This project is welcomed by Nagorno-Karabakh representatives and calls for closer relations between the two governing bodies.

"It is the natural outcome and somehow the implementation of the different EU institutions' official documents adopted, encouraging EU officials to access Nagorno-Karabakh and meeting their representatives at all levels", explains EuFoA Director Mr Lorenzo Ochoa.

It remains to add that protests from Baku's government against the creation of this group and pretexts that this group has not been yet recognized by the European Parliament are absolutely not justified. Unlike in the Azerbaijani parliament, every Member of the European Parliament can open a friendship or inter-group whenever s/he wants to – the M.E.P's who have a free mandate are subject to their conscience only.

Trade Roadmap for the European Commission: EU Industry Umbrella Organisation Proposes Master Plan

Businesseurope is the EU umbrella organisation of associations in 33 countries - even beyond the EU28. The association (former UNICE) which can be found in the Internet under www.businesseurope.eu has submitted in November 2014 to the new EU Commission a roadmap for trade policy. If one considers the strong performance of the EU in world trade - it is no. 1 - and the pivotal role of EU industry, one can understand that this roadmap has a high significance. Businesseurope is a recognised social partner in the EU, together with their colleagues from the trade unions.

In a preamble there is written, that "in the last 15 years we have witnessed dramatic changes in the way we live and the way we do business. The digital revolution made the world smaller and more connected. New business opportunities were created and new markets emerged.

Globalisation of the supply chains is one of the most important changes with direct impact on Trade. Production is organised to an increasing extent by international or global value chains. Goods and services are not produced in a single location, but are the result of a combination of tasks executed in different countries.

This change puts additional pressure on the EU, as well as other trading partners, to finding ways of supporting global value chains. The worldwide elimination of tariffs and non-tariff barriers, and facilitation of trade and investments are the right answers to this new international trading environment.

The EU is adjusting to this challenging environment and remains the world's largest trading block, representing around 16% of the World's Imports and Exports. In spite of the decrease in the World's Investment share the EU continues to rank first in both inbound and outbound international investment flows. This gives a good indication of how open to the

world the EU economy is and how important an ambitious Trade agenda is to ensure that the European economy remains competitive.

In the coming years the European Union will have to improve access to worldwide markets, accelerating its external trade agenda in a spirit of reciprocity, as a way to boost competitiveness, job creation and investment, stimulating a sound industrial and services base in Europe.

An ambitious trade agenda should cater to the interests of Small and Medium-sized Enterprises (SMEs) and support them to be more active in international markets. This would lead to new market opportunities for a greater portion of our companies that remain absent from the global scene.

Recently business is also being confronted with the increasing political role of Trade. Trade is being used more and more as a foreign policy tool. This is constructive when leading to economic and political stability in sensitive and unstable areas but it also brings an element of uncertainty as trade is increasingly dependent on geopolitical constraints. Even more worrisome is the growing trend of dissociating Trade from the economic reality, using it only to pursue political objectives (e.g. recent public debate on ISDS - Investment to State Dispute Settlement Mechanism)." And this is the roadmap:

a) Bilateral Trade Negotiations

TTIP: conclude the negotiations between the EU and the USA ensuring a high level of ambition and maintaining a deep and comprehensive scope in the agreement

The transatlantic economy is already the largest market in the world, and the most integrated one both in terms of trade as well as investment. The dominant size and wealth of the transatlantic economy implies that the relationship between the EU and the US also shapes the global economy as a whole TTIP - Transatlantic Trade and Investment Partnership is a unique opportunity for the EU and US to give the world a strong signal that growth and wealth can be achieved through free trade and investment. Furthermore, TTIP should reinforce the long standing political and strategic ties between the EU and the US.

Tariffs are only one of the existing barriers that hinder transatlantic trade and investment from reaching its full potential as they are often replaced by more complex barriers resulting from

divergent regulations, different standards, complex custom procedures, investment limitations, local content requirements, etc. Regulatory obstacles, including in services or procurement, are particularly important for SMEs and they should be suitably addressed in TTIP to generate real market gains for our companies. This will lead to more prosperity by bringing new opportunities for small, medium and large companies through a better access to each other's markets (e.g. procurement), regulatory cooperation and trade facilitation. This is why an ambitious and comprehensive agreement has to go beyond the elimination of tariffs in order to overcome these existing barriers and prevent new ones from being created. The agreement should ultimately aim to establish a more integrated and balanced transatlantic market including a chapter or specific provisions on Energy that address existing export restrictions in the US.

This will not only reduce the costs of doing business and further enhance trade and investment on both sides of the Atlantic but it will also potentially lead to the establishment of world class rules and standards in a number of areas including product safety, environment, social, investment, public procurement, IPR, etc.

Given the scope and ambition of the EU/US negotiations and the normative influence of the US and the EU on third countries, it is important that the negotiations allow for developing and improving common work and approach in certain key areas (e.g. raw materials, energy, counterfeiting and new technologies).

In BUSINESSEUROPE we believe TTIP should remain a far reaching agreement, one that can set high level standards on a global scale, including on Investment Protection and ISDS - Investment to State Dispute Settlement Mechanism. We are confident the EU and the US will be able to design an ISDS that is well balanced, responding to legitimate concerns expressed by civil society, at the same time providing businesses a well-defined investment framework able to respond to 21st century challenges.

Canada: the agreement should be approved in its present comprehensive form paving the way for an extended EU-North American market in the future

This is the most ambitious and comprehensive agreement ever negotiated by the EU or by Canada and the first the EU concludes with a Western economy. The negotiation results are overall very positive for the EU side with important gains in key areas like:



Trade - here by a containership built in the 1970s. The picture was taken in Rozenburg, near Rotterdam, Netherlands. Photo by: Mike Griffiths, Source: <http://www.shipspotting.com/>

- a)** Public Procurement with engagements of clear importance to the EU made possible thanks to provinces being sitting at the negotiating table;
- (b)** Geographical Indications with the EU managing to obtain an unprecedented level of protection in a GIs adverse culture;
- (c)** Ambitious and high quality intellectual property outcome, particularly for the innovative life sciences industry;
- (d)** Good and balanced market access results both for industrial goods, services and agriculture. In many of these areas CETA could be a standard for the on-going TTIP negotiations.

CETA also includes an Investment chapter with provisions on investment protection comprising ISDS- Investment to State Dispute Settlement Mechanism. The agreement was negotiated within the mandate given to the European Commission by Member States.

The EU should avoid at all cost reopening the negotiations to exclude parts of the agreement, like ISDS. This would destroy the negotiation balance in CETA that took 5 years to achieve. Such a decision would also be detrimental to the image of the EU as a reliable and credible negotiating partner.

Japan: ensure the FTA addresses existing Non-Tariff Barriers and that we find a long lasting solution to avoid future problems

The FTA with Japan should both remove classical barriers to trade and also be forward-looking. An ambitious result means a balanced agreement with specific, substantive and non-discriminatory measures to open markets.

The focus of the negotiations must be given to the removal of non-tariff barriers such as divergent standards or supplementary testing requirements. The agreement should also lead to liberalisation in services, investment and public procurement markets both at central and sub-central levels addressing long standing issues like the Operational Safety Clause.

Furthermore, it is important that tariff liberalization and the removal of non-tariff barriers are closely connected as tariffs are not equally distributed on both sides.

In order to avoid future problems long lasting solutions need to be found. This is why BUSINESSEUROPE wants to include a mechanism in the agreement which prevents risks of future regulatory differences and facilitates an on-going dialogue between public authorities as well as business on both sides.

China: the Investment Agreement should be far reaching both in terms of market access as well as protection of investors (e.g. ISDS)

BUSINESSEUROPE strongly supports the negotiations launched in 2013 for a Bilateral Investment Agreement, which would enhance legal certainty for both sides. To make it effective provisions should include a broad definition of investment, covering pre-establishment (market access) and post-establishment (investment protection, particularly against expropriation) for all sectors of business. Furthermore, to guarantee the agreement's effectiveness, relevant enforcement mechanisms such as an investor-to-state dispute settlement system must be included.

Additionally we must not overlook other important aspects that have an impact on the EU-China trade and investment relations - e.g. the accession of China to WTO's Government Procurement Agreement, and we must ensure the business environment in China is conducive to foreign trade and investment.

India and Mercosur: these important negotiations are in a standstill for different reasons and we need to make sure that progress is made considering the importance of the markets

Negotiations with India have been stalled for some time. Nonetheless it remains a key EU trade partner due to its large population and its emergence as a global player. Therefore it has an impact on global trade and can also serve as model for other countries.

BUSINESSEUROPE supports an ambitious EU-India Free Trade Agreement, provided it delivers significant market access and investment improvements for European businesses. In this context we urge the European Commission to engage with the new Indian government to solve outstanding trade issues European companies are confronted with at all levels (national and local).

The new political situation in India might be a good opportunity to re-launch bilateral dialogue to discuss key areas such as tariff reduction / elimination, non-tariff barriers, investment, opening up of services markets, procurement, and IPR in particular.

On Mercosur BUSINESSEUROPE continues to be very much engaged in the successful conclusion of a free trade agreement. In the meantime we favour a comprehensive assessment of our trade and investment relations focusing on Argentina and Brazil. This would allow the EU to define a road-map with concrete actions aimed at improving the business environment for EU companies in the short to medium term independently of the free trade negotiations outcome.

ASEAN: advance the current negotiations with individual ASEAN countries also trying to bring to the negotiating table key countries like Indonesia

Today the ASEAN region is already a key trade and investment destination for European companies. In the years to come the area will become even more important with the expected economic growth of some of its most dynamic markets. Concluding comprehensive and ambitious

free trade and investment agreements with individual ASEAN countries should remain a priority with the final goal of promoting an EU-ASEAN enhanced trade and investment area.

AFRICA: is becoming an important trade and investment destination for the EU

The EU should follow suit with the negotiations on the Economic Partnership Agreements (EPAs) at the same time encouraging further regional integration among African countries through the elimination of tariff and non-tariff measures as a way to enhance trade and investment in the region.

Review process: adjusting older Free Trade Agreements to a new trade and investment reality

The EU is currently negotiating a new generation of bilateral trade agreements that take into account the changes in world trade. It is desirable that in parallel the European Union starts the process of reviewing old FTAs in order to adapt them to this new reality (e.g. Chile, Mexico).

b) Eastern Europe/ Russia/ Mediterranean countries

The objective is to ensure the EU has a trade and investment policy that promotes the economic development and political stability in the countries in the vicinity of the EU (East, Mediterranean and Northern Africa)

Eastern Europe-BUSINESSEUROPE trusts the signature of Deep and Comprehensive Free Trade Agreements between the EU and Eastern Partnership (EaP) countries will contribute to the promotion of economic growth in the area and in the long term lead to increased political stability.

Improving the overall business climate and stimulate bilateral investments in the area is key to promoting social cohesion and establishing closer ties with the EU.

Due to the importance of those relations BUSINESSEUROPE is an active supporter of the Eastern Partnership Business Forum which provides a platform for business and political leaders to exchange views on how to best promote the Eastern Partnership, through strengthening bilateral and inter-regional trade and economic relations.

Considering the current political situation in Ukraine and to maximise the positive outcome of the DCFTA we view the on-going consultations between the EU, Ukraine and Russia as a way to ensure the agreement will be implemented in a more efficient and swift manner.

Russia: the EU should maintain open dialogue with the aim of solving increasing trade problems and disputes at WTO level including with the Eurasian Economic Union

As Russia does not implement certain WTO rules and adopts measures which are non-WTO compliant we need to find ways to address the problems effectively without jeopardizing the overall trade and investment relations with Russia. To complement WTO's accession Russia is also expected to join the Government Procurement Agreement.

Trade and economic relations have also been under additional pressure due to the difficult political situation. BUSINESSEUROPE recognizes the challenging political environment in the EU-Russia relations and hopes a viable solution is found rapidly. As business representatives, we will keep the communication channels with Russian business open.

Mediterranean countries: the EU should conclude the on-going negotiations to establish deep and comprehensive free trade agreements.

It is important to ensure political and economic stability in the countries in the region, that a deep and fully fledged Euro-Mediterranean Free Trade Area is in place. Deeper economic and industrial integration in the region is needed and the implementation of the Pan-Euro-Med system of cumulation of origin is of paramount importance to this end.



Enthusiasm generates excellence – this is how car-maker and German export pillar BMW advertises the career opportunities in the BMW plants. Photo by BMW, source: www.bmwgroup.com.

c) Multilateral Trade Negotiations:

WTO would be the preferred option to ensure an overall improved access to markets

Effective implementation of the Trade Facilitation Agreement

BUSINESSEUROPE very much welcomed the conclusion of the Trade Facilitation Agreement as it provides concrete and substantial benefits for both developed and developing countries and has strengthened the WTO as an institution. Now a lot depends on its effective implementation that should not be conditioned to other aspects of the Bali package. WTO members should commit to an ambitious implementation calendar limiting the number of provisions that will be excluded or implemented at later stage.

Reaching a deal on the outstanding core Doha issues, such as improved market access for industrial and agricultural goods, services or subsidy rules remain an important and challenging task, irrespective the successful agreement of the Bali package.

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Give WTO a more pro-active agenda-being through a revival of the Doha Agenda or through the adoption of a new agenda/work program that takes into account the new trade and investment world environment

Today global production is organized by international or global value chains and this puts pressure on the WTO to find answers on how these supply chains can be better supported- competition and state-owned enterprises, export restrictions and access to raw materials or investment and government procurement are becoming increasingly important and should be addressed multilaterally. A trend has taken place to shift from the multilateral approach to the negotiation of bilateral and plurilateral agreements. These facts need to be taken into consideration when re-defining the WTO work program to ensure it addresses today and tomorrow's trade and investment challenges. At global and regional level, comprehensive elimination of tariffs and non-tariff barriers, and facilitation of trade and investments are the right answers to this new international trading environment.

Better coordination between different Bilateral and Plurilateral Agreements and the WTO market access strategy

Currently WTO members are negotiating in parallel major bilateral (TPP, TTIP, EU-Japan, China-Japan-Korea) and plurilateral trade agreements (TISA-Services, ITA-Information Technology, EGI-Environmental Goods). The successful conclusion of these agreements is expected to bring substantial trade liberalisation. This is a positive step towards more open world markets and we hope it can impact positively multilateral trade negotiations. Therefore better coordination between the different agreements is essential.

d) Market Access Strategy

Ensure that market access problems are effectively addressed even in those countries that are not negotiating a bilateral agreement with the EU.

In countries with which the EU is not negotiating FTAs, European companies face market access problems. In this case, bilateral consultations should be further reinforced and international rules provided by the WTO and/or the OECD could be used as additional leverage.

To ensure that the Market Access Strategy is a truly results-oriented mechanism, different solutions should be pursued for FTA and non-FTA partners of the EU.

BUSINESSEUROPE supports the European Commission's Market Access Strategy but it is important to improve it and make it more relevant to challenges European businesses are facing abroad.

More specifically, BUSINESSEUROPE believes that the Commission's efforts should be further concentrated on the effective removal of market access barriers, through closer cooperation between the different players (Business, Commission and Member States) both in the EU and Third Countries and ensuring that resources are effectively allocated to this task both by the Commission as well as Member States. Special emphasis should be given to problems that affect in particular SMEs preventing them from entering new markets (e.g. complex customs procedures and rules, duplication of tests).

Monitor the implementation of the increasing number of Trade Agreements

The EU is currently negotiating several Trade Agreements which are expected to enter into force in the coming years. In order to avoid or remove new barriers and provide efficient solutions a transparent and efficient mechanism to monitor the implementation of those agreements should also be further developed.

e) Sustainability and Responsible Sourcing

Industry is increasingly engaging in CSR activities and in ensuring that production and sourcing is done in a sustainable manner however, this has to take into account existing business realities and cost factors in particular for SMEs

BUSINESSEUROPE overall welcomes the EU initiative on responsible sourcing but has some concerns regarding its practical implementation. The comprehensive nature of the initiative should be reaffirmed through concrete actions on the ground, effectively integrating trade with development, security and good governance policies. This means also ensuring full coherence with other plurilateral initiatives such as the OECD Due Diligence guidance on conflict minerals.

Improving cooperation with other trading partners that play an important role in the mineral supply chain is also essential in order to achieve viable solutions.

The EU initiative should furthermore recognize and accept complementarity with existing schemes (binding and voluntary) in order to help business, especially SMEs, comply with responsible sourcing requirements without having to multiply their efforts and dedicate more valuable resources. European business is also concerned by the fact that the obligations for responsible importers under the EU initiative go beyond international standards, for instance as regards third-party auditing requirements, which may significantly increase implementation costs.

The performance clause of the Commission's public procurement procedures is also potentially problematic for European companies. It is understandable that the measure seeks to boost the uptake of the EU initiative by importers. However, this constitutes an extremely complex and costly product-based approach that requires the origin of minerals to be retracted over the entire supply chain and any sourcing country due to the unclear definition of "conflict zone". As the original intention of the EU was to get round these approaches, which were particularly criticized after the adoption of the Dodd Frank Act section 1502, we would seek more clarifications from the part of the Commission on how this measure would help incentivize companies and how SMEs would be further supported in this context.

The Sustainability Chapter is increasingly important in Trade and Investment Agreements but its scope should not jeopardize the main aim of the agreements

BUSINESSEUROPE believes that trade liberalization furthers the objectives of sustainable development, for instance through job creation or the easing of transfer of environment-friendly technologies.

However, as the central goal of FTAs is to promote the liberalization of trade and investments, one should be careful to strike the right balance between trade liberalization on the one hand, and social and environmental provisions contained in the FTAs Sustainability Chapters on the other. BUSINESSEUROPE agrees that States should commit not to weaken or reduce existing protection level in order to attract investments, and maintain their autonomy to regulate in the area of social affairs and the protection of the environment. The structure of the sustainability chapter in the EU's FTA should also be clearly defined.

f) A rules based system

The EU should have a state of the art framework to address anti-competitive practices from Third Countries

In order to fight unfair trading practices by third countries reliable and effective trade defence instruments in full respect of WTO rules are essential.

The previous European Commission presented a proposal to modernise the EU Trade Defence Instruments based on three pillars, i.e. Basic Laws, Guidelines and practical self-help especially for Small and Medium sized companies. Irrespective of the final outcome of the modernisation process, BUSINESSEUROPE believes that the proposal as it stands should be seen and adopted as a package to ensure that all interests are equally taken on board and the final outcome is supported by all relevant parties.

g) Customs

There should be effective implementation of the Union Customs Code (UCC) with real simplification for companies.

Following the adoption of the Union Customs Code in 2013, focus is now that its effective implementation through the UCC Implementing & Delegated Acts leads to significant simplifications for business operators. Key issues are workable rules of non-preferential origin, more facilitation for trustworthy companies (AEOs), no changes to customs valuation, and simpler and streamlined customs clearance procedures including centralized clearance and self-assessment. A successful implementation can translate into less administrative burden and costs for companies especially SMEs.

Chinese Capital to Rebalance Europe?

Angela Haupt



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A mix of political goals and policies, risk and return characteristics driven institutional investment programs and the ambitions and actions of individuals are motivating flows of Chinese capital to Europe. As Chinese outbound investment is accelerating, there is an opportunity for European real estate professionals and firms to gain market share of this growing potential source of revenues generated from the facilitation and management of invested capital in real estate assets. At present both funds and mandates largely bypass the local industries.

The recent policies driving investment

To accommodate China's strategy for political and economic expansion the state directs regulatory investment hurdles to be reduced and funding to be supported³¹. Accordingly, in early November 2014 a €13 billion fund for infrastructure finance such as for railways along the "New Silk Road"

³⁰ MRAG is a real estate investment and capital markets advisory firm, focused on inbound investment to Europe from the US and Asia. To find out more, see www.mrag.de.

³¹For a comprehensive discussion see: "Chinese Investment in the EU" by JIANG Shixue - Professor and Deputy Director, Institute of European Studies, Chinese Academy of Social Sciences; in Working paper series on European Studies, Institute of European Studies, Chinese Academy of Social Sciences, Beijing, Vol. 8, No. 1, 2014.

was announced, with hints towards more to come.³² “New Silk Road” is the popular label attached to an economic development plan encompassing two trades routes from and to China, one leading across Central Asia from Xi’an to Germany’s largest inland port in Duisburg with stops in Moscow and Berlin on the way. The other route is sea-based, crossing the Indian Ocean, the Malacca Strait, passing the Horn of Africa and the Red Sea to end in Venice, Italy or rather connect there to the land route. Previously, at the height of the Euro crisis, huge infrastructure investments in Greece made headlines. More importantly, well placed infrastructure investments are a boon for businesses and employment and as such are a driver for real estate values and developments.

On October 6, 2014 new regulation sped up overseas investments of up to USD 1 billion per transaction of Chinese companies, for the most part in replacing a complex and lengthy process of approval with plain registration requirements, as per the Measures for Foreign Investment Management by China’s Ministry of Commerce (in short “Measures No. 3” by MOFCOM)³³. In July 2014 another directive and its implementing rules already eased outbound investment for individuals, “Circular 37” by the State Administration of Foreign Exchange (SAFE). Both, Measures No. 3 and Circular 37, removed regulatory uncertainty preventing investment and simplified procedures.

Chinese investors can since close deals faster and compete for a broader set of targets. For real estate as a competitive and capital-intensive industry this is important news. These changes are the most recent if not the biggest steps within the general “going abroad” policy initiated in 1999. Within that framework, important milestones for the institutional investment were the 2010 inclusion of the real estate as an eligible foreign alternative investment and the 2012 increase of the maximum real estate allocation from 10 to 15%. The overall maximum for foreign investments remains at 15% for now.

Official estimates expect Chinese companies to invest over USD 500 billion internationally over the next five years; more than USD 200 of that already by 2017 and a growing share of it going to Europe, or so, as it predicts Citic Bank’s chief economist Liao Qun.³⁴

³²<http://www.bloomberg.com/news/2014-11-04/china-said-to-plan-16-3-billion-fund-to-revive-silk-road.html>; Nov 4, 2014.

³³Some arguments and passages of this article have appeared previously in a German real estate industry focused guest column by Angela Haupt in "REFIRE - Real Estate Finance Intelligence Report Europe", Volume 7, Issue 125, October 3rd 2014.

³⁴<http://www.ft.com/intl/cms/s/2/53b7a268-44a6-11e4-ab0c-00144feabdc0.html>; Chinese investors surged into EU at height of debt crisis; October 6, 2014.

What to look for?

Europe, ranked by nominal GDP, should be the largest global recipient of foreign investment capital. By the same standard Germany alone would be the fourth largest recipient.³⁵

More complex approaches, including country risk and correlations, transaction costs, currency and hedging aspects, are applied by various researchers, portfolio managers and advisors and, not least, by Chinese investors themselves.

One global approach puts the neutral weight for Europe at 37% and argues that despite the crisis-ridden Euro-zone deserving a slight underweight, a good 30% allocation to the low growth but recovering region would deliver superior risk-adjusted returns in a diversified portfolio.³⁶

Notably, one modelling initiative in the markets argues that as the big players and movers so far have driven up prices in the top investment destinations it would be less risky to seek out secondary locations going forward.

For European real estate market participants this all means that there is a fairly new and growing source of capital and revenues becoming available. In addition, since not only fundamentals but also capital flows drive valuations, the investment preferences of Chinese investors will become a more relevant factor in performance, positioning and development. In some European cities, including Berlin, Germany, there are already development projects tailored to the perceived preferences of the Chinese.

Where did the money go to date?

The market is abuzz with news and speculation about Chinese outbound investments (OBI). Who buys what and where, why and what to expect? What does it mean for the real estate industry?

Reportedly, globally Chinese OBI in real estate reached 16 billion USD for the first half of 2014, up 40% over the 1H13.

³⁵ That is even before expected upward definitions of European GDP (<http://www.economist.com/news/finance-and-economics/21613321-how-revisions-will-soon-bulk-up-gdp-changing-scales>; Aug 23rd 2014).

³⁶ http://realestate.deutscheawm.com/content/media/Research_DeAWM_Global_Real_Estate_Strategic_Outlook_March_2014.pdf

To date, more than 60% of these funds went to office, followed by retail, industrial and mixed-use. The top locations were all the familiar, New York and Los Angeles in the USA, London in the UK. Common characteristics found in transactions include investments in stable and liquid markets, established locations, global gateway cities, income producing assets and properties with low vacancies and little need for refurbishment.

Most recently, some of the larger transactions included the eye-popping USD 1.95 billion acquisition of the Waldorf Astoria hotel³⁷ in New York and the € 630 of a Siemens portfolio in Munich, Germany. The acquirers were Anbang Insurance and Ginkgo Tree³⁸, respectively.

While the US recovery story vis-a-vis the Euro crisis has not gone unnoticed and has been rewarded with significant capital commitments, preferences may change sooner rather than later. Yield compression is in a developed stage, familiarity with a broader range of markets is increasing, and – last, but not least - there is a potential divergence between US and Eurozone monetary policy. Not to put too much a point on it but also worth mentioning, the Chinese renminbi, which is anchored to the US Dollar, has gained significantly against the Euro this year and has not been so strong for more than a decade.

What are Chinese investors looking for?

The overall common denominator for what Chinese investors are looking for is diversification benefits. Indeed, despite Chinese capital stemming from a variety of sources and the investments not entirely driven by common factors, it is less returns than risk-adjusted returns that matter. One example from the institutional side is the insurance Ping An, which follows a familiar investment principle. Using their domestic bond yields as risk-free benchmark, the insurance diversifies into income producing alternatives with yield premiums, for example with their recent acquisition of the Lloyds of London building generating an initial yield of 6.1%.

To address the aspects of risk, some developers follow and cater to the Chinese individuals investing abroad. One example in New York may be Xinyuan Real Estate which bought into a large residential development last year. Individuals' purchases of residential real estate abroad are

³⁷ http://dealbook.nytimes.com/2014/10/08/chinese-return-to-the-waldorf-with-2-billion/?_php=true&_type=blogs&_r=1

³⁸ <http://www.mingtiandi.com/real-estate/outbound-investment/chinas-ginkgo-tree-ready-to-acquire-siemens-offices-for-630m/>; 2014-10-15.

often also motivated by diversification or the reduction of domestic risk. More recently health hazards associated with air pollution and food have been mentioned. Overall, individuals seem to prefer cities that offer benefits in respect to lifestyle and their children's education. The biggest group of foreign students in some European countries are the Chinese.

Many individual investors seek investments that provide residency privileges and residences where they have business interests. An example for both aspects may be Portugal. Online real estate auctions report as much as 80% of interest for units offered from China. It is indeed not just the Portuguese visa program, culture and climate that is driving this. Portugal's historic ties and language qualify it as a prime gateway and platform to benefit from the developing markets such as Brazil and Angola. Chinese business interests beyond apartments include the €2.7 billion acquisition of 21% in Energias de Portugal, the dominant domestic power company, €1.4 billion for a quarter of Ren, the operator of the national grid, and €1 billion for 80% of Caixa Seguros, the insurance group.³⁹

The later investment stems from Fosun, a Chinese conglomerate also known as one of China's largest developers. Other developers and their capital providers seek alternatives for expansion as they expect domestic policies to negatively impact their industry in China. Not only has the Chinese Government proclaimed a more market-orientated economic development model but it has also effectively withdrawn the "government put" and, thus, certainty bailing out the overleveraged or otherwise failing developers.

In consequence, the Chinese domestic market, with its estimated 20.000 developers, is expected to consolidate. Volatility will be exacerbated by overall economic cooling measures, not least targeted at the housing market. With the diminishing prospects at home and uncertainty increasing, many of the largest Chinese developers have begun to explore Western markets. They are looking for more predictable returns and are prepared to lower their return expectations in exchange. That said, 15% IRR only seem modest vs. still recent expectations of 30-50% in China.

From a European perspective, then, core properties and even developments in prime locations may not be competitive in respect to return. All the more reason to focus on communicating risk management aspects and the opportunities in secondary locations.

³⁹ <http://www.ft.com/intl/cms/s/0/6dabfb0c-44be-11e4-ab0c-00144feabdc0.html> ; Chinese investors play a key role in Portugal's success; October 6, 2014.

Who are the players?

Interestingly, a parallel trend to OBI is for both the Chinese developers and insurers to branch out into asset and investment management as they pool funds from smaller players and generate economies of scale.

In effect, there is a rapidly growing asset management industry in China. It is driven in part by a 2012 plan introduced by the China Insurance Regulatory Commission (CIRC) which included measures to allow the Chinese insurers to outsource funds to external asset managers and securities brokerages.

In China institutional investors are state-controlled. And private enterprises and insurances are the biggest group within the pension system.

On the state-controlled side there are four financial asset management companies (AMCs), Great Wall, Orient, Huarong and Cinda, established by the Ministry of Finance for the commercial state-owned banks, Agricultural Bank of China, Bank of China, Industrial and Commercial Bank of China and China Construction Bank, respectively. Originally, asset management was, thus, dominated by the banking regulator vs. the current CIRC.

Many Mainland Chinese insurers have set up asset management businesses by now. Some onshore Mainland Chinese asset managers have offshore Hong Kong subsidiaries. With their access to the mainland, Hong Kong asset managers in general are expected to outperform their foreign competitors in fundraising for outbound international investments.

Similar measures, like the ones from the CIRC plan highlighted above, in Europe have been catalysts for reconfigurations in the value creation chain. They tend to open the field for competition and globalization. Here and now, they provide European market participants with a chance to capture market share in the increasing funds of Chinese capital for real estate assets, be it as seller, advisor, developer, co-investor, financier, manager or local partner in other ways.

What kind of volumes are we talking about?

Not only the number of funds and managers but also the assets under management is increasing and both the outbound allocations - and those to real estate.

The Chinese economy is projected to keep growing far faster than the West for some time. According to one estimate, it is to reach about 20% of GDP among the top 30 global economies in 2050. That would entail some serious wealth creation.

Regarding wealthy Asian investors, there is a high affinity to real estate. For family offices and UHNWI allocations of 30% or more to the asset class are not unusual. The assets, held alone by the top 125 Chinese UHNWI, are estimated at USD 360 billion.⁴⁰

Regarding the Chinese mutual fund industry, pooling funds from small retail investors, keeping up with overall economic growth would mean rd. 8% growth annually for the time being. The industry is expected to reach 1 tr (1000 billion) USD by 2015. However, as it is, a disproportionate amount of the wealth created is going to real estate not to mutual funds. With the government now actively promoting more securities investment to the public, it is fair to wonder whether this will boost the listed real estate sector and real estate fund managers.

Regarding the Chinese institutions, in particular pensions, assets under management grow at twice the rate of GDP, albeit from a small base, speaking relatively. The overall pension system of the mainland China encompasses a total AUM of more than 9tr RMB. Of that insurers had about 5/9 at the end of 2012.

Besides insurances, the Chinese pension system rests on three more pillars. They include the traditional Public Pension Fund (PPF, not a likely candidate for immediate outbound real estate endeavors) and the National Social Security Fund (NSSF). The NSSF represents funding and mandates from MoF, local pension funds and potentially the PPF itself. The more recently created fourth pillar are enterprise annuities, alike to US 401k plans without the tax advantage, with the least assets so far. Insurers are and will likely be the most active market participants in diversifying their assets across asset classes and global locations. For comparison, globally insurers represent a significant portion of institutional assets, overall 30%, in Japan 64% and in Germany 74%.

What are the trends?

The loosening of regulations in 2012 has widened the investment choices of insurers from mostly domestic to 20 emerging markets and 45 global investment destinations. Their overall limit for the real estate raised to 10% of AUM in 2010 and again to 15% in 2012. Asian institutions are still

⁴⁰ Assets held by Asian family offices and UHNWI are an estimated USD 6600 billion.

underweight real estate at 1.7% of AUM. The Chinese allocation is even lower, at 1%, including domestic real estate. With classic allocation models starting at 10% for real estate and domestic markets said to become short in suitable assets, the OBI real estate growth potential is enormous.

With all of the above in place, larger than expected investments with broader scopes may pop up in locations that make sense in the context with China's longer term visions for expansion rather than local dynamics. If the destination of funds for Chinese more-infrastructure-than-real-estate foreign direct investments are any indication than there may be some surprises in store for the real estate industry.

What does all this mean for European real estate professionals?

It is important to note that for the European and the respective local real estate market participants even an allocation to a European real estate does not necessarily mean that domestic firms will be involved in the management of assets or in the structuring of investment vehicles. How much investment is routed via New York, London or Luxembourg?

Last not least, diversification is not an one way street. The crises of the last years have driven home the point that it is good to have different sources of capital. The performance of assets and asset managers can benefit from positive capital inflows.

Unlike fundamentals that any one individual can hardly bring too much influence upon, however, funds can be attracted to specific destinations. In consequence, it is up to us, the European real estate and investment professionals, to act accordingly.

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Options for Designing a New Political Framework of the European Bio-based Economy

The European Union will need a new political framework for rolling out its bio-based economy by 2020 - this is also a task which should be observed in third countries. They may come close to a role of providers of bio materials, but also as partners for EU organisations. It also concerns their governments, universities and specialist agencies who would have to take into account according which standards the EU works. Also published by Carus, M., Dammer, L., Essel, R. 2014: Options for Designing a New Political Framework of the European Bio-based Economy – nova-Institute's contribution to the current debate. Hürth, 2014-10. Download at: www.bio-based.eu/policy. Here are the authors:



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Introduction

The European Union will need a new political framework for rolling out its bio-based economy by 2020 at the latest. The existing framework does not create sufficient market pull for implementing innovative, bio-based technologies. The best framework would allow for the highest resource efficiency, the most innovation capacity, the highest value added, the most employment and the greatest protection of ecosystems. The current framework creates a non-level playing field between bio-based materials and energy, triggers never-ending discussions about a variety of issues such as land-use change and multiple counting of different biomass sources in quotas, and ultimately hinders Europe’s bio-based economy from tapping into its full potential of innovation, investment and jobs. There are several ways to change this framework.

Meanwhile, the bioenergy and biofuels sector finds itself in troubled waters; many member states of the EU are not on track to meet the targets set out in the “Renewable Energy Directive (RED)” and investments are stagnating. Political and public debates focus more on the effects on global food prices, pressure on ecosystems, and direct as well as indirect land-use change, rather than previous growth and future opportunities and investments. This is partly due to the fact that the whole sector (with some exceptions in the wood heating market) is strongly dependent on

incentives. If those are reduced, many companies might face bankruptcy and new investments will stop – as can already be witnessed in many member states.

The material use of biomass presents an alternative to energy use. It can create much more added value per tonnes of biomass, innovation, employment and investment and – if done right – can contribute to the economically and ecologically viable future of the European Union. The current framework, however, focuses only on the energy sector in terms of market instruments; bio-based materials and chemicals are only considered in research policies without any widespread application of novel bio-based materials so far.

This is also confirmed by the “Organisation for Economic Co-operation and Development” (OECD 2013): “Generally, biofuels policy support is much greater than it is for either bio-based plastics or bio-based chemicals. This is likely to make the development of the bioeconomy uneven, and may disfavour the use of biomass for bioplastics and bio-based chemicals. It may also constrain the development and operation of integrated biorefineries.”

Bio-based Economy: feedstocks, processes and products: (without food & feed)

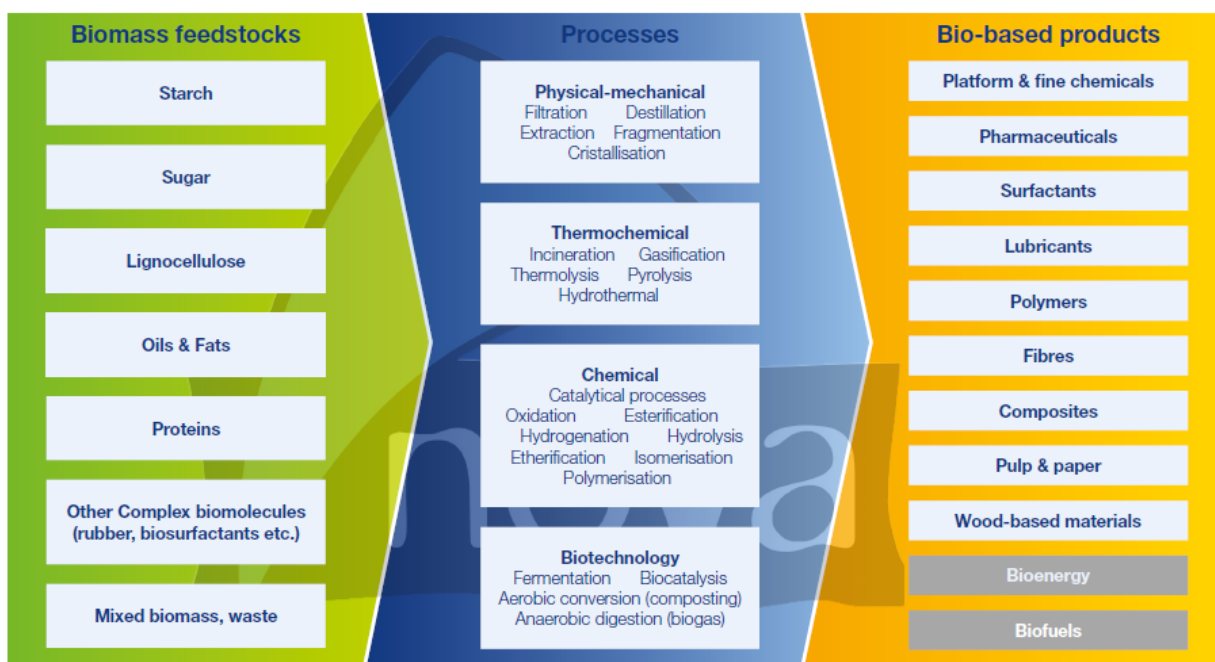


Figure 1: Bio-based Economy: feedstocks, processes and products (without food & feed) (nova 2014)

Instruments to strengthen innovation implementation by technology push and market pull (nova 2014)

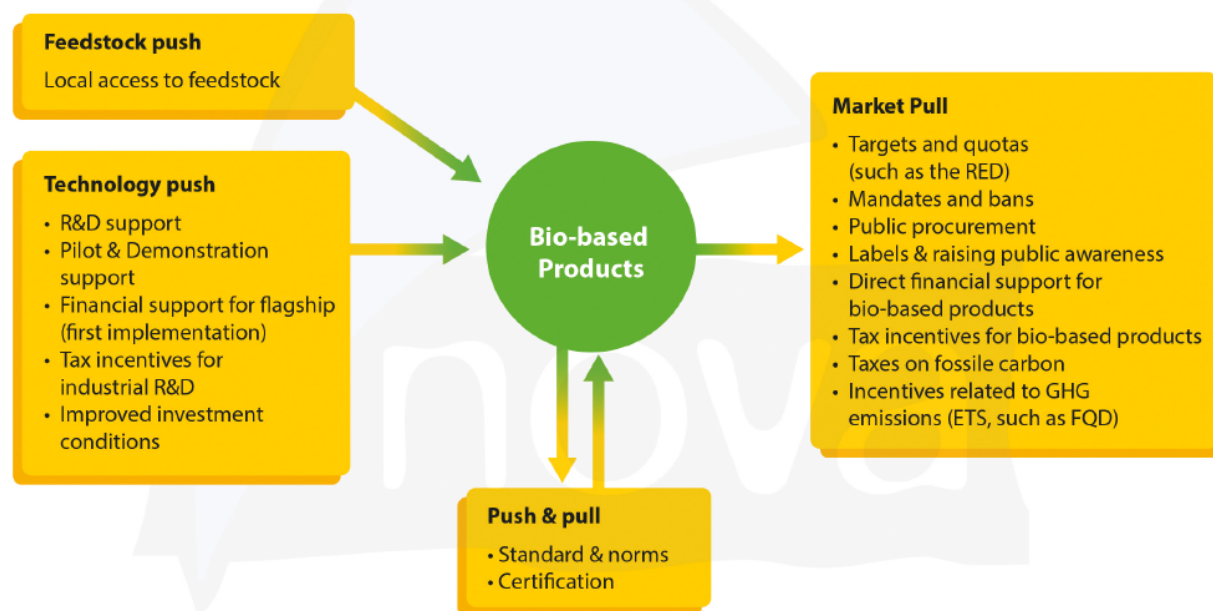


Figure 2: Instruments to strengthen innovation implementation by technology push and market pull (nova 2014)

It is Time for a Change and a New Start

The number of ways to reform of the existing political framework is limited: the main instruments are shown in Figure 2, which follows Joseph Schumpeter's theories of technology push and market pull factors. A technology push implies that a new invention is pushed onto the market through research and development (R&D), production and sales functions without proper consideration of whether or not it satisfies a user need. In contrast, an innovation based upon market pull has been developed by the R&D function in response to an identified market need. (Martin 1994)

With this position paper, nova-Institute's policy experts contribute to the current debate by assessing and evaluating different options for framework reform.

The reforms of the Common Agricultural Policy (CAP) will result in a change of biomass supply in the future. “In 2017, after the abandonment of sugar quota, we will have lots of cheap sugar in Europe. Europe is the most efficient producer of sugar in the world, in Northern France, Flanders, and Southwest Holland. Sugar, a first generation feedstock, is one of the most sustainable resources, easily and cheaply fermentable” (Carrez 2014). It will therefore be of crucial importance that the bio-based chemical and material industries have access to European sugar. The latest analyses also question the preference of lignocellulosic feedstock in general (Carus & Dammer 2013).

Another important aspect is the mobilisation of wood resources in Europe, where forests show more growth than extraction, with especially small private forests systematically being underutilized.

Feedstock Push

From the “push” perspective, most assessments come to the same conclusions about what needs to be done. A bio-based economy can only flourish when local access to feedstock at a reasonable price can be guaranteed – otherwise all investment will be limited to a few harbours, where biomass can be imported from other countries.

Biomass is not rare in the EU, but allocating it properly has its issues. Mainly because of the existing incentives of the Renewable Energy Directive, a number of biomass sources are only accessible for bioenergy and biofuels, but not for bio-based chemicals and materials. This can be addressed by changing the market pull mechanisms (see below).

Technology Push

Concerning technology push, the European Union has always been competitive and has at times been at the forefront of research and development. The new programmes, such as Horizon 2020, develop the R&D framework further and also address more market and business oriented factors. This seems like a suitable way to help newly developed processes and products achieve market success.

The support of pilot- and demonstration plans as well as the financial support of flagship investments (all weak points in the past) are covered by the new cooperation between the European Commission and the Bio-based Industries Consortium (BIC): The Bio-Based Industries Joint Undertaking launched its first Call for Proposals in summer 2014 (<http://biconsortium.eu/call-2014>). 3.7 billion € will be made available to realise the potential of bio-based industries in Europe.

In the future, the range of R&D activities should be carefully chosen and should not be limited to the conversion of lignocellulosic feedstocks, waste biomass and algae; research should also be done into the use of sugar beet in the chemical and plastic industry, the use of rapeseed oil in the oleochemistry, and biomethane for the production of chemicals and polymers. Moreover, the huge demand for cellulose fibre in textiles should not be ignored; it could be a great opportunity for the European pulp industry.

Finally, the investment climate in Europe is weak compared with many locations in America and Asia. The bio-based economy suffers from this due to general issues, as well as the existing market pull mechanisms in the bioenergy and biofuel sectors, which create market distortion, artificial shortage and higher feedstock prices.

What can Europe learn from other regions in the world? Tax incentives for industrial R&D could be helpful to strengthen market oriented research and development outside the official EU and member states' programmes.

Push & Pull

Standards and certification can be understood as both push and pull instruments. DG Enterprise and Industry with its “Commission Expert Group for Bio-based Products” focuses on standards and certification, as well as on market pull measures such as labelling, public awareness and public procurement for bio-based products.

Triggered by the DG Enterprise and Industry, the European Committee for Standardization (CEN) made substantial progress over the last years. A dedicated technical committee (TC 411) deals with “Bio-based products” and in August 2014 the European Standard EN 16575 on “Bio-based products – Vocabulary” came into force. This standard defines a bio-based as a product which is “wholly or partly derived from biomass. ... The bio-based product is normally characterised by the bio-based carbon content or the bio-based content.

For the determination and declaration of the bio-based content and the bio-based carbon content, see the relevant standards of CEN/TC 411.” The certification of “sustainable feedstock” is also on the right track: established systems such as ISCC, RSB or FSC and PEFC can be used wherever it is appropriate.

All above-mentioned activities are important for establishing a long-term market of bio-based chemicals, materials and products. However they barely help in the everyday competition for biomass and market access, and are relatively weak instruments which are not enough to trigger large-scale effects and investment.

A strong instrument would be to make bio-based materials and products economically attractive or even mandatory for the industry or end consumers; as an example, this was successfully accomplished for bioenergy, biofuels, and solar and wind energy.

Market Pull

nova-Institute discusses the following as strong market pull instruments: targets and quotas; mandates and bans; direct financial support; tax incentives; and the EU Emissions Trading System (ETS). All possible options will be described briefly and evaluated below. Furthermore, we will also discuss the “no incentives at all” option.

Targets and Quotas

Today’s most important market pull instrument in the bio-based sector is the Renewable Energy Directive (RED), which creates artificial demand for bioenergy and biofuels. In terms of investment and market volume, this has been very successful. However, several problems of the current framework have started to become apparent over the last few years: there is for example the fact that many member states are not on track with meeting their quotas; endless discussions on LUC and iLUC; certification of sustainable feedstocks; the system of multiple counting for certain feedstocks; their classifications as waste, residue or co-product; and that feedstock bottlenecks have appeared due to the increased and unbalanced demand for biomass. Moreover, the existing RED framework does not take resource efficiency, cascading use and circular economy into account.

At the same time, the “true” bio-based economy is not picking up any speed. This is caused, among other things, by the framework conditions created by the RED, which systematically prevent new developments and investments in higher value added applications, such as bio-based chemicals and materials, by only supporting energy use of biomass.

Several member states question the planned increase of the renewable energy quota by 2030 (from 20% to 40%, baseline 1990) and would prefer to avoid technological obligations. The current mood in many member states and also the EU Commission seems to favour the option to not continue the existing RED framework after 2020. Directing the market by “targets and quotas” is more questionable than ever, and if this strong instrument is to survive after 2020, it will have to be substantially modified.

Earlier this year, nova-Institute published the “Proposals for a Reform of the Renewable Energy Directive to a Renewable Energy and Materials Directive (REMD) – Going to the next level: Integration of bio-based chemicals and materials in the incentive scheme” (Carus et al. 2014a). The reform proposal is aimed at creating a level playing field for bio-based chemicals and materials with bioenergy and biofuels in Europe, which would allow for the most value added and the highest reductions of greenhouse gas (GHG) emissions with a limited amount of biomass while preserving and expanding the existing infrastructures of bioenergy and biofuels.

Advantages of a RED reform – keeping targets and quotas

- No sudden ending of subsidies, but a continuous development of the bio-based economy, including bio-based chemicals and materials;
- Possibility to fulfil the existing CO₂ reduction targets and even to increase binding targets beyond 2020 as planned, because it would be possible to fulfil them in more ways than today.

Disadvantages of a RED reform – keeping targets and quotas

- Complicated implementation of detailed instructions and further difficulties in avoiding unwanted market distortions in the future;

- Long-term higher energy and fuel costs for consumers, possibly also for bio-based products.

Mandates and Bans

Mandates and bans can successfully exert targeted influence on markets. A recent example is the ban on the highly inefficient light bulbs, which has significantly contributed to accelerating the light emitting diode (LED) revolution. Today, there are LEDs for almost any light application, with strongly increased efficiency and lower market prices.

There are similar opportunities for bio-based products that offer considerable ecological and health advantages for many applications. So far, however, most of these opportunities have been left unused, with the exception of the planned ban on single-use plastic bags being discussed in the EU.

The reasons for mandates and bans should always be based in environmental and health protection, not in the property of being “bio-based”. Together with several experts, nova-Institute has compiled a three-page list with specific suggestions for mandates and bans and put it forward for discussion (www.bio-based.eu/policy). It is fascinating to see how many of the proposed measures would make sense in terms of environmental and health policy and which application ranges would be covered by them.

This approach could also (finally) rouse some interest for the bio-based economy and bio-based products in the Environmental Ministries of the member states. With a view on bioenergy and biofuels, some officials have always been sceptical, but if bio-based chemicals and materials offer true environmental advantages, the Ministries of the Environment should become more active in the discussions and the processes of the bio-based economy.

The example of plastic microparticles serves to illustrate this point: they can be found in many cosmetics and body care products and leak uncontrollably into the environment, where they pollute, for example, marine environments and are found in many marine animals. Microparticles from bio-based polymers, which degrade completely in marine water (as for example PHA/PHB), would be a good solution for this problem. Why should their usage not be made mandatory?

Several other examples can be found on the list “Bio-based economy: market pull measures for bio-based products“. (www.bio-based.eu/download/?did=6006&file=0).

Advantages of mandates and bans

- Environmental and health reasons can be powerful political tools and can find much support from policymakers, society and NGOs;
- Properly designed mandates and bans can create considerable market incentives, prompt innovations and encourage investment in Europe.

Disadvantages of mandates and bans

- Mandates and bans constitute strong market interventions which are often rejected and opposed by established industries;
- Political steadfastness will be necessary in order to enforce comprehensive mandates and bans.

Public Procurement

European public authorities spend almost 2,000 billion € on goods and services every year. This means that public procurement can be a tool for creating market pull, also for innovative bio-based products. The BioPreferred® program of the USDA is a very pragmatic example of how public authorities can promote bio-based products. In Europe, there is no such thing and public procurement is not yet used as a market pull instrument for bio-based products. Two existing procurement tools could principally cover bio-based products, too, but presently do not: Green Public Procurement (GPP) and Public Procurement of Innovation (PPI). However, slowly but surely, things are being set in motion to change the current situation.

On the European level, public procurement is covered in a working group of the “Commission Expert Group for Bio-based Products” and also in a Horizon 2020 call that aims to build procurement networks for innovative bio-based products. There are already a multitude of national

and regional platforms that support sustainable procurement, and some of them also contain dedicated information on bio-based products.

The FP7 project Open-Bio has collected these product information platforms recently (www.open-bio.eu).

As mentioned above (“Push & Pull”), however, we think that public procurement, albeit an important contributing factor for market establishment of bio-based products, will only have a limited impact on the markets.

Labelling and Raising Public Awareness

Labels offer targeted information about the advantages of the labelled products in order to support buying decisions of consumers. It is currently being discussed to support the market pull of bio-based products with a label informing consumers about their bio-based content. Several methodological challenges have to be faced in order to avoid false claims (“greenwashing”) or simple misunderstandings. Discussions are on-going in the “Commission Expert Group for Bio-based Products” and in the research project Open-Bio, mostly with a focus on the EU Ecolabel (www.open-bio.eu). Similarly to public procurement, we think that labels could play a role in the market establishment of bio-based products, but will not be enough to help in the everyday competition for feedstock and investments.

Direct Financial Support

Another possibility is to give direct financial support for the feedstocks of certain bio-based product lines; however this somewhat successful refund system was discontinued entirely years ago. The financial support of production and marketing of bio-based products is generally also seen as critical and is difficult to harmonize with competition law. Furthermore, it would require providing considerable direct financial means. With the exception of targeted and temporary market introduction programmes, direct financial support is therefore not considered as a relevant tool for the future design of the framework.

Tax Incentives

Today, the worldwide chemical industry pays no taxes on the use of crude oil or natural gas as feedstock. A tax on fossil carbon used by the chemical industry would be a strong instrument to make biomass sources attractive. However, this approach can only be implemented on a global level, since considerable market distortion would otherwise result, with negative effects for Europe.

Different kinds of tax incentives for bio-based products are possible in the member states and have been investigated in different reports. In some member states this instrument was already used, for example for packaging materials (Belgium, The Netherlands). Brussels could enable the member states to use tax incentives, with the responsibility for implementation falling on the member states. The current discussion about the applicability of reduced VAT for environmentally advantageous products is leaning that way.

Incentives / Regulations Related to GHG Emissions

Expanding the whole Emission Trading System (ETS) in order to cover the material use of industrial production and not just the energy use is conceivable in principle, since an improved choice of materials can also reduce greenhouse gas emissions by substantial amounts. First steps in this direction are being made internationally for the wood sector in order to account for stored carbon in wood-based products.

This presents quite a methodological challenge. Also, the certificates would have to be made much more expensive in order to gain real effects. Another option would be imposing obligatory GHG reduction goals for specific economic sectors, such as for example the plastics industry. The targets could be reached through increased use of recycled materials, petro-chemical plastics with a lower carbon footprint or bio-based plastics.

No Incentives at all

Another option which is currently under serious discussion and which has quite a bit of charm is to discontinue all incentives and support schemes for bioenergy and biofuels from 2020. This means that no more money will be spent in the implementation of political roadmaps to foster the

bioeconomy – neither the energy use nor the material use of biomass. Instead, the market economy will be in charge of investment, production and distribution of biomass based on supply and demand.

Six major advantages and disadvantages are listed below:

- Advantages of abolishing incentives for bio-based energy
- No more political need to justify direct and indirect land use change (LUC and iLUC) or for certified sustainable feedstock, since the market would regulate the allocation of biomass and decide which products would be realised;
- Those bio-based products that create the highest added value will have a much better access to biomass;
- For the same reason, bio-based materials and products that can receive GreenPremium prices would be in favour (Carus et al. 2014b).

Disadvantages of abolishing incentives for bio-based energy

- An abrupt end of the support system endangers the majority of investments and employment in the bioenergy and biofuel sectors;
- Europe might not be able to realize its ambitious CO₂ reduction goals;
- Sustainability requirements such as the protection of primary forests or working conditions will not be covered by legislation (as it is currently implemented in the RED) and thus not be implemented if any additional costs for the biomass are expected.

Our Recommendations

- Keep the existing infrastructure with a substantial reform of the RED. The existing infrastructures of bioenergy and biofuels, which are already under pressure, could be in danger after 2020. The current infrastructure is an advantage and forms the basis of the European bio-based economy. It should be used, preserved, and expanded by the

transformation to bio-based chemicals and materials. To achieve this, nova-Institute recommends a substantial reform of the RED to a Renewable Energy and Material Directive (REMD), which will provide a level playing field for bio-based products. By promoting new material applications of biomass, more value added can be created per tonnes of biomass, new investments attracted and employment generated.

- Use mandates and bans to create environmentally friendly innovation. Mandates and bans should be used as strong instruments based on sound environmental and health reasons in order to tap the full positive potential of bio-based products. These market pull measures should be implemented in close coordination with a technological push in the form of support for R&D, pilot and demonstration plants and flagship investments, in order to get those technologies and products off the ground for which a sufficient market pull and demand exists.
- No limitation of R&D activities to specific biomass and applications only. R&D activities should be not limited to the conversion of lignocellulosic feedstocks, waste biomass and algae: research should also be conducted on the use of sugar beet in the chemical and plastics industry as well as the use of rapeseed oil in oleochemistry. Sugar is relevant because it is expected to become cheaper after 2017; rapeseed is relevant for keeping the existing infrastructure of the biodiesel industry, which is heavily under pressure, as well as biogas for electricity; biomethane has a relevant potential for the production of chemicals and polymers. Furthermore, the huge demand for cellulose fibre in textiles should not be ignored; it could be a great opportunity for the European pulp industry.
- Guarantee the supply security of high value industries. Overall, every development of the political framework for the bio-based economy should guarantee the supply security of high value industries such as chemicals and materials in order to prevent them from leaving Europe and taking their value and employment with them. The affordable access to biomass plays a crucial role in this.

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Ethical and Ethno-Religious Background of Cyclical Crises

Evgeny Orlyansky



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Cyclical fluctuations are one of the most striking features of a modern market economy. Moreover, the cyclical nature is considered immanently inherent feature of a market economy. The problem of overcoming the crisis in the market economy is the central problem and priority for state macroeconomic policy.

However, even two hundred years of history of global world crisis, and almost seventy years of history of crisis management was not enough to find a way to provide crisis-free development. The best achievement of macroeconomic theory and policy in this regard - the Keynesian theoretical model to stimulate economic growth during the crisis of overproduction generated by a lack of aggregate (the "effective" in terms of Keynes) demand. On this basis, the practical models of anti-crisis management policy of the state were created in different countries. It may be noted also a theoretical basis of restriction patterns impact on business processes in a period of "overheating economy".

However, no theoretical model proposed by representatives of the so-called "mainstream" (a group of leading schools of Western economic theory) cannot explain the root cause of fluctuations in

economic activity. Therefore, the State only passively waits until the next depression variations to try to mitigate its effects. As part of the dominant theories, cyclical fluctuations seem the product of various factors externality (external) and internality (the character). However, these factors are direct causes of market fluctuations that lead to crises. One of the principal aspects of this situation is that of inevitability of action of these factors. The prevailing opinion is now considered inevitable recessionary and depression due to vibrations of randomness and unpredictability of market mechanisms. However, in parallel, recognizes the special danger of economic crisis in today's high level of exhaustion of resources, worsening environmental and social issues.

It seems that this situation is not normal. Recognition of the inevitability of crises is unacceptable. Modern scientific "mainstream" does not answer the question. Accordingly, it is necessary to consider alternative positions.

First and foremost we need to attract alternative methodological approaches. Helplessness of "mainstream" in explaining of the origin of the crisis is largely due to artificial limitation of methodological tools so-called "economism." By definition, a Swiss economist and sociologist, Peter Ulrich "economism" can be called "faith only in the economic rationality itself and in nothing else" [7, p.18]. His colleague at the Swiss School of Sociology Arthur Rih also thought that "... For the approach, which is called" economism, "a typical assessment of all phenomena and forms of social life solely (or primarily) from the standpoint of economic rationality and material productivity. Thus, the economy appears to the system sui generis, closed in itself, obeying its own "natural" laws "[4, p.23]. On a practical ideological level, the economism results in the so-called "economic thinking", which is best (and very frankly), expressed by the American economist Paul Heine. He points out that "the technique of thinking" is "a kind of assumption about what the person is guided in his conduct." And further calls this premise: "In a remarkably few exceptions, the economic theories are constructed, based on well-defined premise that individuals are taking the actions that they believe will bring them the greatest net benefit (net advantage)" [9, p.23].

An alternative of methodological "economism" is approach of representative of the German historical school of Werner Sombart, who posits the possibility that economic processes can be developed under the influence of non-economic factors. Sombart's position is expressed as follows: "What this means: the spirit in economic life? I use this phrase in the simple sense, according to which it refers to all general mental, i.e., spirit, which manifests itself in economic life. That the mind has any place here, no one wishes to dispute, except when not specifically deny all mental manifestations in human life. For economic activity only takes place when the human

spirit is attached to the material world and acts upon it. Any production, any traffic is nature, and in every job there is soul.

Speaking figuratively, we can relate to the economic life of both the body and say about it is that it is composed of body and soul. The economic body is formed by those external forms, in which the economic life operates: economic and technical forms, multiple organizations, among which and through which economic activity is carried out. However, the external conditions under which there is the economic process, is also ranked as the economic body, which is opposed to economic and spirit. The economic spirit is a set of mental properties and functions that accompany the economic activity. This is all the manifestations of intelligence, all traits of economic opening in aspirations, but it is also all of the tasks, all judgments of value, which is defined and controlled by the behavior of economic man "[2. 8-9].

What is the "spirit" (system of ethics) can guide the development of a modern market economy. For this we define the main features of the immanent really immanent features of this economy (on which the same representatives of "mainstream" insist from Adam Smith and the classical theory, to Milton Friedman and the monetarists).

Such signs may be followings:

- Recognition of personal selfish material interests of the individual major impetus of economic development of the society. This feature is embodied in the famous principle of "economic man" of the same Adam Smith [5. 27-29];
- Recognition of equivalence and equality of all kinds of economic activities. As an illustration of this approach we can lead to opinion of John Stuart Mill on the productive role of credit or marginalists view that trade is also involved in the formation of good value along with the direct production. The same number applies to the actual rehabilitation of the percentages (created numerous theories of interest by authors such as, for example, E. von Böhm-Bawerk, A. Marshall, J. Fisher);
- Recognition of a self-regulating market economy, a balanced system. This tradition takes on a more basic principle, the principle of Smith's "invisible hand", which was expressed in his famous phrase: "Every individual ... driving this industry so that its product had a maximum value, has only his own gain, and in this case, as in many others, he is sent to the invisible hand to the aim which was no part of his intention ... Pursuing their own interests, it is often more validly serves the interests of society than when consciously seeks to make it "[5. 332].

Economic system based on these initial principles, differed fundamentally from the traditional market economy dominated in the world economy until the early 18th century. This economy may well be classified as a market, as had attributes such as resource sharing, wealth and income, the principle of self-expansion of value (profit), private property, etc. However, it had no these symptoms. Maximizing of the material enrichment could not be a major stimulus of economic activity. Driving force was the "idea of food" (in the terminology of Werner Sombart). I.e., the main purpose of economy was to provide material aspect of the functioning of society (economic activity for the sake of personal enrichment declared irrational since Aristotle's famous dichotomy of "economy-chrematistics"). There was no unquestioning faith in the autonomous self-regulating market; therefore, there was a considerable state regulation of production and trade relations. And finally, there was a gradation of the kinds of economic activities in major and minor, or, if you will, respected, and not in terms of social consciousness. Thus, according to Ferdinand Tönnies, attributed to the first production, to the second - trade [6, c.61-62].

Well, of course, in that some of the most well-known prohibition of charging interest. On an example of this point is very well seen the dominance of the ethical factor in the traditional market economy. Moreover, it is clearly seen the source of this ethical factors - religious dogma. The inverse image of negation percent contains even in the New Testament, where there is a call for forgiveness of debt at all (Luke 6:35).

Leading theologians of early Christianity continued this tradition. Sombart describes the logic of the argument of Catholic theologians: "The investment of capital and the loan of money put into a sharp and principled opposition to each other. In the form of loan money does not give results, as the capital, they are fruitful: not only do they have, as such, the nature of money or things, but in addition have the creative ability, which we designate as capital" [2, c. 246]. Thus, the biblical attitude to the percentage of profit was formed into a theoretical postulate, but the essence of this relationship, no doubt, remained the same. In practice usury was condemned by the Vatican very tough. Starting from the IV century (when the Christian church is not divided into eastern and western) and up to the XVII century Roman Curia decision of the council did not cease to condemn usury and forbid their followers to be engaged in it.

Moreover, if only to take, for example, the Lateran Council, the rigidity of this attitude has consistently increased. So IV Lateran Council had a special anti-Jewish orientation (the Jews were required to wear special clothing, and prohibited holding state posts), largely because of their commitment to usury. In later centuries the Vatican has repeatedly stressed their opposition to usury (although in reality the interest deal came into use long ago). The last time this was done in

1917. It should be noted that these prohibitions are not formally abolished until now [3, p.103-104]. And Protestantism continued this tradition. Martin Luther condemned sharply the use of percent. He wrote: "Clear-lenders should be subjected to excommunication They should return the loot beyond measure to those who had such anguish" [loc. at 8, c.261-262]. Other kinds of economic activities are also regulated in terms of Christian business ethics.

The modern market economy sharply broke with this ethical bounding box. Christian economic morality varies so-called utilitarian ethics, the essence of which could make the slogan "ethically all that makes a profit" (in legal economic activities, with an eye on legislation). But is this utilitarian ethic of the deepest source of the modern market economy? This raises another important question. Is this changing of business ethics a simple process of secularization of the spiritual and theoretical component of the economy, or something else, and more is behind it. In other words, can we assume a closed economy mindset automatic process or not. Agreeing with the first alternative, we must recognize the economic way of thinking in terms of self-sufficiency, in fact, is the world's religions. That is also self-contained as a factor in the formation of modern mass culture, like Christianity for the formation of its culture. If we are not satisfied with this approach, we will inevitably come out on the need to find an alternative. For example, the same Sombart brings business ethics from the postulates of the Jewish religion. Thus, he notes that, unlike Christianity, "there was no ideal of poverty in the Jewish religion, the development of rationalism was more stringent and comprehensive than in Christianity" [2, c. 260-261]. Thus, upon entry into the market era, "the Jews had an enormous advantage over all other nations" [2, c. 261].

In fact, many sacred books of Judaism resemble a recall in part the benefit of business, than the moral teaching (e.g., "Proverbs"). This is partly a consequence of differences in estimates of terrestrial life of man. Christianity regards the earth stage as a preparation to the Kingdom of God in heaven. Judaism regards this world as the "crown of creation" and directs the establishment of God's kingdom on earth. The significant difference of Jewish business ethics from a Christian (and Islamic) equivalent is the existence of double standards concerning the Jews and foreigners. So Judaism is required not to apply interest loans and forgive the debts of the Jews, but allows interest and prohibits the of debt forgiveness for foreigners (for example, Deuteronomy 23:20). As a result, many business practices used by Jews were unacceptable to the Europeans on the basis of differences in moral ideals. For example, advertising and dumping were virtually unknown in Europe until it was actually Christian.

A new economic ethic has gradually become the dominant basis of market economy. This process went side by side with the process of loss by Christianity, the dominant position in the social and individual consciousness. However, this process was very slow, and it doomed the society to the contradiction of mental attitudes such consciousness and unacceptable to it tools of the new economy. The result is a situation when, by increasing productivity, the economy is losing more and more features of logic and rationality. The unrestrained pursuit to maximization of material gain deprived the economy of sustainability and stability, condemning the devastating crises (such as the "Great Depression" of 30th generated illogical postwar investment boom, or the energy crisis of the 70s, through the fault of raw materials monopolists, have turned the economic levers to instrument of political pressure). The current global recession gives us an example of a logical outcome of rehabilitation per cent in the utilitarian business ethics. Realized that perceptively noted by Thorsten Veblen in his "Theory of the Leisure Class", ie percentage pressure of hypertrophied financial sector to the real production sector [1, c. 174].

That expansion of credit and interest, not having any ethical or administrative constraints, gives rise to swelling demand stimulants and growing conjuncture develops on the principle of "bubble" that inevitably will burst and plunge the world economy into the abyss of another recession. Not the last role is played by the media promoted the cult of consumerism. This cult also has an ethical framework, for example, in the philosophy of hedonism (close to many of the classical economists) or Jewish dogmas of the world's reward the righteous.

Correct identification of the ethical and ethno-religious foundations of global crises gives tools to neutralize them. Moreover, neutralization is preventive, but not catching up. Undoubtedly, it is about the restoration of economic ethics, depending on mental attitudes of European ethnic groups. We are talking about the introduction of social and individual consciousness sense of the primacy of spiritual values over interests of enrichment and consumption. It is quite clear that it cannot do without desecularization processes.

Naturally, this process can take a long period of time. During this period the role of shock absorber of market forces would replace state regulation. There is a view of administrative targeting those indicators on which the volume of elements of market conjuncture depend on. We are talking primarily about the results of income (profits, dividends, rents, interest, etc.). Then the scales of the expansion of conjuncture are more or less predictable and the global economy no longer meets the global failures of the type of the current crisis or the Great Depression of the 1930s.

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Participatory Democracy: Some Background Remarks

Tsoghik Khachatryan and Ofelya Sargsyan

Participatory democracy is often discussed in Eastern European and CIS transition states, often in presence of EU or US consultants. This article, a co-production by Tsoghik Khachatryan and Ofelya Sargsyan at the University of Flensburg/Germany, has been written at the International Institute of Management and European Studies, under the supervision by Prof. Dr. Gerd Groezinger.

Introduction

Throughout the history democracy has been about establishing and exercising the power and the will of the majority. It is to be viewed as a life-long learning procedure and never as a steady system. Hence, in a democratic government the agenda setting, decision making as well as policy implementation by the politicians and the governments can be challenging and complex. For it to be successful and efficient high level of public involvement and participation are to be stressed. The citizens are to have the desire and the motivation to take their role in the process. As for the government, they are to create and provide relevant tools, forms, institutions, values as well as knowledge for the public inclusion and participation in the governance.

These imply that the traditional forms of representative democracy can no longer be considered compatible with the modern trends and demands. On the other hand, pure direct democracy shall not be viewed as an ideal solution either as it would daily pose thousands of legislative issues for the citizens to deal with.

Hence, in the present paper the concept of democracy will be discussed, its traditional types will be briefed as well as the challenges and the problems connected with each of them will be detailed. Afterwards, the study will seek to provide democratic patterns suggesting more interactive government-citizens relationship. Namely, e-democracy and deliberative democracy will be suggested as potential ways for increasing the citizens' role and participation in the governance.

The Concept of Democracy and its Types

Since its inception democracy has undergone multiple changes and transformations. Today it is the most general type of governments worldwide. It is the very “mode of decision-making about collectively binding rules and policies over which the people exercise control, and the most democratic arrangement to be that where all members of the collective enjoy effective equal rights to take part in such decision making directly - one, that is to say, which realizes to the greatest conceivable degree the principles of popular control and equality in its exercise...” (Beetham, 1993). Thus, it enables the people to voice their anxieties and disagreements so that the government could address these problems. In the broadest sense 2 types of democracies can be identified: direct and representative.

The representative democracy which is the governance system in most of the democratic states implies that the citizens elect officials to represent their preferences, priorities and problems as well as act on their behalf. The people continue to have the ultimate power but the officials initiate and implement policies and laws. As benefits of the representative democracy the following arguments are generally put forward: the elected representatives can specialize in the field and make more rational choices and decision than the average citizens as the latter will probably lack the time and resources to get adequate knowledge and information. Besides, it is argued that in the representative democracy decisions can be made much faster than in the case of the direct democracy. The reason lies in the fact that in the representative democracy the number of the policy makers is incomparably fewer. One more argument in favor of the representative democracy is that the elected officials can ensure coherence in the policy, thus preventing radical changes in the governance. Furthermore, in the representative democracy hard decisions are more attainable than in the direct democracy. For example, the public will hardly vote for tax increases even if is an emergency, while the representatives, realizing the necessity of the issue, and could approve the policy (Lansford Tom, 2007).

Yet over the past several decades there is growing public dissatisfaction with the existing forms of representative democracy and the calls for reforming the current structures have become more than commonplace. The critics underline that representative democracy strictly restricts popular participation. The reason they see in the social and economic systems. They claim that the capitalist economic structures create unequal income and wealth distributions which in turn lead to a situation in which the capitalists have more leverages to influence the politics than the workers. Moreover, inherently enough, the constitutional principles, institutions as well as systems of representative democracy further limit public participation in the governments. Hence the majority

of the citizens alienates from the governments, voters turnouts are down, public's confidence in the political parties and the representatives is in decline and the reformists insist on a more participatory style of democratic governance. Meanwhile, the demands for direct political participation and policy-making grow (Russell J., 2001).

In this context, the next type of the democracy, direct democracy, is to be presented. Regarding this form of governance the U.S. President Clinton's former adviser Dick Morris's words are to be recalled "the fundamental paradigm that dominates our politics is the shift from representative to direct democracy. Voters want to run the show directly and are impatient with all forms of intermediaries between their opinions and public policy" (Koryakov Igor & Sisk Timothy D, 2003). Direct democracy is when the control of the government is in the hands of the public and any issue is decided with all the citizens gathering and voting against or for it. Direct democracy can be operated by referendums, initiatives and recalls (Lansford Tom, 2007). Thus, direct democracy increases the potential and the capacity of the citizens to make an influence on public policy, a phenomenon which is the cornerstone for a democratic government. Active citizen participation can contribute to the development of efficient and truthful governance, one which understands and takes into account the concerns and the interests of the public. Additionally, public participation in the government's decision making is a prerequisite for democracy and good governance. In fact it can increase information flow and transparency, improve accountability and responsiveness as well as give a voice to those who are directly influenced by the public policy.

What is also important is that the public's remarks and feedbacks can facilitate the government's task in identifying the people's needs and preference and subsequently contribute to the effective allotment of the resources in addressing the problems. Today, direct democracy is mainly exercised at local or regional levels. For example, in New England, the USA, the town hall meetings are conducted as a manifestation of direct democracy. The most widespread form of direct democracy is through referendums in which the citizens directly vote over a specific issue. As an example, the referendum held in France in 2005 could be recalled in which the voters rejected establishing a constitution for the EU. Another form of direct democracy is the recall through which the voters can force an official out of the government. For instance, in 2003 the citizens recalled the governor of California, the USA, Gray Davis, replacing him by Arnold Schwarzenegger (Lansford Tom, 2007).

It is to be mentioned that direct democracy does not lack disadvantages, either. First of all the critics argue that it is impractical. It will be extremely time-consuming every time to gather all the population to make a decision. One more flaw pointed is that direct democracy implies high level

of participation. To make an adequate choice people are to be informed and have a certain knowledge regarding each issue. However, the world is developing too fast and it is impossible for average people to study and know all the issues that go round and are at the agenda to be voted upon. Hence, there is a probability that the public can vote haphazardly and not make optimal choices. Another problem connected with the direct democracy is that it can become the tyranny of the majority. While the majority rule is the key for the successful government of the state, it could also hamper the rights of the minority. For example, for many centuries the African Americans rights were suppressed in the USA by the white Americans (Lansford Tom, 2007).

Thus, as could be seen while the representative democracy is often criticized for an elitist approach, direct democracy does not lack problems and implementation complexities, either. Hence, the emphasis should not be the elimination or substitution of the one or the other but rather the participatory democracy should aim to construct forms of direct democracy that can coexist with the representative one, it should seek to establish new fields of discourse and political deliberation, limit the issue of legitimacy caused by the representative systems, e.g. the remoteness between the governed and the government, increase transparency, publicity and responsiveness. In this context deliberation and e-governance could fill the gap.

Digital Democracy and its Opportunities

The Internet has revolutionized the life of the humanity. It has affected all the spheres of the life and has not bypassed politics, either. It challenges the traditional political hierarchies and increases the expectation for more extensive citizen participation in the democratic governance. (Tsagarousoanou, 1999). Hence, the role of e-democracy can be more than prerequisite on the way of tackling away the so-called “democratic crisis”. E-democracy “is the use of ICT and computer-mediated communication (CMC) in all kinds of media (e.g. the Internet, interactive broadcasting and digital telephony) for the purposes of enhancing political democracy or the participation of citizens in democratic communication” (Hacker and van Dijk, 2000).

It composes of three elements: getting information, engaging in deliberation, and involving in policy-makings. Getting information is connected with the necessity to ensure equal access to information through the electronic nets. The engagement in deliberation is about providing chances for the citizens to participate in political discourse. The modern technologies can sustain both citizen-to-citizen communication and citizen-to-authorities communication. Concerning policy-making 2 forms can be identified: via institutionalized procedures, e.g. elections, referendums or

via collective actions which can be implemented independently from the political order (Walsh Lucas, 2004). E-participation will enable online voting, “opinion polling, campaigning and fund-raising, communication between politicians and voters, Internet political chat rooms, wired legislative bodies, feedback from the public on legislative drafts, etc. (Frangakis Nikos, 2007).

The cases manifesting e-governance are numerous, for example Australia: on the Australian website, Queensland Agencies, have a wide choices for interacting with the state. The “Get Involved with Government” option connects the public to the governmental representatives, provides them with information, current legislature procedures, offers direct citizens’ remarks which transfers to the committee and to the Parliament for the formulation of policies and strategies regarding different legislative issues and acts. The link enables a citizen to come up with an official and direct appeal to the Parliament in the form of an e-petition. Here the citizens can as well as their signatures as a sign of support or objection. The site also reviews the citizens concerning the e-petition procedure itself (Caldow Janet, 2004).

One more example could make “Brazil's city council of Porto Alegre. It has used email and the web to enable citizens to discuss and vote on issues.... In the US, Minnesota E-Democracy seeks to increase participation by hosting online public spaces for citizen interaction on public issues Through e-Citizen Estonia, Estonian citizens have used an online consultation process to comment on draft laws and suggest new ones The Netherlands’ Minister for e-Democracy matters has engaged discussion with the public through online chat rooms. In North Jutland, Denmark, a Democracy Project has attempted to counter low voter turn-out by using ICT to make regional decision-making process more understandable to its citizens.... Recently in the UK, a trial group of voters were given a PIN number and invited to take part in an e-voting pilot scheme via interactive digital television, the internet, telephone and special kiosks..... In the US, the technology is now available to use digital TV to cast election ballots (Walsh Lucas, 2004).

Referring to Coleman, it is to be said that the Internet brings “the possibility of giving democracy the one thing it hasn't had in the past, which is a degree of interactivity where the public and the people who represent them have a closer proximity to one another. And you give the Internet a social purpose - something that every significant communication medium has had in the past: a political relevance” (Coleman, 1999). Thus, e-democracy can contribute to making the government more transparent and responsible. In addition it will bring the citizens closer to the decision makings. While e-democracy still needs further evolvments, its management can make an integral function in the democratic participatory governance (Frangakis Nikos, 2007).

Yet, investigating more tools and methods for implementing direct democracy, a number of innovative deliberations can be identified: Citizens' Juries, Participatory Budgeting, Citizens' Assembly, initiatives, referendums.

Citizens' Juries

A citizens' jury could be presented as a means that collects a small number of citizens who make a deliberation on certain issues and provide written recommendations. The objective of citizens' juries is to inform the government about the public approach over an issue. The juries can be implemented for such fields as technology, health, and environment. Citizens' juries are referred to improve policy forming, make them more legitimate and efficient. It can be formed both by non-governmental and governmental agencies so as to assure government-citizen connection. By collecting people and educating them, it tends to widen the edges of agreement between the government and the citizens and pave way for the resolution of problematic issues. The advantages of citizens' juries are in that they provide relevant information, research of the issue as well as deliberation. However, there are also shortcomings, such as the high costs and limited number of people and its exclusive nature.

The system includes engagement of up to 16 citizens of the local community. Citizens' juries can be found in the United States, Germany, Spain, Australia, Canada and Japan (Audrey Wall, 2011). As a case study the UK's initiative of 2003 can be mentioned. The Department of Trade and Industry asked a citizens' jury to help them develop a policy on managing family and work. The influence of the jury was reflected in then Chancellor of the Exchequer's pre-budget speech at the time where he expressed in favor of increasing maternity pays (People and Participation, 2009).

Participatory Budgeting (PB)

Participatory budgeting is another innovative tool engaging citizens in the policy making procedures. It involves popular inclusion at the local level with the formation of a city budget, citizen meetings together with representative forums. Participatory budgeting is important in the sense that even the marginalized groups are enabled to have an influence in policy making over issues which are critical to them. By educating as well as engaging PB permits the citizens to see and observe how the public resources are spent and this creates a transparent and legitimate

atmosphere and a positive citizen-local government relationship. More than 10000 places of the world today experience Participatory Budgeting. Moreover, the policy is also encouraged by the World Bank, and the Asian Development Bank. Furthermore, PB is being promoted by organizations such as the World Bank, UN Habitat and the Asian Development Bank. The most thrilling aspect of PB is that citizens are involved in the decision making processes regarding the public spending and they can identify spending priorities. It makes local decision making more transparent, legitimate, and inclusive as well as deliberative (Harris Clodagh, 2012).

An example could be Porto Alegre, Brazil. Porto Alegre has begun the implementation of the PB since 1989. The citizens are engaged in the PB here in 3 stages. The first are popular assemblies in which all the citizens of the municipality can take part. In the framework of the assemblies the priority fields are decided, delegates to the regional budget forums are elected and afterwards a representative to the municipal budget council is selected. In the regional budget level local government officials help the delegates to present their preferences and in the third phase the municipal budget council issues the allotment of resources. Currently the entire budget of the city is allotted via the PB. It has been approved that such fields as sanitation, health care, education, transportation have improved since the launch of the PB policy (Harris, Clodagh 2012).

Citizens' Assembly

One more deliberative innovation is citizens' assembly. It supposes a collection of a group of citizens so as to deliberate regarding a certain policy and make relevant recommendations. During an assembly various questions such as education, health, transportation, telecommunications, can be discoursed over. These assemblies tend to increase citizens' engagement in the democratic policy makings. Yet, it is not that easy to organize and need substantial resources and finances (Clodagh, Harris, 2012). The British Columbia Citizen Assembly on Electoral Reform could make the case. Formed in 2004, the British Columbia Assembly examines electoral procedures and suggests improvements. It implemented its task through three stages. In the first level, they would observe electoral processes. In the next level they would gather information and facts from 50 public meetings organized in the province and in the third stage citizens would deliberate with one another on the benefits and shortcomings of various electoral methods before making a final decision (Smith G., 2005).

Initiatives

Initiative is as mentioned is a form of direct democracy. It enables citizens to come up with a legislative or a constitutional act in case the citizens manage to present a petition with a certain number of citizens' signatures (Smith G., 2005). Due to it a citizen can submit a law without the elected representatives' agreement. It aims to increase citizens' engagement in political processes, make the government more transparent and responsive. The initiatives can be both direct and indirect. Direct initiative implies direct voting once it is submitted. The only government in the world implementing this system is Switzerland. Here to present a direct initiative 100,000 signatures are required (Clodagh Harris, 2012). As for the indirect initiatives, they are usually sent to the legislature, where it can be accepted, adjusted or declined. Once rejected, it can be publicly voted upon if necessary amount of signatures are collected. Execution of indirect initiatives can be spotted in the USA. Initiatives enable the citizens to have their voice in agenda making and mobilize the citizens. Yet, it is to be cautious as it can also become the "tyranny" of the majority. One more risk connected with initiatives is that money can have impact on collecting signatures (Clodagh, Harris, 2012).

Thus, it is to be mentioned that the discussed tools of democracy can not only raise participation but can also lead to the raise of public awareness and knowledge of certain policies and procedures. Moreover, they can enable citizens with deliberation and decision making powers.

The Ideal Deliberation

According to deliberative theory (Manin, 1987; Cohen, 1989; Fishkin, 1991; Gutmann and Thompson, 1996, Dryzek, 2000) ideal deliberation refers to 'a particular sort of discussion, one that engages the cautious and serious weighing of reasons for and against some proposition' (Fearon, 1998). There are two traditions of deliberative ideal: Rawlsian, according which deliberative theory is concerned with justice and the ability to engaging public reasoning for the purposes of **reaching agreement** among a group of participants with diverse individual interests. In the Habermasan theory of deliberation essential is theory of communicative action, which core elements of "ideal speech" commonly referred to as the foundational elements of public deliberation. Stated concisely, it is ' **problem-solving' discussion**, in which participants with different backgrounds, interests and values are able to listen, understand, potentially convince and finally come to more reasoned, informed and public-spirited decisions (Abelson et al., 2003). The

main aims of public deliberation are: foremost, to restore the legitimacy of political systems and improve their accountability through emphasis on reasoning and explaining actions in ways that will foster greater public acceptability. Secondly, to increase public understanding of policy issues, which in its turn improves citizens' competency and capacity to contribute to public and private decisions. And the ultimate goal of deliberation is to inform and potentially improve the quality of policy making (Jacobs, L., Lomax Cook F., and Carpini, Delli M. 2009).

The authors go on to sketch out five conditions under which deliberation would stimulate citizens, restore the legitimacy of political decisions and establish real democracy. Those are universalism, which suggests that deliberation will be a broadly inclusive, that is to provide equal opportunities for partakers or informative (J. Fishkin, 2009). The second related condition of inclusivity requires that a range and diversity of voices are capture or balanced (J. Fishkin, 2009). Third condition is rationality, that is evidence and claims must be grounded in logic and facts. A fourth condition - agreement - involves working through conflicts and competing ideas to identify common ground and practical solution and relates to the core output of deliberation or conscientiousness. It is important to note that this is not the same thing as consensus but a process of reasoning with the goal of identifying areas of agreement and minimizing differences. And lastly, the condition of political efficacy links deliberation to tangible outcomes that begin with building citizen confidence, encouraging learning and interest in politics that will ultimately have an effect on politics and government policy.

Deliberative Polling

Deliberative Polling is used to conclude what people would think about an issue if they became more engaged and informed. Randomly chosen participants are first polled on some specific public interest topic. After this preliminary poll, in order to start the discourse on the issue based on already delivered briefing materials, members of the sample gather at a single place for a weekend. Materials are also made publicly available. The participants formulate and discuss the questions initially in small groups. Later on they, competing experts and political leaders are engaged in dialogue. After the discussions, the participants are again asked the original questions and the final results represent the conclusions the public would reach. Afterwards the process of deliberation is broadcast by mass media. Deliberative Polling provides an opportunity for participants to deliberate truly about an issue, employ with alternative viewpoints, and become more informed (J. Fishkin, 2009).

As a case, the August 2011 results of Deliberative Polling on the Unification of Korea (South Korea) could be presented⁴¹.

	Before Deliberation %	After Deliberation %	Difference %
<i>Agree that:</i>			
Unification is "unnecessary"	72	91	+19
Unification would be beneficial to South Korea	48	73	+25
Continuing humanitarian aid to North Korea regardless of the nuclear issue	43	78	+35
South Korea should possess nuclear weapons	53	34	-19
The Gae-sung industrial complex should be expanded	46	78	+32

The results show that after deliberation gained information caused to the change of the initial outcome of poll.

Moreover, more than thirty of Fishkin's deliberative opinion polls have been held across the world (Australia, China, the EU, Thailand, the US, theUK). These experiments show that, as a consequence of deliberation, citizens become more informed. As a result, citizens are more likely to change their positions on a given policy issue. Research has also found that deliberation has led to changes in voting intentions, public dialogue, collective consistency and civic capacities (Farrar et al., 2010; Fishkin, 2009).

Deliberative Forum

Deliberative forums are understood as spaces in which reasoned dispute is intended to lead to good policy making, with the importance of values and feelings in motivating action within social movements. In the context of a widening of the participatory sphere and the increasing likelihood that social movement activists will also take part in officially sponsored participation initiatives, it considers the significance of the emotional content of experiences that service users and citizens bring to discussions about policy and service delivery. Drawing on a feminist ethic of care it

⁴¹ Center for Deliberative Democracy

suggests criteria for assessing the capacity of deliberative practices to encompass an emotional morality and to deliver on aspirations for enhanced well-being, welfare and social justice.

Case studies undertaken in Ontario (Using deliberation forum to inform the citizens about evaluation of health technologies) and in Quebec show that not in all cases is ideal deliberation possible, that is all five conditions described above are barely met. Universalism and inclusivity are not met due to the fact that from the very first meeting influential leaders emerged within each group. In the Ontario case, one panel member exerted great influence by requesting supplementary material to inform future discussions which served as a reference point for future discussions at subsequent meetings. The same individual's ability to powerfully articulate her views toward access to screening technologies for colorectal cancer in Ontario shaped the course of ensuing discussion and the priority given to certain summary points that were reported back to the sponsoring advisory committee and subsequently incorporated into a revised screening recommendation document. What is interesting to note is that this individual does not dominate in terms of 'talk time' but behaves as a very effective informal leader and facilitator to the group, not unlike a member of the research team. Unlike other panel members whose participation usually prompts others to take oppositional positions, this individuals' positions are rarely, if ever, challenged. Hence the problem is described as 'hegemonic discourse' which has the power to legitimate inequalities (Davies et al., 2006).

As it was already mentioned above deliberation must be rational as well, that is evidence and claims should be grounded in logic and fact. Deliberative forum requires (as other forms of deliberation) the provision of information through pre-circulated material, expert presentations, and Q&A sessions, even though they are routinely described as a distinct factor of the deliberative process. Scholars have long challenged the neutrality of this process given the power wielded by those who select the expert witnesses or the information to be shared with participants or who provide the information directly. Hence, the importance of the neutral facilitator in contributing to the achievement of these goals is important and more nuanced conceptualization of information, evidence and claims making grounded in logic is needed (Abelson et al. 2003). Another related issue concerns the appropriate time for facilitators to intervene during the deliberative process to reinforce or provide clarifying information. This means finding the right balance can be challenging and requires careful navigation. Some of the challenges related to the total volume of material provided to the Forum members and concerns about their ability to comprehend everything in a meaningful way put forward another subtle issue that is to find the right balance between providing enough information to suitably inform deliberations (Abelson et al. 2007).

The next condition of deliberation is agreement, which involves working through conflicts and competing ideas to identify common ground and practical solutions. According to the authors the citizens' panel in Ontario had not met this condition at all. It focused on 'collecting' societal and ethical values, rather than to attempt to reconcile differences, reach common ground or find practical solutions. Subsequent efforts to reconcile competing views for the purposes of finding common ground have been much less formal and collective input was the product of the small-group discussions that are built into each meeting. Hence, the condition of 'agreement' requires more conceptualization to understand how this might operate adequately in practice (Abelson et al. 2007).

To some deliberation scholars, political efficacy is the most important condition to be met. Effective deliberation, it is argued, will produce outcomes that will inform and influence policy. In both cases, the links between public participation and policy making are indirect, not easily observable. Moreover, the thing is that neither of the organizations in our cases are required to demonstrate how they have measured and included the contribution of citizens into their documents or thinking. However, for many of the health care organizations that are experimenting deliberative participatory models, the path of influence is likely to be through the organization and its inner workings rather than a direct link between citizens and policy. So, for solving the public input-policy gap is required a much more understanding of why the gaps exist and how links that do exist might be documented more comprehensively (Abelson et al. 2007).

Another case study undertaken by Ank Michels rested onto the following conclusions. Citizens, participating in referendums and participatory policy making, have more of an impact on policy than do participants of deliberative surveys and deliberative forums whereas deliberative forums and surveys are better at promoting the exchange of arguments. Referendums and participatory policy making projects are better at involving more people. In general citizen participation has positive effects on the individual skills and virtues, contributes to democratic citizenship.

However, nobody knows whether citizen participation projects also lead to more support, deliberation or skills among those that do not take part, as far as analysis is based on the case, hence cannot be drawn conclusions about the contribution of citizen participation to democracy as a whole. However, number of people becoming involved represents a relatively small portion of the population and that particular groups are often underrepresented. As long as large groups are excluded from participation, doubts about the benefits to democracy as a whole will persist (Michels Ank, 2011).

The Role of Civil Society Organizations and Education in Deliberative Democracy

To overcome the above mentioned weaknesses in participatory and deliberative democracy new perspectives included are developments in civil society organizations' (CSOs) relationship with the state and the role for formal and higher education in promoting and facilitating citizen deliberation and participation ('We the Citizens' pilot citizens' assembly case, Ireland).

New perspectives on participatory approaches may be of interest to policymakers and CSOs in country, which tries to re-evaluate and redesign their relationship with the state. Here could be recalled the Ireland case. As social partnership has become replaced by 'social dialogue', a transformation is occurring in the dynamics of decision-making in Ireland (Farrell et al. in Carney & Harris 2012). There were many debates about whether this led to the involvement of civil society into government (Meade, 2005; Murphy, 2002). More recent research has found little evidence of incorporation (Carney et al., 2012). In fact, since the failure of social partnership in 2010, CSOs in Ireland have demonstrated high levels of flexibility and a willingness to turn to mass forms of social and political organization (Carney et al., 2012). This trend is well documented in a case study by Murphy (in Carney & Harris, 2012), which documents how the 'Claiming Our Future' movement endeavors to facilitate CSOs to push beyond narrow, state-defined roles, articulating potential pitfalls and prospects facing civil society in developing an alternative vision for Ireland. Murphy argues that the debate about political alternatives is unlikely to happen from "above", adding that "the challenge remains to nurture and cherish public spheres and civil society where citizens can deliberate and develop their political imagination". There is increasing interest in the role of civil society as an important "third sector" in policy development; provision and representation of groups vulnerable to social or political exclusion (see www.tsrc.ac.uk).

However, there is little public investment in the sector, which is dependent on charity or piecemeal, short-term grants on the basis of political patronage. Given the growing importance of the sector globally, it is worth considering how research and development in the sector can or should be supported by public institutions. Discuss the way universities can play a role in supporting civic engagement through community-based learning and participatory action research. They support "a broad and ambitious research and practice program on lifelong civic participation, education and capacity building". Bottom-up participatory approaches that "bring citizens into the university" and the university into the community "to facilitate discussion of important long-term social, economic and political challenges" are required (McInerney & Carney (in Carney & Harris, 2012).

Universities, by virtue of their political independence and educative function, can provide training in third-sector management, participatory approaches to policymaking and research, methods for community-based learning and a push of up till now underdeveloped initiatives that would develop civil society in a variety of ways. Referring to Steiner, worth to be highlighted the need for deliberative practices to be incorporated into formal schooling from kindergarten onwards. Moreover, deliberation is not just an academic exercise but is the essence of what makes us human. He argues that learning to deliberate is central to development as citizen and should be included in all levels of formal education.

According to Tomas Englund models for deliberative democracy inspired by neo-pragmatism are explicitly based on the need for education of citizens in deliberative capabilities and attitudes. The idea of deliberative democracy as an educational process is one where individuals bring different perspectives to on-going communication.

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Uniting the Youth in Europe: the MEU Case

Over the past fifty years the European Union (EU) has managed to achieve a level of integration which seems an attractive exemplary of regional integration worldwide. It has turned Europe into a place where political boundaries have been undermined, economic capacity has grown, social problems have been reformed, cultural differences have been accepted, and diversification and inclusion have become the standard.

With its policy-making structures, conflict settlement instruments, budgetary settings as well as citizen inclusion mechanisms, the Union is indeed a unique model for building and establishing democracy, promoting cooperation and inclusion, engaging its smaller member states into decisive international debates, inducing sharing resources and burden, deploying joint influence as well as acting as a global player both for domestic and external policy and strategy purposes.

To meet its objectives the Union has always sought to demonstrate that only when acting jointly and unified as well as acknowledging common goals and interests can success be warranted. Here the words of one of the founding fathers of the Union, Jean Monnet; can be recalled; “Make men work together, show them that beyond their differences and geographical boundaries, there lies a common interest”. In line with this ideology is the Model European Union (MEU) project which first took place at the headquarters of the European Parliament (EP) in Strasbourg in 2007, and was based on a simulation of the European politics organized by AEGEE Osnabrück in 2005.

Established in 1985, AEGEE stands for Association des États Généraux des Étudiants de l'Europe, and is known as European Students' Forum. It is the largest trans-national, interdisciplinary student organization in Europe. It strives for a democratic, diverse and borderless Europe, which is socially, economically and politically integrated, and values the participation of young people in its construction and development. It enables the young in Europe to actively participate in society, sets a platform for dialogues and learning opportunities as well as acts as their representative towards decision-makers. Moreover, AEGEE promotes mutual understanding and brings Europe closer to the young people.

The first MEU of 2007 involved about 150 participants. The next year the Bringing European Together (BETA e.V.) was established in Mainz, Germany, to provide the MEU with administrative and legal support but also organize two simulations by itself - MEU Strasbourg and

MEU Online. BETA seeks to support intercultural exchanges across Europe and beyond, support non-formal education about the European institutions, establish European networks and stimulate community engagement and voluntary work. It provides the young individuals the opportunity to be heard on the European platform as well as brings them together with the aim to promote European identity and consciousness, based on the principles of plurality, tolerance and cooperation among individuals, contribute to the emergence of a European public sphere as well as strengthen European civil society by furthering the development of democratic processes on the national and international levels (e.g. by organising MEUs).

Regarding MEUs, it is worth mentioning that they are the flagship project of the BETA. They bring together high-skilled and motivated young Europeans to simulate the EU decision-making process. Applicants of all the 28 member states (MS), as well as from European Free Trade Association (EFTA), European Economic Area (EEA) countries and Turkey are eligible to participate in the project.

MEUs are organized by non-profit organizations and are funded by various partners and supporters, such as the European Commission's Youth in Action programme, from its partner organizations and supporters, Members of European Parliament (MEPs), various universities the European Information Bureau, etc. They aim to provide the young a first-hand experience of the EU policy-making procedures. Additionally, the participants are enabled to improve their personal, communicative skills as well as academic knowledge and see diverse social and cultural sides of Europe.

During a week-long period, the participants simulate Members of the European Parliament, Ministers of the Council of the European Union, lobbyists, journalists and interpreters. The participants discuss, debate, negotiate and try to reach a compromise on the given proposals, i.e. two legislative acts that have gone through the EU institutions previously or currently. Over the years there have been covered various issues so as to observe the participants' capacity to reach compromises and understand the complicated nature of the legislation. Among the topics have been genetically modified food, passenger name record usage, Croatian accession, trans-national healthcare, etc. Furthermore, workshops and panel discussions are held for the participants. In the scope of them European politicians, professionals, diplomats and academics provide detailed speeches about the targeted subjects.

Members of the European Parliament are divided into fractions and besides their national interests they support also the interest of their parliamentary group. Their objective is to settle a

compromise with the Council. The Ministers of the Council represent their country's national government during the negotiations. The lobbyists aim to influence the policy-making process in favor of their interests. As for the journalists, they make a press team, including journalists, photographers and videographers. They present the events and proceedings in the European Parliament and the Council of the EU, hold press conferences and prepare newspapers on a daily basis.

These were also the activities, actions and events that took place in Heraklion, Crete, Greece from October 22-26, 2014 in the framework of the MEU Crete which was the first MEU ever held in Greece. It was organized by an EU-interested, non-profit, non-governmental, independent team of volunteer lawyers, publicists, political scientists, economists and many others, aimed to bring Europe closer to Crete, an island at the borders of Europe and at the crossroads of three continents. The Head of the Organising Committee of the MEU Creta 2014 was Marilena Zidianaki (she is the speaker in the below picture), a licensed lawyer in Athens Bar Association. Among the other organizers were Antonis Triantafyllakis, Ioulia Koudouma, Konstantinos Vassakis, Michaela Peraki, Evdoxia Zafeiridou, Christos Gavrilakis, Maria Almyraki, Michael Manolioudis, Maria Damanaki, Michalis Agiorgiotakis and Giorgos Avramidis.



The MEU Crete was organized under the umbrella of AEGEE Heraklio and the Region of Crete, the partnership of Bringing Europeans Together Association (BETA e.V.) and the support of the European Parliament's Office in Greece, Europe Direct Heraklion, Heraklion Chamber of Commerce and Industry, and Minoan Lines.

Coherent with the overall spirit and the standards of the MEU, the MEU Crete presented a unique opportunity for simulating policy-making process within the European Union. It offered an excellent realistic case of the ordinary legislative procedure. Through role-plays, debates and negotiations the 101 highly-qualified and enthusiastic participants from all over Europe experienced EU lawmaking process, argued over the European Commission proposals, came up with amendments and voted by article, thus, enlarging their knowledge and expertise of the functions and authorities of the three key institutions of the EU - the European Commission, the European Parliament and the Council of the European Union.

The two debated topics were Animal Testing and Network and Information Security (NIS). The event was launched with the opening speeches and panels of speakers on the NIS and animal testing proposals at the Androgeo municipality building in Heraklion. The Panel of Speakers on Network and Information Security included Constantine Manasakis who is currently Lecturer at the Department of Political Science, University of Crete and Collaborating Researcher at the Institute of Applied & Computational Mathematics (IACM), Dr. Maria Papadaki, who is affiliated with University of Manchester and has more than 8 years' experience in Enterprise Risk, Supply Chain Risk, and Project Risk Management from both academia and industry, and Dr. Elias Athanasopoulos who is a postdoctoral Research Scientist for the Foundation of Technology and Research Hellas (FORTH). The Panel of Speakers on Animal Testing included Anastasia Topalidou, a Biomedical Engineer who at present, is completing her PhD Thesis at the Department of Orthopaedics and Traumatology, Irene Athanasaki who received her Master Degree in Biochemistry and Ph.D in Immunology, and Christiana Kyvelidou who received her master's degree in Protein Biotechnology and is currently a PhD candidate at the Laboratory of Immunology at the Biology Department at the University of Crete.

On the subsequent days, the Parliament and the Commission were working on the proposals, making amendments, exchanging the reformed texts and debating again on the topic. There were intensive faction meetings, fruitful debates, sensible votings and constructive press conferences.



Chairs moderated the debates at the European Parliament and the Council. The Chair of the EP was Constantin Schaefer from Germany. He is Ph.D. candidate at the University of Mannheim and since 2008 has been involved in the organization and chairing of political simulations. He is not only a founding member of the Bringing Europeans Together Association (BETA), but also its former Vice-President. Currently, he serves as BETA's Head of the Board of Trustees.

The Chair of the Council was George Iliopoulos from Greece. He studies at the Department of Informatics and Telecommunications of the University of Athens and is scientifically interested in E-Government and International Relations on Technology: He has participated as a delegate and a chairperson in numerous simulations of the European Union and the United Nations. Also, he is actively engaged in youth entrepreneurship and participating in a high-tech start-up company.

While the Council and EP were deciding on the Animal Testing and NIS, the Journalists were recording each and every move in and out of the venue. A daily newspaper was distributed every morning with all facts captured by them.

The event was also spiced with nice informal meetings, gatherings, coffee breaks, traditional Greek dinners as well as an international dinner which aimed to ensure a multicultural dialogue through the exchange of traditional tastes. Each country was given a special spot to present its traditional delicacies, be it food or drinks. An unforgettable experience was from Knossos, the ancient Minoan palace and surrounding city on the island of Crete. One more thrilling experience was the visit to the Heraklion Archaeological Museum which is one of the largest and most important museums in Greece, covering a chronological span of over 5,500 years from the Neolithic period to Roman time.



At the end it is to be said that, undoubtedly, the MEU Crete 2014 was a success. It was a high quality programme both in academic and social terms which ended leaving nostalgic feelings both among the participants and the organizers.

Ofelya Sargsyan

Europe and Israel / Israel and Europe

Below we would like to present reviews of two books, the first of which examines the EU's position towards Israel and its future, and the second one analyzes Israel's position towards the EU and Europe per se.

Constanza Musu: European Union Policy Towards The Arab-Israeli Peace Process: The Quicksands of Politics

Palgrave Macmillan; Hampshire; England, 2010, 224 pages, £72.00, ISBN-978-0-230-55312-5

So far much has been said about the EU, its international status, external and internal policies as well as its future evolvments. Particularly widely has it been discussed the challenges the Union faces in developing an efficient and coherent foreign policy which would ascertain its status and role worldwide. In this regard, the Arab-Israeli conflict, to which the Union has persistently committed huge resources, is to be referred.

While the conflict has indeed been of a crucial strategic importance for the EU and its resolution could become a green card for tackling away a chain of other pivotal issues and problems in the Middle East, the Union till now has had multiple troubles and hardships in developing and implementing effective policies towards the region and has been satisfied with playing a secondary role in the peace-negotiating processes.

To the point, Constanza Musu's book 'European Union Policy Towards the Arab-Israeli Peace Process: The Quicksands of Politics' comes to investigate the reasons and priorities that hindered the EU from implementing effective and self-directed policies over the conflict. For that purpose the author puts forwards three complementary propositions: the EU member states' failure to make convergent policies, the insufficiency of EU's instruments and the dynamics of EU-US relations.

To explain the rationale of the hypotheses the study is divided into 8 chapters, including the introductory part and the overall conclusions.

The first section of the book presents EU's policies and strategies towards the Middle East conflict and peace process from 1968 to the post 9/11 period. The chapters brief the establishment of the European Political Cooperation, introduction of Common Foreign and Security Policy, its evolvments, MS's instruments when dealing with the Middle East conflict, the formation of the Madrid Peace Conference, the Berlin Declaration and the role the EU had in the Quartet for peace in the Middle East. Referring to the EU's institutional and structural innovation and developments of the time Musu shows that the Middle East served as a determining ground for the EU to experiment with its new instruments. In addition, she notes that in most cases the Member States themselves are the 'first enemies' of a common European foreign policy. As for the EU's policy towards the Middle East, Musu argues, that it has most often been reactive rather than active. Regarding the Quartet, while correctly acknowledging the predominance of the USA, Musu also sees Quartet as "an important vehicle to refine EU policy, cement EU cohesion and effectively speak with one voice on the Israeli-Palestinian conflict".

Afterwards, the book goes on to find out the EU Member States' (MS) convergent as well as divergent policy dimensions towards the Middle East. The chapter concludes that though the member states have strong control over their foreign policies and prioritize their national interests, these preferences can often be pursued through the EU's umbrella. Consequently, the MS are more and more prone to apply to the EU and favor common policies.

The subsequent chapter of the book presents the EU's foreign policy instruments and their usage regarding the Arab-Israeli peace process from 1991-2009. The chapter aims to evaluate the efficiency of the EU's foreign policy making, investigate the application of these instruments in the Middle East peace process as well as uncover the reason for the EU's failures. Overall, the study pictures that EU's foreign policy instruments are indeed inadequate, particularly the availability of military instruments. As a matter of fact, this insufficiency and underdevelopment of resources decreases EU's role in the Middle East peace process.

Chapter 7 presents the American and European policies in the greater Middle East. Here the author examines the convergent and divergent American and European policies toward the region, policy stabilities as well as changes towards the region. Quite truly, the argument goes that because the Middle East is of a key strategic importance for the US where the country seeks to preserve her dominant position, and the US-EU relations are of a special importance to the EU, the Union

satisfies with a secondary role in the Middle East peace process. Hence: while the US continues to possess a clear political and security policy in the region, the EU's role is in most cases limited to economic relationships.

The last part wraps up the findings and arguments of the study. It restates that the EU spent a lot of resources on the Middle East policy with few effects because it fell short to come up with sufficient convergence. Regarding the shortage of policy instruments, Musu claims that they are not fully developed and implemented. As for the US priorities in the Middle East and the EU-US relations, the author mentions that they determine a secondary role for the EU in the Middle East. Thus, a further development of the EU's policy vis-a-vis the Middle East, the author views through the coordination with the USA.

In conclusion, the book can successfully make a part of the few works investigating EU's policies toward the Middle East. What it lacks are innovative policy implications towards the regions and/or recommendations for improving the fails. For its weak point, the fact that Musu mainly ignored the Israeli factor, hindering the EU from having and implementing a determining role in the Middle East, is to be mentioned. Notwithstanding these, the book is quite interesting and comprehensive. It is indeed stimulating to read a study written from a cohesive theoretical perspective on a topic which is currently especially urgent and widely-discussed.

Stefan Ahlswede: Israel's European Policy after the Cold War

Nomos Verlagsgesellschaft, Baden-Baden, Germany, 2009, 331 pages, € 54, ISBN - 978-3-8329-4817-7

Since its establishment as a state in 1948, Israel has led a policy and politics based on relentless and bloody fights and intermittent peace endeavours. The country still continues to struggle for survival and sustenance, its central policy being security maintenance. All other domestic as well as foreign objectives are evaluated from this very prism. These having mentioned, it is more than relevant that Israel-Middle East and Israel-USA relations have been under extensive and wide-ranging examination by political scientists, historians as well as diplomats.

Parallel to the trend, while Israel-EU relations go back to the 1950s, pinpointing increasing economic, political, scientific, social and cultural ties, for decades the political relations between the two have not had a key importance in Israeli strategy. Consequently, the works investigating

Israel-EU relationships are not that widespread, either. Thus, Stefan Ahlswede's book "Israel's European Policy after the Cold War" is a challenging attempt to fill in the gap. Consistent with the title, the book focuses on Israel's perceptions, attitudes, aims, determinants as well as behavior towards the EC/EU. It sheds light on understanding Israeli policy towards the EC/EU after the Cold War, with the relations between the two being of a secondary priority for Israel. To picture Israel-EU relations more practically, Ahlswede also provides case studies, through which he discusses Israel's perception of her integration with Europe as well as the role; Israel is willing to prescribe to the EU in the Middle East.

The book is divided into 6 chapters. The first chapter outlines the structure of the book. Chapter 2 headlined 'The environment of Israel's European policy' is composed of 3 sections, along which Ahlswede presents the operational and psychological environments of Israel's foreign policy as well as its characteristics per se. His proposition is that "Israel has sought international support in 3 central issues: in the quest to have its legitimacy recognized, in defence and in efforts for a peaceful solution of the Arab-Israeli conflict.... Another...Israel's policy has been to act as a champion of Jewish interests around the world particularly in achieving emigration rights". To provide evidence to the propositions, Israel's political environment after the 1980s is portrayed: the section accurately briefs Israeli led policy in the Middle East, the country's relations with the USA, with the EU and its influential Member States. In addition, the chapter clearly analyzes the internal conditions that shaped Israel's foreign policy, presenting the economic and military structure of the country, the political elites, their disagreements as well as societal self-perceptions. Discussing the psychological environment of Israel's foreign policy, Ahlswede shows that attitudes are formed based on the historical legacy, ideologies, traditions as well as personality factors. As for the nature of the foreign policy itself, Ahlswede argues that the country's self-perception as well as her vision of her relationships with the world have had a key role in her foreign policy behavior. In this regard he once more stresses Israel's primacy of security.

Chapter 3 provides cases which aim to reveal the role that Israel perceives the EC/EU can play in the Middle East. Namely, it presents Israel – European Parliament conflict on the independent Palestinian agricultural exports, Israel's position towards the EC's participation at the 1991 Middle East peace conference, Israel's behavior to the European status in the "Grapes of Wrath" Agreement, Israel's stand over the EU's Special Envoy to the Middle East, the country's attitude towards the Barcelona process as well as her feasible ambition to counterbalance the USA power by establishing tighter relations with Europe.

Chapter 4 discusses Israel's European integration policy and the role Israel should play in the EU. To fulfil the objectives, the chapter presents the 1975 Free Trade and Cooperation Agreement, its upgrading challenges, Israel's visions for the EEA or EFTA status, the Euro - Mediterranean Agreement, Israel's admission to the EU's framework program for Research and Development and the Essen Declaration. Ahlswede's conclusion over Israel's European policy is that on the whole the country's accomplishments are notable – "Israel's rudimentary goal in upgrading of relations was integration into the European market of some sort, paralleled by participation in the EU's R&D programmes and by manifestations of closer political ties. Israel achieved this goal". Yet, he conditions Israel's success not with the country's behavior towards Europe but with the Middle East where Israel sought to establish peace, regional cooperation and integration.

Afterwards, 2 basic traits of Israel's perception and behavior towards Europe and the EU are under the discourse: the status Israel should have in Europe and the role that Israel conceives Europe should have in the Middle East. Regarding the former, the chapter argues that Israel perceives herself as European taking into account her European heritage, political system, western society, as well as historical justice. Concerning the latter, the underlying point is the fact that Israel has led a policy to prevent or restrict Europe's role in the Middle East. To the point, the author visibly shows that Israel conceives that Europe's policy does not match with the Israeli one. As a result, Europe's interference could put her at disadvantage. Furthermore, the author notes that Israel conceived the EU incapable to make tangible transformations. Therefore, to Israel's view, the European role should be to hold up economic growth, support regional integration and contribute to prosperity.

The last chapter provides general conclusions. It highlights that Israel's European policy has not been reshaped in substance, rather the circumstances have changed. Regarding Israel's membership to the EU, it coins the prospective unimaginable. It also denotes to the incompatible perspectives and attitudes in the Israeli policy, e.g. the "severe contradiction between Israel's self-conception as *being special* and being European". The section also makes policy implications for Israel - "Israel will have to give up Zionism and its self-conception of being special to further integrate with Europe. In fact the same holds true for Israel's integration into the Middle East, the Mediterranean or just into any trans-national system as soon as integration is supposed to be substantial". In addition, the book opens a new field to be studied. It calls for further investigation of ministerial officials' personal predispositions, proposing that it would serve to better understanding of Israel's policy making environment on the bureaucratic level.

Thus, fulfilling more than one mission, the book is indeed of great importance. Not only does it present EU-Israel relations after the Cold War but also determines the scope of day-to-day politics as well as serves as a general model of foreign relations when there is asymmetric power because as Ahlswede quite sharply notes, “Israel-EC/EU relations show an asymmetry of power which is heavily tilted in favour of the Europeans. The EC/EU obviously has many times as much weight in any field than Israel in this relation”. One more asset of the book is that it also seeks to find policies which will contribute to strengthening Israel-EU relations. Yet, the feasibility of the proposed policies is open to a discussion. It is also to be mentioned that the book is well-researched, interdisciplinary and full of data collected from interviews and media coverage.

Ofelya Sargsyan

Whom the Bear Hugs

Paradorn Rangsimaporn: Russia as an Aspiring Great Power in East Asia: Perceptions and Policies from Yeltsin to Putin

Palgrave Macmillan, New York, London, 2009, 272 pages, US \$ 95,00, ISBN 978-0-230-21011-0.

The end of the Cold War and the collapse of the USSR caused significant turnovers for the international system to cope with. Unexpectedly enough, the world was transformed from bipolarity into a unipolar structure, with the USA possessing the global hegemony. Left with less human and natural resources as well as with turbulent political, economic and social problems, Russia lost its position of a global power.

To recover its status and be recognized as a great power, Russia pronounces her ‘Eurasian’ identity and looks to East Asia - an approach, she considers, can lay a ground for her economic growth, security and prestige. On the way the country also calls for multipolarity through which she can put forth her influence, meanwhile asserting her position. To the point, the book ‘Russia as an Aspiring Great Power in East Asia: Perceptions and Policies from Yeltsin to Putin’ comes to complement the existing studies on the above mentioned issues and policies.

The author of the work is Paradorn Rangsimaporn who earned his doctorate degree in International Relations from St. Antony’s College, University of Oxford, and is currently a Diplomat at the Ministry of Foreign Affairs of the Kingdom of Thailand. In the book Rangsimaporn presents the

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elite perceptions of East Asia from 1996 to 2008, of Russia's status in East Asia as well as the country's prerequisite and opportunity to benefit from the ties with East Asia. Yet, as he accurately acknowledges, the book does not seek to provide a correlation between policies and perceptions, rather, it aims to present policy-making environment and analyze policy implications.

One of the novel and at the same time challenging values of the study is that whereas most of the existing books focus on the bilateral relations and perceptions between Russia and the East Asian countries, the current research tends to analyze the Russian foreign policy perception of East Asia, conceiving it as one single region. To fulfil the goal, in his coherent and comprehensive study Rangsimaporn presents and discusses the three approaches (Eurasianist, Economic and Multipolarity) towards Russia-East Asia relationship, which, the elite perceives, can contribute on reaffirming Russia as a 'great power'.

Another asset of the book is the choice of the cases studied. Quite relevantly and analytically he presents the policies implemented, by identifying decision-making discourses and perceptions as well as their role in the attempts to assert Russia as a 'great power' in East Asia.

In the first section of the book the author provides the sketch of the study, presenting the aim of the book, the methodology pursued as well as the specific terms used. Afterwards, he describes the essence and the actors of Russia's policy making towards East Asia from Yeltsin to Putin. Through various case studies and examples he successfully demonstrates that while the decision-making under Yeltsin was quite decentralized, influenced by different actors and their perceptions, Putin led more centralized policy, putting the basis upon which the elite discourses developed.

The subsequent section outlines the evolution as well as the continuity of the elite discourses, the time framework being from the 19th century to the early post-Soviet period. Recalling the past political undertakings, perspectives and events, Rangsimaporn compares them with the current strategies and trends. He aims to reveal at what extent Russia's elite views and policies upon East Asia are persistent and where the divergences can be spotted. He identifies three perceptions - Eurasianist, Economic and Multipolar, which, he considers, have shaped the elite discourses about Russia's ambition of becoming a 'great power' power in East Asia. Thus, with clear-cut analyses and reviews he shows the existing continual correspondence in the elite approaches in Russia.

The proceeding chapters detail the above mentioned three perspectives - Eurasianist, Economic and Multipolar. First he touches the views regarding Russia's Eurasian identity. Here the author distinguishes the official pragmatic, the geopolitical or neo-Eurasianist and the Intercivilisational understandings of Eurasianism, discusses the actors promoting these interpretations, their policies

and leverages. Concerning the 'Pragmatic Eurasianism', the author states that being a Eurasian country, Russia was considered to be interested both in the West and the East. As for the 'Geopolitical' approach, it aimed to alienate Russia from the west. Furthermore, it conceived East Asia as a means to counterbalance the USA. The third is 'Intercivilisational Eurasianism'. This standpoint advocated using Russia's geographical location as a bridge which would integrate Europe and the APR's economies. Largely, he argues that Russia used its Eurasian identity as a tool to rationalize her presence as well as the perceived right to have a significant power in the region. His proposition is that 'Eurasianism' can serve as the 'ideational' basis for establishing Russia's great power status. Afterwards, Rangsimaporn examines the dimensions, which, according to the elite, Russia can benefit economically from through the relationship with East Asia. Namely, he discusses the RFE, energy interdependence and selling arms. His pragmatic analyses show that in this field also, while the policies undertaken were conflictual and incoherent under the Yeltsin administration, Putin made them more coherent and centralized. Rangsimaporn argues that overall there emerged an accord elite perception that the economic integration with the Asia-Pacific, the development of its RFE as well as energy and arms assets would increase the country's political and economic position in the region.

Hereafter the book focuses on the elite perception of East Asia as a multipolar world. The chapter underlines that, again, the Russian elite, while frequently in rhetoric under Yeltsin and more productive with the Putin administration, on the whole considered the approach of multipolarity as a way to balance the world power, increase the scope of Russia's influence and prestige in East Asia, develop more bilateral relationships, make a part of multilateral institutions as well as ensure external stability. "East Asian multipolarity thus posed both challenges and opportunities for Russian aspirations to become a great power".

In the next section four case studies of Russia's policies towards East Asia in its attempts to recover its influence in the region are illustrated: Russia's participation in the ASEAN Regional forum, in the APEC, as well as Russia as a Eurasian landbridge, and, lastly, Russia's oil pipeline routes to East Asia. The case studies reveal the nature of policy-makings, the actors involved, their interests and perceptions. In addition, they demonstrate that Russia aspires to participate in the decision-makings of multilateral institutions as well as establish bilateral ties with particular East Asian states. Thus, all the cases examined picture Russia's endeavors to be recognized as an influential actor.

The last part of the book provides broad conclusions upon the arguments and findings. Here the author once more asserts that in Russia there indeed exists a common elite perception of East Asia

as one region. Regarding the presidents, he claims that obviously enough, Russia's foreign policy making towards East Asia became more centralized and coherent under Putin. In addition, he stresses that through the three approaches, discussed in the preceding chapters, the country does endeavour to increase its role and prestige in East Asia.

Thus, it is to be mentioned that the book is indeed noteworthy for understanding Russia's perceptions, ideologies as well as policies regarding East Asia from 1996 to 2008. Moreover, while written in 2009, the book is still timely and quite sound with the policies and trends the country presently practices. The text is clear and wide-ranging. One limitation of the book, as the author himself acknowledges, may be regarding the data – there is a lack of policy papers, minutes of meetings, and policymakers' personal memos. Yet, the book is well-researched and knowledgeable, based on official documents, statements, interviews, “academic and military journals, and some cited in secondary Russian and foreign sources and scholarly works”.

Ofelya Sargsyan

Russian Society

Sergey E. Metelev: Aspects of Russian Society. A Siberian Economic Point of View: Essays on Demographic Development, Migration, Regions, Corruption, Europe.

LIBERTAS Paper no. 74, Rangendingen, Germany, 2012, pages 86, € 15,00, ISBN 978-3-937642-18-5

Only about two decades ago Russia made the bulky part of the USSR. Now, with the Soviet Union being collapsed, the country once again looks to the world as a sovereign nation and such values as democracy, independence and free market economy are taking shape. However, the country still has to overcome a number of political, economic, social as well as administrative complications and obstacles to ensure sustainable economic growth and development. Some of the noteworthy causes and factors of the mentioned problems are interestingly discussed and policy implications are proposed in the recent study “Aspects of Russian Society: A Siberian Economic Point of View: Essays on Demographic Development, Migration, Regions, Corruption, Europe” by Sergey E. Metelev. Composed of an introductory part and seven articles, the current study presents a challenging combination of academic and pragmatic analyses, written by a Siberian economics professor at an Omsk university.

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The first section of the essays portrays the country's demographic data, problems connected with it, discusses the necessity of the spatial redistributions, reallocations and developments due to the transition to the market economy as well as the demographic decline of the population, especially in Siberia and the Far East. Furthermore, the study presents in and out flows of the migrants and their influence on the "structural changes in the economy, employment and unemployment, labour supply and demand". Regarding the uncontrolled and illegal migration, the paper states that it can result in the decline of the country's socio-economic status and her proportional regional labor market development, as well as views the phenomenon as a threat to the security of the country. Hence, the work stresses the importance of legislative reforms; an effective federal control over the regions, alteration of the regional economic infrastructures, more extensive migration and innovation policies, fight against transnational crimes, intense labour market protection, creation of communication networks as well as formation of international cooperation so as to ensure socio-economic, technical and technological development and growth of the country. Particularly, throughout the essays the author rationally calls for the development and increase in human as well as technological resources in Siberia and the Far East, correctly acknowledging these regions as a "strategic reserve of Russia's survival. Thus, perceiving migration as a key way towards economic growth and a solution to geopolitical problems, the study stresses the prerequisite of understanding its role in the modern society as the knowledge, Metelev proposes, can enable to curb and/or evade negative consequences related to the phenomenon.

Afterwards, relying on the method of corporate audit, the article assesses the degree of corruption in the Russian economy and discusses its negative impact on the country's security and international reputation. Additionally, he blames corruption for the "criminal capital accumulation" which leads to a further polarization between the rich and the poor in the society.. Thus, the article calls for "interrelated measures-criminological, legal, institutional and economic".

The last yet not the least article presents Russia-EU relations, identifies the determining factors and incentives triggering the two partners to the formation and development of the cooperation as well as identifies feasible fields for further partnership.

To conclude, it is to be mentioned that the articles offer an interesting and thought-provoking overview of Russia's social, economic, political and legal systems and conditions. It is an informative and easily read paper which can make a useful reference both for the novice and the professionals in the field.

Ofelya Sargsyan

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