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## *Editorial*

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*Dear readers,*

*from this issue of EUFAJ we welcome Frederic Labarre as new editor. He is a seasoned security policy expert from Ottawa/Canada, with a lot of experience in European countries and in NATO Partnership for Peace. In addition, we are happy to welcome Ofelya Sargsyan, too, who after her second M.A. degree at Flensburg University/Germany entered LIBERTAS - European Institute GmbH as Political Analyst and Junior Editor for EUFAJ where she will contribute significantly to this journal. This underlines also that we are aware that and how the South Caucasus region - where she comes from Yerevan/Armenia - will be in the focus of EU foreign policy in the next years. Both new colleagues are portrayed shortly on [www.eufaj.eu](http://www.eufaj.eu).*

*The topical events around the Eastern Partnership and Ukraine in particular justify that we dedicate one of our accents of this issue to the Russian government and the Eurasian Union, and another one to development policy. While the latter should not be lost "in routine", the Eurasian Union would be, in general, a legitimate objective as a regional integration. However, successful integrations have always been launched on a voluntary basis.*

*And for conflict management and development policy it should be mentioned, that we in this number publish a new approach for conflict management (or conflict prevention) by the Swiss author Alec Schaerer, a road map for introducing a Green Economy - at the example of Trinidad and Tobago - and a contribution on the rights-based approach in development.*

*With best regards,*



*Hans-Jürgen Zahorka*

# *The EU Internal Market in 10 Years Perspective from Accession of Ten Central and Eastern European Countries in 2004 - Lessons Learned for Eastern Partnership Partner States<sup>1</sup>*

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**Ofelya Sargsyan and Hans-Jürgen Zahorka**

## **List of Abbreviations**

CEEC	Central and Eastern European Countries
CET	Common External Tariff
CU	Customs Union
EMU	European Monetary Union
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ICT	Information and communication technologies
IM	Internal Market
MS	Member State
SM	Single Market
SGP	Stability and Growth Pact

## **Introduction**

The EU and its Member States (MS) have always been engaged with the market integration process and the abolishment of barriers between the MS' markets. The keystone in the process was the Single Market Program<sup>2</sup>, aimed at establishing an integrated market for goods and

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<sup>1</sup> This article has been written in the context with a conference in Prague on 27.2.2014 by AMO - Asociace pro mezinárodní otázky - Association for International Affairs, [www.amo.cz](http://www.amo.cz), and the Friedrich-Naumann-Stiftung; Hans-Jürgen Zahorka was invited at this conference on the subject.

<sup>2</sup> The single market or internal market is an EU project aimed at establishing free trade and a single economy within the EU. It encompasses the European Custom Union (CU), the single currency, the Schengen Agreement and various other rules and regulations seeking to integrate the different European national economies into one specter (James Wil, [The Single Market](#), CIVITAS Institute for the Study of Civil Society, 04.2012, p.1, <http://www.civitas.org.uk/eufacts/download/EC.1.Single%20Market.pdf>)

services which would bring economies of scale, efficiency gains, and increased level of inducement for the European producers, wider choice and lower prices for the consumers<sup>3</sup>.

Hence, the Single Market (SM) is a continuing procedure rather than a static phenomenon. While the evaluation of its past performance and achievements can be helpful, the extent it will go further and have the capacity to resolve the on-going economic demands and difficulties is the challenge. As a matter of fact, it has been largely affected by the globalization and enlargement. As such, while the 2004 enlargement made the EU more heterogeneous, it has also brought certain impediments for the adequate and identical fulfilment of the Single market. Hence, the Single Market is to improve and foster economic changes, be easily applied, managed and updated, should enable diversity within the EU and be enriched with efficient social policies<sup>4</sup>.

Jacques Delors used to say “Nobody can fall in love with the single market”. It is a tool and not an end-point. When market is perceived as a superior infrastructure, capable to function effectively without regulations and control, threats for its failure become more than credible, the evidence being the 2008 financial crisis. Consequently, the Single Market is to be viewed as a key instrument for the EU, a factor for its positive economic performance as well as for its general viability<sup>5</sup>.

In line with this the current study takes the 10-year anniversary of the EU enlargement towards the CEEC as a cornerstone to view the impact of the EU accession on the economic performance of the new member states, and therefore to draw a parallel picture for those Eastern Partnership countries who are positive, or partly positive, working for an EU accession. The focus is on the macroeconomic and financial stability aspects rather than on the EU level norms and standards, among them being the Maastricht criteria, the Stability and Growth Pact (SGP), the Lisbon agenda and the financial integration strategies.

The analysis is genuine since not only does it provide an overall assessment of the Single Market per se and its impact on the Central and Eastern European countries (CEEC) but also opens up a timely discussion on the opportunities and challenges that the SM can face and gives a hint over the impacts and effects the future enlargements can have on the SM as well as on the acceded countries per se.

As stated, the analysis encompasses a 10 year timeframe, of which a sharp eye can determine three phases: 1) from 2004 to 2007, a period of economic growth, 2) the 2008-2009 economic

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<sup>3</sup> Ploa Catalin, *The Revitalisation of the EU's Single Market*, The Romanian Economic Journal Year XIII, no. 36, 06. 2010, pp. 79-87, <http://www.rejournal.eu/Portals/0/Arhiva/JE%2036/JE%2036%20-%20Ploae.pdf>

<sup>4</sup> Canoy Marcel, Liddle Roger and Smith Peter, *The Single Market: Yesterday and Tomorrow*, Bureau of European Policy Advisers (BEPA), European Commission, 2006, pp. 16-44, [http://ec.europa.eu/dgs/policy\\_advisers/publications/docs/single\\_market\\_yesterday\\_and\\_tomorrow\\_en.pdf](http://ec.europa.eu/dgs/policy_advisers/publications/docs/single_market_yesterday_and_tomorrow_en.pdf).

<sup>5</sup> Monti Mario, *A New Strategy for the Single Market at the Service of Europe's Economy and Society*, Report to the President of the European Commission José Manuel Barroso, 09.05.2010, Milan, p. 1, [https://www.kfw.de/migration/Weiterleitung-zur-Startseite/Homepage/KfW-Group/Research/PDF-Files/Monti\\_Report.pdf](https://www.kfw.de/migration/Weiterleitung-zur-Startseite/Homepage/KfW-Group/Research/PDF-Files/Monti_Report.pdf)

crisis period, registering falls in general economic and financial performance, and 3) 2010 and on-ward, noting a recovery stage. Hence, the real test for the newly acceded countries becomes maintaining and furthering the achievements.

To fulfil the objective of the study, the paper is divided into two sections. Firstly, the Single Market, its scope as well as the environment it is surrounded are under discourse. Afterwards, the impact of inclusion of the CEECs into the Internal Market, along with certain cases studies, is discussed.

### **Single Market and its performance**

Since its establishment the EU Single Market has undergone an impressive path, making the “four freedoms” of the EU, i.e. the free movement of people, goods, services and capital, into a reality. Its benefits have been tangible both for the EU citizens and the businesses. Already the 2006 economic studies and Eurobarometer surveys showed that the SM led to € 518 per head welfare growth in comparison with the time without the SM, the GDP growth reaching 2.15% from 1992-2006. It has facilitated studying, travelling, working and living abroad, promoted the quality of goods and services, as well as lowered the prices for them in multiple occasions. Furthermore, due to the fact that the Single Market is composed of now more than 500 million people, businesses highly benefit from economies of scale and the transnational trade within the EU. Cross-border cooperation and technology transfers become easier. Launching or buying a business is simplified. Getting new sources of finance, contracts and funding are much more available. On the whole, the SM has been of significant economic benefit. Only in the period from 1992 to 2006, it resulted in 2.15% GDP growth and 2.75 million extra jobs in the EU. The trade within the EU rose by 30% over the period of 1995-2005. Cross border investments practiced 25% growth at the same timeframe. Due to the competitive public procurement regulations, the governments were enabled to invest more money into health and education<sup>6</sup>.

Observing a longer period, notable is that the trade within the EU, comprising 800 billion in 1992, reached 2800 billion in 2011, increasing the EU GDP of 12% percent in 1992 to 22% in 2011. By creating trade policy, the MSs were enabled to promote trade, employment and growth. Already in 2012, 21 million jobs depended on the EU exports. The EU export to non-member states raised from 500 billion in 1992 to 1500 billion in 2011. The Single Market has also made the EU more attractive for foreign investors since by investing in one EU economy, they reach 500 million people. The flow of foreign direct investment (FDI) reached from 64 billion in 1992 to 260 billion in 2010<sup>7</sup>. With regard to the service sector, it is intensively developing and opens up most employment. To the point, networks are to be mentioned. E-

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<sup>6</sup>European Commission, The single market: review of achievements A single market for 21st century Europe {COM(2007) 724 final}, Brussels, pp. 2-5, <http://www.uni-mannheim.de/edz/pdf/sek/2007/sek-2007-1521-en.pdf>

<sup>7</sup>European Commission, 20 years of the European Single Market :Together for New Growth: Achievements,

Luxemburg, Publication Office of the European Union, 2012, pp. 13-14,

[http://ec.europa.eu/internal\\_market/publications/docs/20years/achievements-web\\_en.pdf](http://ec.europa.eu/internal_market/publications/docs/20years/achievements-web_en.pdf)

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communication, energy and transport activities provide 6.1% employment in the EU-27 and tend to grow<sup>8</sup>.

The SM has indeed amplified the options and at the same time lowered the prices. For instance, the international telephone calls cost in 2010 was three times less than in 1998. Moreover, intra-EU calls today are lower for 73% than they were in 2005. The e-commerce is another field which has become much more facilitated and is offering a large variety of options. The EU consumers also benefit from larger energy opportunities in energy supplies and could save up about 13 billion Euros in case of turning to the cheapest electricity tariffs. The intra-EU trade is thriving and has significantly increased in the last ten years, especially in consumer goods. As such, entertainment goods have risen for 40%. Electronic products have grown for 130% and food and drink for 70%. In the new MSs the numbers are even more considerable, reaching between 400 % and 500%<sup>9</sup>. Thus, an efficient internal market can be beneficial both for the citizens and businesses, by providing economic competition and a competitive atmosphere. Accordingly, the EU's single market is to contribute to economic growth, a higher life standard and an increased stance of Europe in the world<sup>10</sup>. As such, the IM has highly reformed the Europeans' life<sup>11</sup>.

## **The Single Market and its Environment**

The previous section has provided a general overview of the Single Market and its performance. Additionally, it has presented the internal market as an evolving and developing organism. As such, it does not live its own life but is also affected by multiple factors and events. Hence, the current section seeks to identify the major sources that have shaped the frame the Internal Market (IM) has today.

The IM of these days is quite different from the one existing in the 1990s. One of the rationales for such a context is the increasing need for services and the rapid growth of information and communication technologies (ICT). To the point, services cover 70% of employment and value added. As a result of increase in service, the sector has been experiencing improvements. Furthermore, because some of the areas of the sector are interconnected with other economic activities, their efficiency is directly connected to the competitive level of the European economy as a whole. Another factor, influencing on the SM, was the establishment of the EMU. It has promoted the integration and competition even more, by cutting the prices for transnational activities and by raising the transparency degree of the costs. One more major challenge for the SM has been the increasing international economic unification which has

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<sup>8</sup> European Commission, A Single Market for the Growth and Jobs: An Analysis of Progress Made and Remaining Obstacles in the Member States, Contribution to the Annual Growth Survey 2014, Brussels, 13.11.2013, COM(2013) 785 final, pp. 2-3, [http://ec.europa.eu/europe2020/pdf/2014/smr2014\\_en.pdf](http://ec.europa.eu/europe2020/pdf/2014/smr2014_en.pdf)

<sup>9</sup> European Commission, 20 Years of the European Single Market, Together for new growth, key points, 2012, pp 2-3, [http://ec.europa.eu/internal\\_market/publications/docs/20years/key-points-web\\_en.pdf](http://ec.europa.eu/internal_market/publications/docs/20years/key-points-web_en.pdf).

<sup>10</sup> Ploa Catalin, 06.2010, pp 80-87, <http://www.rejournal.eu/Portals/0/Arhiva/JE%2036/JE%2036%20-%20Ploae.pdf>

<sup>11</sup> John McCormick, *Why Europe Matters: The Case for the European Union*. Palgrave Macmillan, New York, 2013, p.47.

promoted the competitive tensions of the European businesses – the EU has to deal with the dominance of the US in the fields related to high knowledge. Additionally, strong competitors come forward in Asia. Phenomenal is that while on the one hand the rise of the Chinese and Indian economies indeed generates a new competition for Europe, it also provides new possibilities with the growing markets. A big and competitive Single Market is a precondition for Europe to grasp these opportunities for it encourages businesses to reform efficiency and advance innovation. At the time of creation of the original SM, in the late 1980s, there were fears within some businesses of the "higher competition within the EU Single Market". This was a correct perception but was also a driver to become competitive for the outside world. This evident fact is not any longer denied nowadays.

Going further, it is to be noted that the SM has also been reformed by globalization and enlargement. The latter aspect being a key topic for the current study will be of central investigation. Taking a snapshot, it becomes evident that while on the one hand the enlargement has made the EU more diverse and meanwhile complicated in terms of management and provision of identical performance, on the other hand, it has promoted the European competitiveness. The reduced barriers of transnational flows of products as well as the growth in price transparency throughout the EU have contributed to a higher level of competition and performance within the EU. Three grounds for such an argument can be pointed: first, improved allocative efficiency, due to the reinforcement of setting lower prices, limiting monopoly rents in the distribution of resources, as well as adjusting the overall output closer to the social optimum rate; second, improved productive efficiency so far as the inefficiencies are more strictly punished in the marketplace; third, improved dynamic efficiency resulted from the increasing motivations to input in the implementation of product and process innovations. Thus, trade and investment have experienced growth in the SM of the enlarged EU<sup>12</sup>.

**Table 1.1:** The main players in the world market of goods  
(EUR 1 000 million)

Exports	EU-27	USA	China	Japan	South Korea
2006	1 161.9	825.9	771.7	515.1	259.2
2007	1 242.9	848.3	890.2	521.2	271.1
2008	1 317.5	883.8	972.7	531.3	286.9
2009	1 099.2	757.6	861.5	416.3	260.6
2010	1 356.7	963.3	1 190.5	580.7	351.8
2011	1 553.9	1 063.0	1 363.8	:	:
Imports					
2006	1 363.9	1 528.4	630.3	461.2	246.4
2007	1 445.0	1 471.8	697.6	454.0	260.4
2008	1 582.9	1 471.9	770.0	518.4	295.9
2009	1 233.1	1 148.5	720.9	395.7	231.6
2010	1 530.8	1 483.4	1 051.7	522.5	320.7
2011	1 713.5	1 625.4	1 252.4	:	:

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<sup>12</sup>Ploa Catalin, 06.2010, pp 80-87,

<http://www.rejournal.eu/Portals/0/Arhiva/JE%2036/JE%2036%20%20Ploae.pdf>

<sup>13</sup> European Union , International trade and foreign direct investment, 2013 edition, Eurostat pocketbooks, pp. 11-63,

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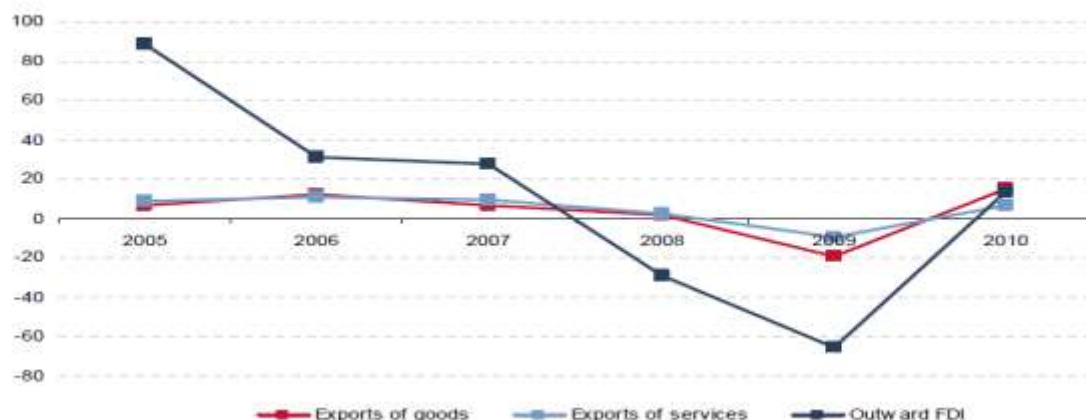
From the value perspective, the overall EU-27 trade in goods raised from 2005 to 2010 though there were declines in 2009. The overall exports of goods grew for 18.9% and imports for 19.3%.

However, the total intra EU-27 trade in goods fell between 2005 and 2010 - the imports by 2.4% and the exports by 2.5%. The IM amounted to 65.3% of the all EU-27 exports. Regarding the extra EU-27 trade in services, it accounted 993 billion Euros in 2010 and the IM possessed 56.1% of all the exports of services and 58.4% of the imports. From 2005 to 2010 trade in services between the MS dropped for 2.0% points for exports and 1.6 % points for imports. In 2010, the EU MSs invested overall 174 billion Euros outside the EU economic space. In terms of GDP, extra-EU outward investment amounted to 1.4% of overall EU-27 GDP in 2010 which implies 0.8% decrease since the 2005 level. Outward investment in other MSs covered 56.1% of overall FDI in 2010 which is 8.1% points lower than the 2005 results. In terms of GDP, the percentage of EU-27 GDP amounted for by investment from within the EU dropped from 1.2% in 2005 to 0.8% in 2010. While the 2009 economic crisis, as seen, did not bypass the EU and the intra EU-27 growth rates for exports of goods, services and FDI fell since 2005, the situation was recovered in 2010.

Thus, after the 2004 enlargement the exports of goods increased for 12.7% and of services for 11.4%. Slower growths patterns were noted in 2007 and 2008. During the 2009 economic depression falls as well as negative growth rate of -19.1% for goods and -9.0 for services were spotted. However, in 2010 growth rates for intra-EU-27 exports of goods and services recovered, namely, for exports of goods it reached 15.6%, i.e. 8.7% higher than the growth rate in 2005. The growth rate in intra EU-27 direct investments slowed down from 2005 to 2010 i.e. from 88.9% of 2005 it fell to -65.4% in 2009.

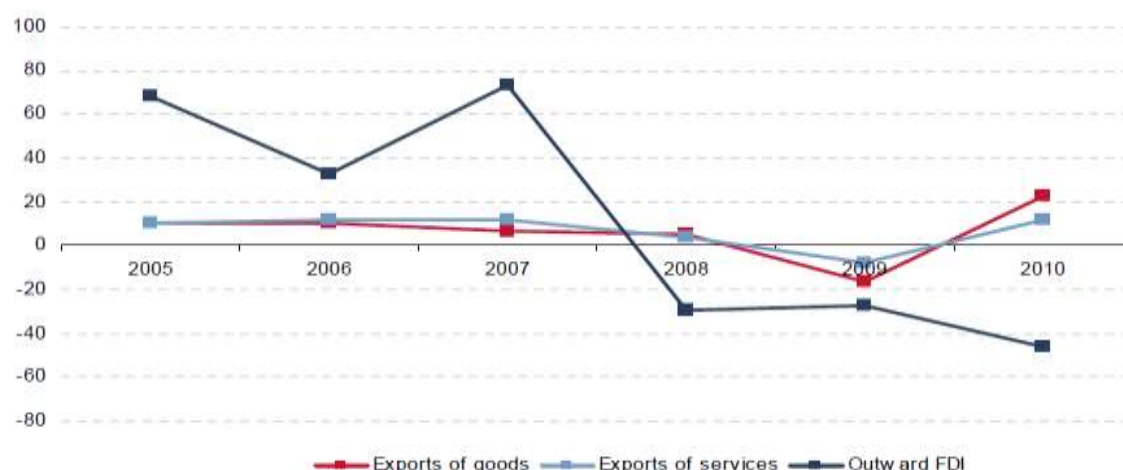
Yet, in 2010 there was a recovery to 14.2% . The growth rate of extra EU-27 exports of goods experienced a striking fall of -16.2% in 2009. And again, in 2010 there was a recovery which amounted to remarkable 22.9% from the 2005 growth rate. As for the growth rate for the extra EU-27 exports of services, it rose for 11.9% in 2007. After the negative growth in 2009 it recovered in 2010 by 11.5%. The growth rate of the extra EU-27 outward FDI followed another pattern. In 2007 it grew for 73.4%. Nevertheless, it was followed by falls. As such, the decline reached -29.7% in 2007, -27.6 in 2009 and -45.8% in 2010.

**Figure 3: Annual growth rate of intra-EU-27 exports and outward FDI, 2005-2010 (%)**



Source: Eurostat (online data codes: [tet00002](#), [bop\\_its\\_det](#), [bop\\_fdi\\_flows](#), [bop\\_q\\_eu](#))

**Figure 4: Annual growth rate of extra-EU-27 exports and outward FDI, 2005-2010 (%)**



Source: Eurostat (online data codes: [tet00002](#), [bop\\_its\\_det](#), [bop\\_fdi\\_flows](#), [bop\\_q\\_eu](#))

As seen, after the 2009, negative growth is noted with regard to the extra EU-27 outward FDI, which dropped even more in 2010<sup>14</sup>. However, in 2011 the EU-27 FDI showed recovery signs. The outward FDI flows raised for 154% and the inward inflows for 117% in comparison with the 2010 results.

<sup>14</sup>Faes-Cannito Franca, Gambini Gilberto, Istatkov Radoslav, *External Trade Eurostat Statistics in Focus*, 3.2012, pp. 2-4, [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-SF-12-003/EN/KS-SF-12-003-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-12-003/EN/KS-SF-12-003-EN.PDF)

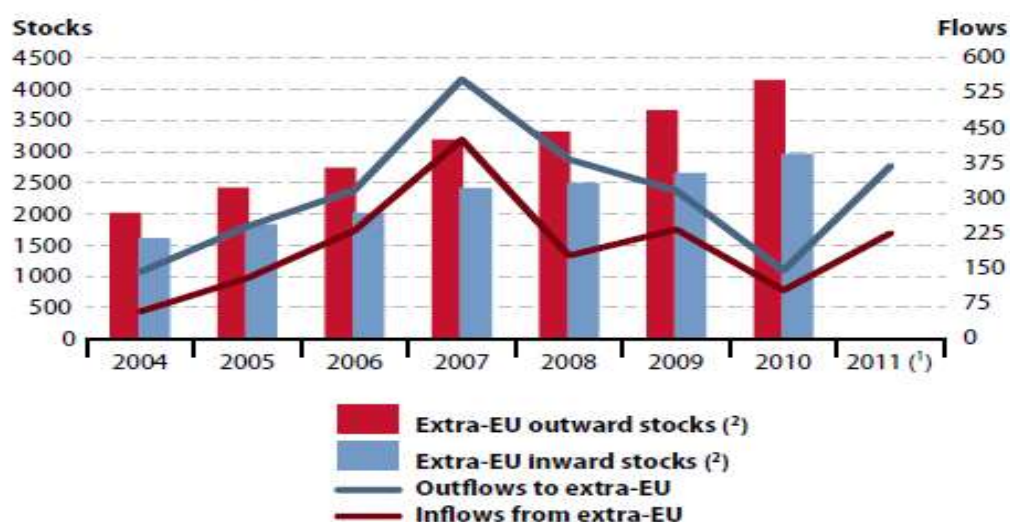
**Table 3.1: Outward FDI, EU-27, 2008-2011 <sup>(1)</sup>**  
(EUR 1 000 million)

	Outward FDI flows				Share in 2010 (%)
	2008	2009	2010	2011	
Extra EU-27	383.5	316.5	145.6	369.9	100.0

**Table 3.2: Inward FDI, EU-27, 2008-2011 <sup>(1)</sup>**  
(EUR 1 000 million)

	Inward FDI flows				Share in 2010 (%)
	2008	2009	2010	2011	
Extra EU-27	177.7	233.6	103.9	225.3	100.0

**Figure 3.1: FDI flows and stocks, EU-27, 2004-2011**  
(EUR 1 000 million)



(1) Provisional.

(2) 2011, not available.

Source: Eurostat (online data code: [bop\\_fdi\\_main](#))

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Overall, all the EU enlargements have had a positive effect on trade with new MSs<sup>16</sup> and the enlargement towards the CEECs has not been an exception. Even the eastern European farmers who were initially so pessimistic towards the EU are now much happier to be enabled to sell their goods to the whole EU. The enlargement has been promoting trade between the

<sup>15</sup> European Union, [International trade and foreign direct investment 2013 edition](#), 2013, pp. 60-63

<sup>16</sup> Straathof Bas, Linder Gert-Jans, Lejour Arjan, Möhlman Jan n [The Internal Market and the Dutch Economy: Implications for trade and economic growth](#), CPB Netherlands Bureau for Economic Policy Analysis No 168, The Hague, the Netherlands, 09.2008, p.10,  
[http://www.google.de/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CDMQFjAA&url=http%3A%2F%2Fwww.cpb.nl%2Fsites%2Fdefault%2Ffiles%2Fpublicaties%2Fdownload%2Finternal-market-and-dutch-economy-implications-trade-and-economic-growth.pdf&ei=iIMDU\\_zVOsiQtAb1yIGwAQ&usg=AFQjCNGs2HNTgAi78eYjfHG44oxLFcFYIQ&bvm=bv.61535280,d.Yms](http://www.google.de/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CDMQFjAA&url=http%3A%2F%2Fwww.cpb.nl%2Fsites%2Fdefault%2Ffiles%2Fpublicaties%2Fdownload%2Finternal-market-and-dutch-economy-implications-trade-and-economic-growth.pdf&ei=iIMDU_zVOsiQtAb1yIGwAQ&usg=AFQjCNGs2HNTgAi78eYjfHG44oxLFcFYIQ&bvm=bv.61535280,d.Yms)

incumbent and the new MSs, foreign investments of the old MSs in the CEECs, has opened up multiple jobs and produced billions of profits for the investing countries. The workers from the CEECs have filled the labour gaps in those EU countries that have opened up their labour markets<sup>17</sup>.

## **The CEECs countries and the SM**

While all the EU MSs are in the integration process into the Internal Market, each of them has various levels in the process. These issues are vital when evaluating the integration scope. A key distinction is especially between the countries that joined the EU before 2004 and those who acceded into the Union later. Two reasons can justify the argument. To begin with, naturally enough the longer the countries have been in the Union the more vividly they see and enjoy the effects and benefits of the economic integration. Besides, most of the new member states were in the process of the political and economic transformations which has a material impact on the level of their internal integration and also presupposes catch-up with the international standards of economic integration with other states apart from these countries engagement with the EU Single Market<sup>18</sup>. Hence, while in the preceding section the general context shaping the Single Market was presented with a general outlook to the central and eastern European countries and the extent of its involvement with the SM, the current chapter aims at investigating this last aspect more in details.

The studies investigating the impact of the 2004 enlargement on the EU Single Market have been conducted constantly. Research conducted on the topic before the enlargement acknowledged that the inclusion of these countries would not cause significant setbacks to the EU, yet some problematic issues were still identified. To begin with, the fact that the CEE states were in transition from planned economy to a market one was pointed, implying that macroeconomic imbalances would persist because of the necessity to reshape the economies of these states. Besides, it was mentioned that the EU would encompass new member states which were significantly poorer than the old ones. To visualize, when Spain, Portugal and Greece entered the EU, though they were again poorer than the EC of nine MSs, their per capita GDP reached 66% of the EC-9 medium. Projecting the same criteria the CEECs, it should be said that they had only 38% of the EU-15 average. Hence, the concern was that such a notable gap could generate a great number of labour migration once the free movement of persons is assured. As a consequence, the employment system of the incumbent MS could have been distracted. Furthermore, because social cohesion is one of the core norms of the EU Treaties, the discrepancies between the old MSs and the new one was considered to cause changes in the EU cohesion policy which would again be at the expense of the incumbent MSs. One more

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<sup>17</sup> Barysch Katinka, East versus West? The European Economic and Social Model after Enlargement, European Social Model, Progressive Politics vol. 4.3., pp. 1-2 [http://www.policy-network.net/uploadedFiles/Publications/Publications/Barysch\\_4%203%20qxd.pdf](http://www.policy-network.net/uploadedFiles/Publications/Publications/Barysch_4%203%20qxd.pdf)

<sup>18</sup> Chancery House, Optimal Integration in the Single Market: A Synoptic Review; A Europe Economics report for BIS, London, 104.2013, p.30,

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/224579/bis-13-1058-europe-economics-optimal-integration-in-the-single-market-a-synoptic-review.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224579/bis-13-1058-europe-economics-optimal-integration-in-the-single-market-a-synoptic-review.pdf)

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field for fear was connected with the agricultural sector. The CEEs' agricultural products would be directly competing with the traditional agricultural productions of the Common Agricultural Policy, i. e. corn, beef, milk. Hence, involving so many farmers could generate a gap on the EU economics. Problems were also perceived to be emerged with regard to the EU institutional setting and its capacity to absorb the new MS. Yet, it is to be mentioned that even before the enlargement studies pointed that the benefits will outweigh the costs and the enlargement would be of economic benefits both for the existing MS and the newcomers in case of consistent and all-inclusive national policies. There was no specific reason to exclude the specific win-win situation between the existing and the new MS.

### ***Growth***

The researches of the period noted that the cumulative GDP could raise by 0.5% to 0.7 percent for the 15 present states and by 6% to 19% for the newly acceded countries from 2000 to 2010. The imbalance depends on the different sizes of the countries i.e. only about 5% of the EU-15 GDP and around 12 % of their exports. Hence, while the EU accession could be of notable economic benefit for them, their general influence on the EU member states would be restricted. Studies also showed that those existing MSs that have closer economic connection with the new MSs would benefit more than the other MSs, for instance for Germany, Austria, Finland and Italy the enlargement could mean growth in the GDP by 0.5% percent on an annual basis. Moreover, it was acknowledged, that the concern that the single market can be harmed because of the enlargement would contradict with the EU accession criteria which point that only the countries who practice stable economy and have transposed their national legislation in compliance with the EU *acquis communautaire* can join the Union. This would mean that the integrity and the stability of Single Market can be preserved. Regarding the economic aspect, it has to be mentioned that the CEEs were performing rather well. All the countries showed GDP growth from 1.5 (e.g. Romania) to 6% (e.g. Estonia).

### ***Public Finances***

As for the public finances, at the transition period the state budgets experience some decline because of the pressures on public expenditure stemming from the necessity to reshape the productive sector of the economy as well as the problems in the tax collection structure which had a narrow tax ground and considerable amount of tax evasion. However, it is worth noting that at the end of the transition these issues did not significantly damage the stance of the public finances in the CEEs. Yet, pointing to the demographic imbalances, significant public expenditures concerning the retirement structures were anticipated unless reforms were conducted.

### ***Free Movement of workers***

The next problem for the single market was the free movement of workers. The EU was initially negatively concerned, considering that the accession of the CEEs and the lack of border barriers could result in a big influx of workers from the new MS to the EU-15. Hence, it insisted on an up to a seven-year transitional period before enabling free movement of workers



<sup>19</sup>. Germany and Austria were among the leading those who wanted to make full use of all the seven years. While in both countries business was for eliminating the barriers, the trade unions opposed. UK and Sweden had opened their labour markets, however, from the beginning. After all, the internal differences existent in the CEECs were not strikingly different from those in the EU-15 in the 2000s. The close allocation of income within the countries, along with the existent social and cultural obstacles to mobility was envisaged to limit the labour migration from the East to the West of Europe. The European Commission estimated that no more than 200.000 workers would move from the CEECs to the EU-15 annually until 2009. Thus, most of the concerns regarding to a potential negative influence of the enlargement on the EU Single market was overstated<sup>20</sup>.

As a matter of fact, the seven-year delay was a kind of a mistake. Furthermore, within the Single Market the free movement of workers is as natural as the functioning of the other three aspects. After all, whenever people see an economic perspective at home, they stay there – the very outcome observed in the cases of the EU enlargement towards Greece, Portugal, Spain and also Italy (in the founding phase of the EEC after 1957). Here, the EU accession potential induced people to return their home countries even before the actual inclusion. Paradoxically, with the execution of the seven-year transitional period, Germany, for example, missed the chance to have sufficient well-educated people in its labour market. Instead, lots of well-trained studied people went to Ireland, the UK and Spain. Some of them only got acquainted to the land, learnt the language and went home and are now in their home labour market, speaking English, Spanish, etc. The Polish mainly concentrated in the UK and Ireland. They have managed to integrate to the new environment quite successfully and, currently, Irish political parties even have groups for the Polish citizens. The countries that acceded the Union in 2004 have already completed the seven-year transitional period and started from January, 2014, they can enjoy the right for freedom of labour circulation. Observing Germany, the estimates show that there are 400.000 Romanians and Bulgarians and around 60% of the 15-65 year-old people are employed. Only 7% are unemployed and 10% get social aid (Hartz IV). These percentages are much lower than the average of all the foreigners.

It has to be said that especially migrants from Bulgaria and Romania, over the average are interested in education and have less kids than the Germans, consequently, get less children allocation. Hence, all the institutes and research centres in Germany say that the country needs more migrants<sup>21</sup>. And in case there is something wrong with the social support system, it is not the EU but the MSs that were to approximate their legislation, what they did not.

As for the CEECs, the political orientation and the urgency to reform and improve the inefficient economic management have triggered them to be in favour of the market and

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<sup>19</sup> Sargsyan Ofelya, Pleading for Armenia's Accession to the EU, LIBERTAS; Rangendingen Germany, 2014, p. 27.

<sup>20</sup> Altomonte Mario, Nava Carlo, Economics and Policies of an Enlarged Europe, 2005, pp. 98-101, [http://zanran\\_storage.s3.amazonaws.com/www.ispionline.it/ContentPages/47487835.pdf](http://zanran_storage.s3.amazonaws.com/www.ispionline.it/ContentPages/47487835.pdf)

<sup>21</sup> Der Spiegel, 3/2014, p. 28.



competition, by preferring growth over heavy social protection. These new and mostly not large MSs highly appreciate the enforcement of the single market and competition rules, enforced by the European Commission as a warrant of equal approach with the larger and economically stronger old MSs. These objectives make the new MS a significant political driver of further progress of the SM, and this at a period when some of the Continental social market economies have become less animated about it and the Anglo-Saxon countries have become suspicious towards the SM after the financial crisis<sup>22</sup>.

### *Cardinal changes in the transition countries*

After the collapse of the Soviet Union, the Central and Eastern Europe countries have practiced cardinal changes, switching from social planned economic systems to market economy ("capitalist") structures and opting in favour of democratic governance and government with most of them having an ambition for the EU accession. Hence, the question is how and to what degree the EU membership influenced on the welfare and development stance and pace of these countries<sup>23</sup>. In this vein, it is to be stated that to join the Union an applicant country has to fulfil certain conditionalities by undertaking and implementing various comprehensive internal and external actions and activities so as to be in compliance with the EU level. Candidate countries undergo a "Europeanization" process. Noteworthy is that though the extent of the transformations can vary from state to state, in the course of the Europeanization process, a general tendency is that the EU accession potential strengthens the incumbent country's democratic systems, reforms its judicial structures and encourages decentralization<sup>24</sup>.

### *Anticipated effects*

Thus, it can be assumed that even before entering the EU and joining the SM and only having the prospect of the EU membership already had a positive impact on the CEECs and, indeed, the CEECs underwent through a dramatic trade liberalization before the EU inclusion as a result of the Europe Agreements which were signed between the EU and each of the CEECs in the 1990s<sup>25</sup>. Hence, already in the 1990s all the tariffs and quotas for the imports, with some exceptions, were abolished. And about 10 years prior to the enlargement 60 to 75% of many of the CEECs' exports were to the EU. The growth in exports was connected with large scale inflows of FDI as the foreigners started buying companies in Eastern Europe even before their accession into the EU. Besides, having free market with the EU, Poland, Estonia or Slovakia

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<sup>22</sup> Monti Mario, A New Strategy for the Single Market at the Service of Europe's Economy and Society, Report to the President of the European Commission José Manuel Barroso, 09.05. 2010, Milan, pp. 28-34, [https://www.kfw.de/migration/Weiterleitung-zur-Startseite/Homepage/KfW-Group/Research/PDF-Files/Monti\\_Report.pdf](https://www.kfw.de/migration/Weiterleitung-zur-Startseite/Homepage/KfW-Group/Research/PDF-Files/Monti_Report.pdf)

<sup>23</sup> Halleberg Mark & Yläoutinen Sami, Fiscal Governance in Central and Eastern Europe Before and After European Union Accession: What Role Europeanisation?, Hertie School of Governance, Working papers, No. 37, 2008, p.5, [http://www.hertie-school.org/fileadmin/images/Downloads/working\\_papers/37.pdf](http://www.hertie-school.org/fileadmin/images/Downloads/working_papers/37.pdf)

<sup>24</sup> Sargsyan Ofelya, Pleading For Armenia's Accession to the EU, LIBERTAS - Europäisches Institut GmbH Rangendingen, Germany, 10. 2013, pp. 15-16.

<sup>25</sup> Hornok Cecília, Trade Without Borders: Trade Effect of EU Accession by Central and Eastern European Countries, 15.03.2008, p. 4.

have become more attractive areas for export-oriented production, furthermore, the EU accession potential has served as an external anchor for economic recovery and improvements, providing a certain degree of stability. Consequently, the FDI has financed the recovery of significant production capacities across Central and Eastern Europe and has promoted the creation of modern services sectors, such as retail, banking, telecoms and transport. Taking into consideration that the CEECs had achieved such noticeable accomplishments from the integration with the EU even prior to the actual inclusion into the Union, limited gains were anticipated after the actual enlargement.

### ***Post-accession boom and increase of exports and FDI***

However, the economic growth of the region after the accession suggests that there was something like a “post-accession” boom. As such, the average real GDP growth in the CEECs increased from 3.7% of 2003 to 5% in 2004, the EU accession owning its tribute in the strong economic performance in 2004. Concerning with the EU–connected price growths, Eastern European countries opted for shopping binges in 2004. Consequently, the consumption increased. As expected many Eastern European countries increased value added tax rates and excise taxes on alcohol, tobacco and fuel to align with the EU minimum levels. The prices for some foodstuffs, such as sugar, were also increased. In spite of the increase of the oil prices, many of the new MSs could maintain the price growth throughout 2005 with the average inflation being below 2.5% in the big CEECs. Due to market and inflows growths, exports also promoted economic success in the new MS already in the accession year. Facilitated customs regulations and the elimination of trade barriers and many border controls induced higher level of cross border activities and intra regional trade. The CEECs also experienced higher investment rates. As such, in 2004 and 2006 the investment growth rates was for 5% higher. Namely, according to the Eurostat data, FDI from the old MS to the new ones reached 13.8 billion Euros in 2004 which was almost twice as much as the FDI of 2007 – 7 billion Euros<sup>26</sup>.

The enlargement and namely the SM for the CEECs is thus advantageous from several perspectives. To begin with, the reduced trade barriers and transport prices decrease the prices for consumers and intermediates as well as for producers. In addition to the efficiency of resource allocation, competition increases. Additionally, in terms of exports, lower trade barriers and costs raise foreign demand for domestic products which potentially lead to welfare gains in the long run<sup>27</sup>. Thus, the new MSs benefit: they are enabled to increase and improve their competitiveness, profit from the ratification of the EU economic and legal infrastructures as well as from the transfers. The created economic circumstances accelerate the appropriate usage of the funds and promote economic growth. In the long run the new MS will enjoy

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<sup>26</sup> Barysch Katinka, Enlargement two years on: Economic success or political failure?, Briefing paper for the Confederation of Danish Industries and the Central Organization of Industrial Employees in Denmark, 04. 2006, pp. 5-8, [http://www.sa.is/files/Enlargement%20two%20years%20on\\_291053624.pdf](http://www.sa.is/files/Enlargement%20two%20years%20on_291053624.pdf)

<sup>27</sup> Maliszewska Maryla, EU Enlargement: Benefits of the Single Market Expansion for Current and New Member States, Center for Social and Economic Research, Warsaw, 01.2004, pp. 18-19, [http://www.case-research.eu/upload/publikacja\\_plik/1861894\\_273.pdf](http://www.case-research.eu/upload/publikacja_plik/1861894_273.pdf)

growth rate of 2% higher than that of the existing MSs. As the estimates show, **the CEEC will benefit on average ten times more from the enlargement than the old MSs.**

### **Case study: The Single Market and the Czech Republic**

One of the key factors driving the Czech Republic and other CEECs countries to seek the EU membership as discussed was the economic benefit which implied more trade and investment opportunities within the Single Market. As such, after May 2004 foreign trade raised becoming one of the most notable economic effects of the enlargement. The SM accession has facilitated trade with both the old and new MSs. The facilitated customs regulations, abolition of trade barriers and most border controls, approximations of rules on value added tax returns promoted transnational activities and intraregional trade. Consequently, in 2004 the Czech exports grew for about 25% and the national trade deficit was the lowest in eleven years. In the following years the Czech exports have kept rising on average 14% between 2005 and 2007 and for 6% in 2008 related to the global economic crisis. Since 2005 the country was also experiencing a trade surplus for the first time in its history and reached its peak in 2007 with CZK 88 billion. After the EU accession the EU has remained the most important trading partner, with 76% of the Czech foreign trade in 2008. The Czech Republic also increased its trade even more with the other CEECs countries, a tendency noted also by other CEECs. Already in 2005 the Czech exports to the other new MSs raised by 33% while with the EU-15 by 21%. The Czech Republic has also registered an increase in the foreign investments since its accession. By the end of 2007 cumulative FDI in the Czech Republic had almost doubled to over 76 billion Euros, out of which 90% belonged to the other EU MSs. Accession has also positively impacted on the country's economic performance. The Czech GDP growth has been constantly rising; its growth amounted to 4.5 % in 2004 and kept rising for 6% in the subsequent three years, a speed much higher than the EU average. As such, by 2008 the country's per capita GDP had reached over 80% of the EU average. However, in 2009 the GDP fell on 4.2%. Still a small growth was registered in 2010. With regards to the unemployment rate, it is worth noting that it declined after the accession. Before the inclusion, the unemployment reached 7-8%, it amounted 7.3% in 2004 and in the next years it steadily decreased reaching 4.4% in 2008<sup>28</sup>.

### **Case Study: The Single Market and Poland**

To begin with it is worth noting that the accession into the internal market has strengthened Poland's capacity to perform reliable macroeconomic mixes: The abolition of the tariff barriers, the establishment of the Customs Union with a Common External Tariff (CET) in relation with the imports from third countries and the formation of the Single Market encouraged trade among the MSs. The economy benefitted, due to multiple factors, stemming from the ratification of rules of the Single Market with its four freedoms and participation in the EU structural policies. The Polish accession into the SM was also positive in terms of the structural funds which rose year after year reaching from 1.1 billion Euros to 4.79 billion in 2007. The Polish economy has been deeply influenced by the country's accession into the EU. The

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<sup>28</sup> Dan Marek & Michael Baun, The Czech Republic and the European Union, Routledge, Taylor & Francis Group, New York, USA, 2011, pp. 73-83

country is well-integrated into the EU economies. Just after the EU inclusion, Poland began showing the highest growth of export among its partners. Already in 2004 the export of goods from Poland increased for 27%. The tendency was observed also in the subsequent years until 2009 decline. Yet, 2010 showed signs of recovery. In 2012 more than 75% of the country's overall imports came from the EU countries and around 70% of exports were into the EU. Moreover since 2004 the overall exports to countries outside the EU space has raised for almost 5%, amounting to 25% in 2012.<sup>29</sup>

The accession to the European SM was also beneficial for the Polish trade in services, particularly in transportation, tourism and construction services: As a result, beginning from 2006 Poland has been performing a positive balance in service trades, showing a surplus of about 1.8 billion Euro. Besides, after the EU inclusion the Polish economy gained a lot of FDI and Poland kept holding and attracting them in Central Europe. Annually the flow of FDI increased from 4 billion Euros in 2003 to 17.2 billion Euros in 2007 and about 85% of all the FDI in Poland stemmed from the EU. The stock of inward FDI was 41.4% of GDP in 2011, out of which over 80% were from the EU countries. The capital from the EU partners was invested into numerous fields like car industry, telecommunication, textile, service sector, business services, real estates, etc.<sup>30</sup>

### **Case Study: The Single Market and Bulgaria**

While Bulgaria is one of the poorest countries in the EU-27, it is to be mentioned that the EU accession potential has been advantageous for the country, enabling it GDP growth<sup>31</sup>. After the negative real GDP growth of 1996-1997, the country's economy, typical to other pre-accession models, raised progressively between 1998 and 2003 for about 4% on average<sup>32</sup>. The tendency remained until 2008. With the accession into the EU, Bulgaria has gained broader trade opportunities through the FDI and increasing domestic demand. Furthermore, the free movement of labour force, goods, service and capital add to the benefits. The national trade as well as economic cooperation with other MSs have expanded, a trend launched since the 1990s. Consequently, the value of exports to the EU and the imports from the Union grew about three times. Yet, during the 2009 crisis mutual foreign trade fell. The EU's share in the overall Bulgaria's exports grew from 50.1% in 2000 to 64.2% in 2009 and the imports from 44% to 53.5%. As for the FDI, in 2009 the EU's FDI in Bulgaria reached 29.8 billion Euros which amounts to 84.3% of the overall FDI on a national level. Over the last ten years there was also growth in Bulgaria's FDI in the EU, comprising 51.7% of total Bulgaria's FDI in 2009. During

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<sup>29</sup> Marek Belka, How Poland's EU Membership Helped Transform its Economy, Occasional Paper 88, Washington, D.C., 10. 2013, pp. 19-24, <http://www.group30.org/images/PDF/OP88.pdf>

<sup>30</sup> Kundera Jaroslaw, Poland in the European Union: From Dynamic to Slow Economic Growth, 2009, pp. 455-462, <http://www.bibliotekacyfrowa.pl/Content/35525/022.pdf>

<sup>31</sup> Bozhilova Diana, When Foreign Direct Investment is Good for Development: Bulgaria's accession, industrial restructuring and regional FDI, GreeSE Paper No 33, Hellenic Observatory Papers on Greece and Southeast Europe, 03.2010, p.4, <http://www.lse.ac.uk/europeanInstitute/research/hellenicObservatory/pdf/GreeSE/GreeSE33.pdf>

<sup>32</sup> Ognitvsev Victor, Bulgaria: Experience in Systemic Transition and Reforms, 2003, p. 141, [http://www.unctad.info/upload/TAB/docs/TechCooperation/bulgaria\\_study.pdf](http://www.unctad.info/upload/TAB/docs/TechCooperation/bulgaria_study.pdf)

the first two years of its EU accession, Bulgaria showed 6% economic growth. Over the period 2000-2008 the average growth of Bulgaria GDP was 5-6%. Yet, the economy suffered harshly during the global economic crisis period. However, the reason for that cannot be attributed to the EU membership but rather to the country's high level degree of external economic dependence and immature economy<sup>33</sup>. The Bulgarian economy slowly recovered over 2010-2011. Like other transforming EU economies which have experienced economic turmoil and imbalances, the growth during 2010-2011 periods was due to exports while domestic demand remained unchanged. Annual GDP growth amounted to 1.7% in 2011<sup>34</sup>.

## Conclusion

The EU Single market is one of the Union's most important and continuing priorities<sup>35</sup>. It has enabled free movement of people, goods, services and capital throughout the European Economic Area since 1993 and has been steadily reformed to meet the modern tendencies and needs. While the famous Cecchini Report of 1988 envisaged that it would produce 5.4%-6.5% GDP growth, the actual number the SM achieved is also quite positive, i.e. it has increased the EU GDP for about 2-3%. Especially exports and FDI have registered a massive progress. The abolition of the trade barriers has resulted in cost advantages, competition growth in the SM, raised the competitiveness of the EU companies in the global market as well as made the EU countries more attractive for investments<sup>36</sup>.

The influence of the 2004 and 2007 EU enlargement on the CEECs has been studied extensively. The central focus of the studies was to observe the effects of the Single Market on these countries. By joining the EU club, these countries have brought their production infrastructures in line with the EU. The service and knowledge based economies have increased - as such the service shared in EU-12 GDP raised from 56% in 1995 to 63% in 2006, the share of the technology exports and employment in knowledge intensive fields increased to 3.5% of the overall employment in comparison with the about 5% in the EU-15 in 2006. Additionally, the CEECs managed to increase their exports of agricultural products to the EU. In terms of the FDI, the CEECs also benefit from the inflow of EU funds. Studies anticipate that these funds can raise the GDP per capita for about 5% between 2010 and 2020, the scope of the benefits

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<sup>33</sup> Tsachevsky Venelin, *Bulgaria's EU Membership: The Adaptation to the New Status is not Over*, Electronic Publications of Pan-European Institute, 16.2010, pp. 21.25, [http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopakettit/Documents/Tsachevsky\\_netiti\\_final.pdf](http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-ja-tietopakettit/Documents/Tsachevsky_netiti_final.pdf)

<sup>34</sup> European Commission, *European Economic Forecast*, Spring, 2012, p.58, [http://ec.europa.eu/economy\\_finance/publications/european\\_economy/2012/pdf/ee-2012-1\\_en.pdf](http://ec.europa.eu/economy_finance/publications/european_economy/2012/pdf/ee-2012-1_en.pdf)

<sup>35</sup> Hussain Mushtaq, Faes-Cannito Franca, *Economy and Finance*, Eurostat Statistics in Focus, 2008, p.1, [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-SF-08-057/EN/KS-SF-08-057-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-08-057/EN/KS-SF-08-057-EN.PDF)

<sup>36</sup> Vetter Stefan, *The Single European Market 20 years on: Achievements, Unfulfilled Expectations & Further Potential*, DB Research Management, 31.10.2013, pp. 1-2, [http://www.dbresearch.com/PROD/DBR\\_INTERNET\\_EN-PROD/PROD000000000322897/The+Single+European+Market+20+years+on%3A+Achievements,+unfulfilled+expectations+%26+further+potential.pdf](http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD000000000322897/The+Single+European+Market+20+years+on%3A+Achievements,+unfulfilled+expectations+%26+further+potential.pdf)



being dependent on the institutional and policy framework<sup>37</sup>. The estimates consider that the real GDP in the EU-15 will be increased for 0.26%. In Germany it will be grown by 1.6%, in France 0.0%, the United Kingdom 0.1% the Netherlands 0.2% South Europe 0.2% and in the rest of the EU 1%. As for the CEEC, the numbers are higher. Hungary will experience growth by 9.6%, Poland 8.7% Estonia, Latvia, Lithuania, Slovakia, Slovenia, Malta and Cyprus 6%<sup>38</sup>.

The accession of the CEECs has indeed become a significant phase in the integration process within the EU. It has furthered economic and financial connections between the new and old MSs. Compared to the 1990s, the living standards in the new MSs have sharply increased, life expectancy has raised, access to higher education raised. The variety of goods and services for the new MS has become more available and identical to those in the incumbent MSs. The increasing amount of foreign capital into these economies has raised the level of know-how. The facilitated access to the EU markets has resulted in the growths of exports and increased the shares of the CEECs in the global market. The growing financial integration with the EU has accelerated consumption as well as shock absorption capacity. An evidence for the increased economic integration between the CEECs and the EU is the growth of trade connections. As such, the share of the CEECs' exports in the EU imports rose around 2.5 times between 1993 and 2008. An important role in the economic integration between the CEEC and the EU has been financial integration which has implied dramatic transformations in line with the EU. Foreign companies and banks mostly from the EU have entered the CEECs market and privatized the CEECs banks and already by 2009 the majority of the CEECs' banking assets belonged to the old EU MSs' headquartered banks. The integration with the European economy has enabled the CEECs to grow much faster than the economies in other regions with the same or similar income rates. As a result of the integration and economic growth, the difference between the old and new MSs is becoming more and more outdated. Moreover some new MS show higher GDP per capita than some of the old MSs<sup>39</sup>.

The implications the Single Market has had are, thus, widespread and irreversible both for the EU and its partners. It has promoted new opportunities, has abolished most of the economic barriers within the EU as well as has paved the way for the establishment of trans-European economic lineages, reducing national discrepancies and fostering the notion of Europe as a global actor<sup>40</sup>.

Thus, 10 years after the 2004 enlargement, it can be implied that the Single Market has become and remained a success both for the old and new MS. Moreover, it has the potential for farther

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<sup>37</sup> LSE Enterprise, Study on the Impact of the Single Market on Cohesion: Implications for Cohesion Policy, Growth and Competitiveness (CCIN 2010CE16BAT006), 12.2011, pp. 22-24, <http://www.lse.ac.uk/businessAndConsultancy/LSEConsulting/pdf/singleMarketStudy.pdf>

<sup>38</sup> Velichkova Bistra, Bulgaria's Accession in the Context of the European Union Enlargement, University of Twente, the Netherlands, 05.10.2011, p. 57, [http://essay.utwente.nl/61382/1/MSc\\_B\\_Velichkova.pdf](http://essay.utwente.nl/61382/1/MSc_B_Velichkova.pdf).

<sup>39</sup> Čihák Martin and Fonteyne Wim, Five Years After: European Union Membership and Macro-Financial Stability in the New Member States, IMF Working Paper European, 03.2009, pp. 3-40, <http://www.imf.org/external/pubs/ft/wp/2009/wp0968.pdf>.

<sup>40</sup> John McCormick, Understanding the European Union, A Concise Introduction, Palgrave Macmillan, New York, USA, 2011, p.171.



evolvments and developments. This proposition can have a determining significance when looking at the Eastern Partnership countries – Armenia, Azerbaijan, Belarus, Georgia, Moldova and the Ukraine.

The EU seeks to reform these countries' political, economic and social stance. On the way it offered them Association Agreements, including Deep and Comprehensive Free Trade Agreements (DCFTA), and while Georgia and Moldova were enthusiastic to ratify the documents, Azerbaijan and Belarus have not even initiated the process, with Belarus joining the Russian led Customs Union and Azerbaijan keeping neutral towards both unions. As for Armenia, the country negotiated over the AA for about four years, however, opted for the Russian led project under Russia's pressure. The Ukraine stands as a separate case. After the many up and downs, with the culmination being the cessation of the Crimea and its annexation to Russia, the country signed the AA with the EU. the DCFTA is foreseen for end of June 2014. Under such inconsistent circumstances, these countries are to look at the CEECs to see the changes and reforms they can practice, the opportunities they will get and the development level they can reach as a result of deeper cooperation with the EU and, in case of relevant transformations, why not, some of them also for the EU membership.

## **Recommendations**

In detail, it can be recommended to the CEECs the following:

1. The business of the CEECs should be brought into a position that everyone profits from the Single Market. Many CEEC business agents are still thinking in the traditional way of business from these countries. This should encompass know-how on the necessary tools of marketing, the appreciation of foreign languages, diversity as a micro-economic human resource principle, purchasing from the whole Single Market (and beyond), and cooperation mentality (between CEEC business and with the one from the "old" EU). This can be achieved by training, by comprehensive courses, by continuous formation of managers and SME company owners. Of course, it can also be reached by self-studies of the concerned groups of people. Otherwise it is a task for the European Union information centres (e.g. Europe Direct Information Centre - EDIC, European Enterprise Network - EEN), but also events including, if possible trans-nationally, the members of TEAM EUROPE (EU Commission/DG Communication), or for the chambers of commerce resp. of economy, or for business sector associations etc. There is still after 10 years a steep slope in business-to-business contacts between the East and the West of the European Union, which could be easily brought in a horizontal win-win situation.

2. In particular, there is not yet adequate know-how in CEEC about cooperation. The EU cooperation form of a European Economic Interest Grouping (EEIG) is - with some exceptions - virtually unknown. This is also the case in Western Europe, but not in this extent. The European EEIG Information Centre, a loose alliance of lawyers, economists, tax experts etc. counts at the beginning of 2014<sup>41</sup> only 1,25% of all the registered EEIGs in the 10 CEEC

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<sup>41</sup> See the Website of the European EEIG Information Center under [www.ewiv.eu](http://www.ewiv.eu), and the figures under <http://www.libertas-institut.com/de/EWIV/statistik.pdf>.  
European Union Foreign Affairs Journal – N° 1 – 2014  
[www.eufaj.eu](http://www.eufaj.eu), [eufaj@libertas-institut.com](mailto:eufaj@libertas-institut.com)

Member States. Where it is known, there is a certain distrust to set them up in the CEEC area. So this is an instrument which can provide and enhance competitiveness within and also outside of the EU. It has been drafted from 1970-1985 to enhance cooperation in particular between SME and was in the first SM laws, as the first autonomous company law regulation of a supranational form. There should also be a kind of renewal of the old Enterprise projects, but this time specialised on East-West contacts within the EU, and with personal contact meetings, at least for a test run.

3. Chambers of commerce, business associations and other specialized agencies, e.g. of public character, should take the 10 year jubilee as a reason to ask themselves if enough has been done to enlighten above all small business agents on the SM and its opportunities. A town-by-town activity on a large scale has evidently not been employed - this should be now, 10 years after, on the agendas. There was long time before the CEEC MS were within the EU, a large number of attempts, brochures, seminars etc.; but the SM is a permanent issue. This is the lesson of the SM for the "old" EU, which was several years anticipated by business since the mid-1980s.

4. These consequences are not only valid for SM Member States and their economic operators, in particular SMEs, but also for Eastern Partnership countries in their relations to the EU. Especially here the one meeting/many tables principle of the old Enterprise model has not been tested out, and it could easily be repeated including the EaP countries.

5. Within the Eastern Partnership Platform II (Economy) and I (Legal approximation) there should be set up a study which could be easily used by SMEs as well, not only by government levels, in order to find out the EU specific criteria for SME cooperation between the EU Single Market and the EaP economy.

The Single Market within the EU was, after all, a tremendous success, also in the sense of integration of the East. But there is a lack of action, right now, by the EU institutions and also of their business federations in view of the EaP partner countries, and of could this should be mirrored by the relevant partner countries.

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# *Russia under Putin and the Eurasian Union: An Impossible Possibility?*

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**Hans-Jürgen Zahorka**

The Russian president Putin may be a political chess player, but he will fail at the very end. He wants to restore glory for his country, and therefore he undertakes a lot:

- blaming the Americans and the Europeans for anything which does not function in his country, including a growing authoritarianism and repression of non-violent opposition, including as well the stigmatization as “foreign agents” of any non-governmental organization which has contacts abroad (and all open-thinking NGOs have them, like in the EU or Eastern Partnership states), and following a media policy which is absurd and where critical journalists often have to pay with their health if not lives,
- gathering a lot of compliments from most of his compatriots after the conquest of Crimea, and the destabilization of Eastern Ukraine – and in both cases the troops there turned out to be Russian ones, although this has been denied by Putin, who did not say the truth to the world.

This is why Russia is now isolated more than ever. Even China did not veto the trend of a discussion in the UN Security Council on 12.4.2014.

All the efforts by Putin go in this mentioned direction. It is to be crowned by the project of the “Eurasian Union” which is to see the light of the world in 2015 (however, this date will be probably not kept). Since his article in *Izvestiya* some years ago, it is evident that this Eurasian Union should become a kind of counterpart to the EU. No problem with this; the EU is very much in favour of regional integration in the world. And nobody in the EU or elsewhere would have anything against the Eurasian Union. However, this Project is not about economic or political integration only. It will never be possible as integration in the worldwide sense, alone as it is not, like the EU has been, a totally voluntary integration. The same is for all other integrations in the world. The Eurasian Union, however, is definitely not: its predecessor and its present economic centerpiece, the Eurasian Customs Union is going *bonkers* — even if this is not seen by the protagonists. Consisting of Russia, Belarus and Kazakhstan (all three beacons of democracy and human rights, as everybody knows), a lot of trans-border operations go better with the help of corruption. I don’t want to mention the ranking in the Corruption Perception

Index, as everybody also in Russia knows that there is still a lot of corruption in the administration. The customs tariffs are three times as high, on an average, as the import tariffs for new member countries: Armenia has either to raise its customs considerably, or get several hundred of exemptions, which makes a customs union ridiculous. Normally a customs union in economic history has always served to decrease customs, and not to increase! The Armenian government has been squeezed – under which circumstances ever – to welcome this and to tell its people that this would be a success. At the same time, Armenian newspapers write at the same page of many possible insolvencies of various sectors and drop-outs, which will lead to a continuation of the Armenian nightmare, the brain-drain by emigration. Every real integration – see e.g. the accession of Spain, Portugal, Greece as well as of Central and Eastern Europe to the EU – has led so far to a short to medium-term re-integration of former emigrants.

The biggest problem for Russia is her relations with Ukraine. Here every possible Eurasian Union member state can see at first hand, how they might be treated. No chance to hope that this can be changed: Russia has in all Eurasian structures since many years the absolute majority of votes. There seems to be no historic example of being outvoted by the other members; no way with a qualified majority, which in the EU can easily serve as an instrument of balancing the interests and of creating a compromise. The result of the Crimea action has been to suspend Russia's voting rights in the Council of Europe and to be subject of a negative assessment by the UN Assembly. Another result are EU and US threats for sanctions which might have provided - until now<sup>42</sup> - a certain conciliatory position, behind the support of the "separatists" in Eastern Ukraine and the previous Crimea action, by the Russian government.

Besides this, nobody will invest at present in Russia (except some big operators who are of strategic interest for Russia): The Moscow government had declared that it might confiscate foreign investment, if the so-called West would apply sanctions. This is against all rules, the rule of law, the rule of any international economy and above all the interests of Russia herself. Every small and medium enterprise will refrain from investing – and this in an era of positive globalization. Only a former KGB chief who never saw a company from inside can ride on such a wave, and we know that financial and economic experts within the Russian government are totally against this. Russia is also dependent of its raw material and energy sales. The EU, including Germany, as main client are working since a while to diversify their purchases, a step which is getting momentum, and of developing alternative energy sources. This is now an official EU policy where several governments have even called for a "European Energy Union" - what for sure will come within some years, in a more or less outspoken way. As the present macroeconomic trends indicate, Russia's economy goes slowly but safely down, like the ruble currency, thus problemizing all foreign purchases which will be necessary also for domestic investment.

There are many people outside of Russia – like the author of these lines – who remember and appreciate the hospitality, the fine humour, the philosophical discussions even with non-philosophers, the great nature, the food, the interesting history, the education of Russian people.

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<sup>42</sup> This article has been edited as of 21.6.2014.



Their economy could become more and more efficient, corruption could go down, a numerous middle-class could emerge, Russians (all, not some) would go for holidays to the EU and worldwide, and will not flee their country, NGOs could form a vital civil society, art and music could thrive, without censorship, there would be a free press, and all problems could be discussed – why not controversially – and then solved in a free parliamentary vote. And the parliaments are correctly elected, and why not letting all parties admitted for this? Towards the outside, Russia could have excellent relations with its neighbours, with the EU (there are many years homework on what has been proposed and not done, like a free trade agreement etc.), with NATO, just to name some. In such a climate, NATO could become a historical structure – maybe with Russia as a member, or a country integrated in many of its structures. Instead of this, the former KGB chief in the Kremlin does not refrain from lying to the world, from attacking Crimea (at least. until 14.4.2014), and arresting many people who demonstrate against this in Moscow afterwards. This is very far beyond any "governed democracy" or "steered democracy".

It is, simply speaking, *ga-ga* that at the beginning of the 21st century Russia, while all the others, or most of them, try to cooperate, falls back into the 19th century. If these ideas cannot convince the people (who, of course, should not behave like a flock of sheep), they feel a minority complex, manipulate the media and threaten other countries with tanks at their borders. They also are misled by this foreign activity from domestic deficits. With this, the Eurasian Union will never function. It might be launched, but it will be a sick, partly dead structure from the beginning – like many others who have been launched after 2001 in the former Soviet Union. There are brilliant heads e.g. in the Eurasian Development Bank which is a kind of think-tank for regional integration and where many concepts for economic integration have been conceived. But in their concepts you do not read anything about the necessity of a free will of the member states to follow this integration, of an open society. What their people have, the Russian government has not: sovereignty - the sovereignty to live and to let live. You should take it easy, Vladimir Vladimirovich. If you would, your people would also. But I have lost any hope that this is possible under your reign, although I am an eternal optimist. So drive your country to the *beton* wall, including the countries who follow you. Like the system of the USSR, this "Soviet 2.0" system, although not under Communist auspices, will be rejected by a majority of People involved when they see the middle and long-term results – first in the partner countries, then in Russia. By educated, young people who will see how dysfunctional their own system will be, also due to their Facebook and Twitter accounts and the Internet in general. Like the integration of the USSR or of Yugoslavia which both burst in bubbles. The result will always be smaller than the original. Because of this, perhaps for the sake of its own corruption?, the Moscow government will end up similarly, in the most positive way with four or five former and present European CIS countries in or near the EU, and Central Asia may later form a kind of integration themselves. You have driven and continue to drive many surrounding states towards the EU and away from a possible Eurasian Union.

It would, after all, need another and sympathetic leader in Moscow (not only to most of the Russians but also to the world) to break up this isolation and inefficiency. The alternative would be (r)evolutionary movements in these countries in 10-15 years, at the latest.

# *Belarusian Identity: The Impact of Lukashenka's Rule*

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## **Vadzim Smok**

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## **Executive Summary**

- The modern Belarusian nation emerged as a communist republic of the USSR rather than in the form of a sovereign democratic nation. This communist ideology has had a heavy impact on the formation of the identity of Belarusian people. Emergence of the Belarusian nation coincided with a massive influx of Russian culture and language.
- After the collapse of the Soviet Union, a segment of the Belarusian national elite attempted to restore the ethno-national model of the state. However, when Aliaksandr Lukashenka became president in 1994, he flatly rejected this model and set Belarus on a different path.
- Lukashenka retained much of the USSR's legacy and proceeded with its

russification policy, bolstered by Russia that has continuously supported his authoritarian regime politically and financially. Lukashenka's regime has created a "state ideology", a mix of Soviet and nationalist historical narratives, myths and symbols to legitimise itself. Meanwhile, the Belarusian language has almost disappeared from public institutions and mass communication.

- As a result of this policy, a Russian-speaking Belarusian nation with rather weak national identity has formed. However, Belarusians see themselves as a separate nation not willing to become a part of Russia.
- Civil society is a major stakeholder for Belarusianisation. Various types of civic activity such as formal organisations, grassroots meetings and spontaneous campaigns work towards developing both the Belarusian language and culture. The authorities usually tolerate cultural activities carried out on the grassroots level and often even meet the demands of its citizens.
- In terms of its geopolitical choice, Belarus remains a divided nation, with equal shares of proponents for a western path as there are for an eastern one. Most people understand the nation's external relations very pragmatically and are ready to join an integration project, which is suggestive of more economic benefits.

## **Introduction**

The Belarusian nation, unlike most European nations, did not emerge along ethno-national lines, with an indigenous language, culture or a solid nationalist historical narrative. Rather, it consolidated as a result of a communist experiment which lasted for 70 years. It experienced many of the major disasters of the 20th century, including both the Stalinist terror and the horrors of World War II. This turbulent path has impacted Belarusians profoundly and, after 20 years of independence, the Belarusian nation is still trying to find its way.

The regime of Aliaksandr Lukashenka has actively opposed the establishment of an ethno-national model of state. He has continued to maintain a style "statist nation" with a centralized bureaucratic machine at its core. This Soviet inspired model continues to function, at the growing market economy and globalization, making Belarus a unique country, surrounded as it is with EU member states and its decidedly less democratic former Soviet neighbours.

Identity issues, particularly regarding language and the nation's historical narrative, formed the foundation of the persisting cleavage between the authoritarian regime of Aliaksandar Lukashenka and the democratic opposition since 1994. The population of Belarus, although not nearly as divided with regard to its identity as Ukraine, also has not produced a consensual version of self-determination. Identity matters remain crucial for Belarus now, as the process of nation building is still happening. Meanwhile, the ideology of the present regime seems too fragile and fuzzy to have any real role as a consolidating force.

In the context of this paper, the author understands national identity to mean the establishment of relatively stable, role-specific expectations and reflections about oneself<sup>43</sup> which emerge in a community of people as a result of the formation of modern nation-states. National identity itself did not appear spontaneously, but rather formed on the logic of community consolidation within a state's borders. With the various roles of states and their policies in this process being played out across the modern world, one can observe a variety of nations' 'conceptions of self.

In Belarus, the process of the formation of a modern nation started in the late 19th – early 20th centuries, when Belarus' territories were governed by the Russian Empire. The national movement sought, quite naturally at that time, to create a nation-state based on ethno-national attributes, such as language, culture, and a national historical narrative.

The next stage, which influenced the nation most, was its 70 years under communist rule. Aiming to create a nationless society, Soviet rulers, at the same time, preserved the national principle with the creation of the USSR's constituent republics. Belarus, for the first time in history, appeared as a single nation, although having no true sovereignty over its territory and, of course, no democracy. Soviet identity policy supported the national peculiarities of each of the Soviet republics, but loaded them with Marxist and Leninist ideas. It should also be noted that the USSR took Russian culture as a basis for any future Soviet nation, and it was vastly disseminated across the union.

However, a nationless Soviet society was never to appear, as the USSR fell apart, and for the last 23 years Belarus has been an independent state that has been presided over by an authoritarian government for most of the period.

This government inherited the Soviet bureaucratic machine that was designed to manage a massive public sector, and alongside this inheritance, it also received some Soviet national identity models. Within the context of an independent nation these models undergo a process of transformation, and the Belarusian nation and its identity has been developing into something that diverges in many key ways from the Soviet models that it was founded upon.

On the one hand, the Belarusian nation has already established itself as a state-centered political nation, yet on the other hand, the various identity processes that are unfolding today can have unexpected outcomes provided that the political situation changes.

This paper analyses the processes in Belarusian national identity, particularly with regards to its language, historical narratives and self-contextualization in an international setting during the period of independence and especially under the rule of Aliaksandr Lukashenka. Based on a number of empirical studies, it attempts to trace a detailed picture of the impact of the political regime and its major political and economic interests in the formulation of

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<sup>43</sup> Wendt, Alexander, Anarchy is What States Make of it, International Organization, 46:391-426, 1992.

Belarus's national identity.

## **A Turbulent Path to Belarusian Nationhood**

Belarus has a millennium of history, but the present name of the country and its borders appeared only quite recently. A Belarusian narrative of history goes back to the Polack and Turaŭ principalities of the 10th century. Later, they and other lands became parts of the Great Duchy of Lithuania, which subsequently united with the Kingdom of Poland in the 16th century. In the 18th century, the great European powers partitioned the Polish-Lithuanian Commonwealth.

The present day conception of Belarus and its territory first appeared during the Russian Empire's rule over the lands, an event that over the last two centuries resulted in massive Russian influence over nearly all aspects of Belarusian life. It was only in the 19th century that the Russian administration introduced the name "Belarus" as a formal designation for the territory.

A number of factors significantly hindered the national development of a distinct Belarusian identity including the initial polonisation of the local nobility, the subsequent assimilation politics of the Russian Empire, and the small percentage of Belarusians residing in urban areas. Other factors, such as the backwardness of its economy, or the absence of universities and the low level of literacy among the Belarusian population also played a significant role in hindering their identity. Unlike in case of Ukraine, no major powers of Europe were interested to promote Belarusian identity.

As a result, at the beginning of the 20th century Belarus appeared on the European stage as a backward region, unable to engage in a serious struggle for its own independence after the collapse of the Russian Empire in 1918. The attempts made by the founding fathers of the Belarusian People's Republic did not find mass support among the population. Meanwhile, the communists found considerably more success and the eastern territory of Belarus (East Belarus) entered the USSR to become the first official Belarusian nation-state. Early on in the USSR's history Soviet Belarus saw considerable support for and development of its national culture, a process that occurred alongside a programme of accelerated industrialization.

However, already in 1930s East Belarus, as in many other Soviet republics at the time, witnessed a wild scale campaign of terror under Stalin's regime, during which a considerable part of the political and cultural elite, as well as common people, were physically eliminated or transplanted to remote regions of Russia.

West Belarus became a part of the Polish Republic without any political or cultural autonomy and experienced widespread assimilation. The scale and extent of Stalin's bloody repression were at the time unknown in the West. East and West Belarus were united only in 1939, when the USSR and Nazi Germany secretly agreed on their respective spheres of influence in Europe and the whole territory of present day Belarus was brought under the control of the USSR. This unlikely and short-lived friendship led to the well-known events. World War II killed a quarter of the population of Belarus and completely destroyed the country. After the

war, the young nation had to reforge itself literally from its own ashes.

Over the course of the subsequent 45 years, the Belarusian nation continued to develop as a socialist republic of the Soviet Union. Having no real autonomy and experiencing the overwhelming domination of Russian culture in the USSR, it still managed to retain some of its national features (such as the usage of the Belarusian language in public life), even more so than under the current Lukashenka regime.

Perestroika of the 1980s gave political life to groups that demanded autonomy from the USSR with a much stronger emphasis on an ethno-national version of identity. A nationalist movement grew throughout Perestroika and became one of the most organized oppositional force in Belarus's history.

The other group, which actually presided over the government of the country, was represented by the nomenclature -communist party functionaries and administrative bureaucrats. The nomenclature, unsurprisingly, was heavily sovietised and reluctant to pursue radical reforms, but in light of the events that were unfolding in Moscow which accelerated the collapse of the USSR, the Belarusian communists were all but forced to follow suit and vote for the country's independence in 1990.

A newly independent Belarus, much like other former Soviet republics, experienced a deep economic crisis upon its founding. This did not, however, deter the nationally-oriented segment of the political elite from making another historical attempt at belarusianisation through building a state on the basis of national culture. The Belarusian language became the only official language in the republic and a historical narrative based on pre-Soviet history began to dominate official discourse.

But prospects for an ethno-national Belarusian state did not come true. The 1994 presidential elections brought an unlikely young Member of Parliament to power – Aliaksandr Lukashenka. Hardly anyone at that time could anticipate the subsequent development of the Belarusian nation under his rule.

### **The Identity Question and the New Regime: the Shadow of Russia**

Shortly after his election in 1994, Aliaksandr Lukashenka launched a policy of russification. The rationale behind it seemed clear – Lukashenka chose Russia as a strategic priority for Belarus's foreign relations, hoping to quickly recover from the economic crisis through re-establishing Soviet economic ties. Allegedly, he even sought to replace Boris Yeltsin in the new post-Soviet federation of nations. Subsequently Belarus entered the union with Russia and this relationship has remained a clear priority for the authorities up until the present, despite the occasional tensions between the two nations.

The other reason for the pro-Russian politics of the regime stem from the anti-Russian discourse



of the opposition. Although ideologically diverse, the opposition became associated with the right wing Belarusian People's Front and hardliner Zianon Paŭniak. Official propaganda portrayed all members of the opposition as nationalist and accused it of fascism and hatred towards "normal" Belarusians. In 1995, Lukashenka initiated a referendum to introduce Russian as a second official language in Belarus. Officially, 83.3% of voters supported the initiative; though the opposition would go on to dispute the official figures and the transparency of the vote count. The referendum proved to be decisive in the country's future development. From this point forward, the Belarusian language has suffered a major decline.

For most Belarusians, language has never been an issue of much concern. Since the end of the Soviet era, a majority of urban residents have used Russian in their daily communication and do not trouble themselves with issues surrounding the renaissance of an indigenous language that few of them speak. However, as the analysis of empirical data will later show, the short period of belarusianisation in the 1990s had a strong effect on society's language preferences. People perceived the renaissance of Belarusian as a natural process. Still, the policies of the Lukashenka regime reversed it, and the role of the Belarusian language in mass media and communication has diminished dramatically over the past decade.

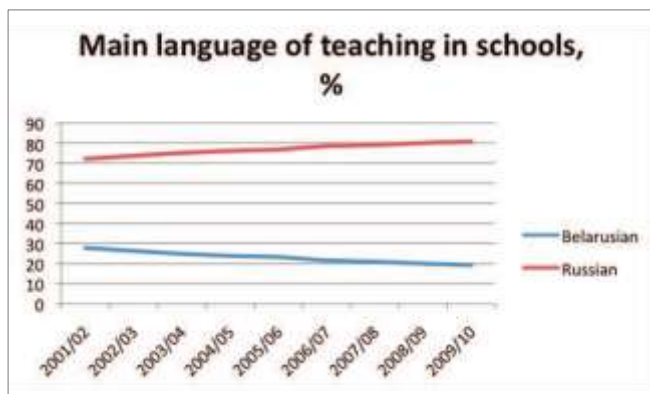
Although the Constitution of Belarus declares the equal status of both languages, Russian de facto dominates all spheres of life. One can hardly find a state official who publicly speaks Belarusian, Lukashenka himself being the best example. All public bodies provide their services and documentation in Russian with a few minor exceptions. The Law on Languages of 1990 does not set strict rules on the use of both languages in the state's operations, and public organizations and officials usually use Russian.

Most important, since the early 2000s all major Belarus-based media has been broadcasting in Russian. At the time of writing, there is no exclusively Belarusian-language TV channel inside of Belarus. According to the bureaucratic logic of Belarusian regime, the Belarusian language does need to have a certain amount of exposure in the media, though mostly in cultural affairs. Hence the recently created Belarus 3TV channel, whose programming is predominantly culture-oriented, presents many programs in Belarusian. Yet other channels that cover current economic and political affairs, as well as entertainment and films, broadcast their programmes exclusively in Russian. Foreign films are never dubbed in Belarusian and those produced in Belarus also usually use Russian.

Although several radio stations, all of which have a decidedly cultural profile, predominantly broadcast in Belarusian, they remain unpopular among Belarusians, especially among young citizens, who prefer radio stations with modern Russian and western music and idle talk. All national newspapers are published in Russian, with the sole exception of "Zviazda", the only daily newspaper available in Belarusian.

In the middle of 1990s one third of schoolchildren studied in Belarusian. Today, only less than

a fifth<sup>44</sup> do so. A majority of Belarusian-language schools are located in villages and their numbers are declining due to negative trends in the nation's rural demographics. In big cities where most children live today the number of Belarusian schools has witnessed a striking decline. Apart from Minsk, not a single fully Belarusian school currently functions in any other major cities in Belarus.



Source: Ci patrebny Biarusam bielaruskamoŭnyja školy?, tut.by, <<http://news.tut.by/society/246883.html>>, accessed 23 May 2013.

In higher education, the picture that has emerged is rather similar – an all-Belarusian language university does not exist in Belarus. As a rule, the language of lectures is the teacher's choice, but in reality most of them teach in Russian. While there are many “Belarusian language” departments of history or philology, they represent only a small number of university departments.

The only sphere where Belarusian continues to dominate is topography, particularly with regards to signs with the official names of villages, rivers and streets in cities. In Minsk, all public transportation announcements are made in Belarusian. This is the miniscule niche which official bilingualism has reserved for the indigenous Belarusian language.

### The Ghost of State Ideology

In the 1990s, Aliaksandr Lukashenka saw no point in creating an institutionalised national ideology, although his politics demonstrated a strong “Slavic unity” orientation with Russia and the Soviet past as a basis for a contemporary Belarusian national identity. But as hopes for claiming the Russian throne vanished with the rise of Vladimir Putin, Lukashenka made it clear that he had no intentions of challenging Putin's rule. Once Lukashenka had conceded that he would not spread his authority beyond Belarus' borders, he sought to elaborate on a new ideology to legitimate his rule inside Belarus.

As a result, ideology departments and positions appeared in almost every state

<sup>44</sup>Cipatrebny Biarusam bielaruskam o unyjaskoly?, <http://news.tut.by/society/246883.html>, accessed:23.06.2013.

organisation, from universities to enterprises, and the profession of “ideologist” became widespread in modern Belarus. Through these structures the regime is attempting to constrain the spread of divergent ideas, including those of opposition politics. Despite its vast institutionalisation, state ideology has failed to become a tool of national consolidation around the Belarusian leadership. It is at once too fuzzy and pluralistic, particularly when consideration is given to the fact that various official thinkers have tried to create their own versions without any firm boundaries, save the significance of Lukashenka for the development of the modern Belarusian nation. These different versions of state ideology have varied from blatant Russia-centrism, regarding Belarus as a part of a single great Russian nation, to stories quite similar to the 1990s nationalist renaissance narratives.

However, as any state requires an established genealogy to enshrine the legitimacy of its existence, the regime did not dare to dismiss all elements of the nationalistic historical narrative, but rather conveniently merged them with Soviet mythology. This merged identity became core of the contemporary politics of history in Belarus.

### **Politics of History: Soviet Glory with a Medieval Flavour**

In the 1990s, a nationalist approach dominated Belarusian politics of history. It rejected Soviet models and created narratives that glorified medieval Belarusian statehood and its connection to its European past. After Lukashenka came to power in 1994, a reversal took place with Soviet narrative of history, especially its version of World War II, serving as its core element.

Lukashenka’s narrative, however, managed to reconcile the nationalist version of history of the pre-Soviet period with its own modern conception of Belarusian history. They both agree that Belarusian statehood has a long tradition of independent existence and is valued by all Belarusians. Also, unlike the Soviet version of the Belarusian history, which involved class struggle and Russia-centrism during every period of Belarusian history, the official narrative does not afford much attention to the class-based ideological approach nor does it necessarily seek to prove the ancient roots of friendship with Russia. Still, the period of independence (since the early 1990s) remains the most ideologically charged and distorted issue facing Belarus’ s identity, as it involves the rule of Lukashenka himself.

Take for instance a history textbook for schools that was published in 2006<sup>45</sup>. The book covers the period from 1945-2005, the post-war period for the USSR and independent Belarus. When mentioning Belarus, the authors do not find any negative elements of the Soviet epoch. When it comes to describing the period of Perestroika, schoolchildren will not find any information on the Belarusian Popular Front or any other anti-Soviet nationalist associations that emerged during the period of liberalization in the 1980s. Likewise, the book does not mention the Kurapaty burial grounds, discovered by Zianon Paźniak, the place where thousands

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<sup>45</sup>Fomin, V. M., Panov, S. V. and Gaushchenko, N.N., *Istoria Belarusi 1945-2005*, Uchebnik dlia 10 klasa obshcheobrazovatelnykh shkol s russkim jazykom obuchenia, Mink, BGU, 2006.

of Belarusians were executed during Stalin's reign of terror. Despite these other issues, the most distorted period in the current textbooks remains the period of Lukashenka's rule of Belarus.

The idea of the extraordinary role played by Aliaksandr Lukashenka in Belarusian modern history has become the main element of the official narrative, an attempt to form a crude cult of personality. It portrays his every major political step as something extremely important for the nation and desired by the common people. Meanwhile, the book remains silent on the very active period of party politics in the first half of 1990s and fails to mention how Lukashenka used violence to consolidate his power. Reading the book, one gets the impression that neither the opposition nor Belarusian civil society ever existed. There are just two main actors: the president and the Belarusian people, who, naturally, fully support him.

Thus, the logic of independence made the regime accept certain elements of national history which was impossible during the USSR. It does not reject the importance of medieval Belarusian statehood or tensions with Russia, but the current political momentum requires close relations with Russia to extract the funds necessary for the regime's stability.

The next section will discuss the impact of Lukashenka rule on other important elements of identity – the use of language and the self-awareness of the Belarusian people. It reviews a number of empirical studies that show how these processes developed over the past two decades.

### **Trends in Self-Awareness and Language Use - A Russian Speaking Belarusian Nation**

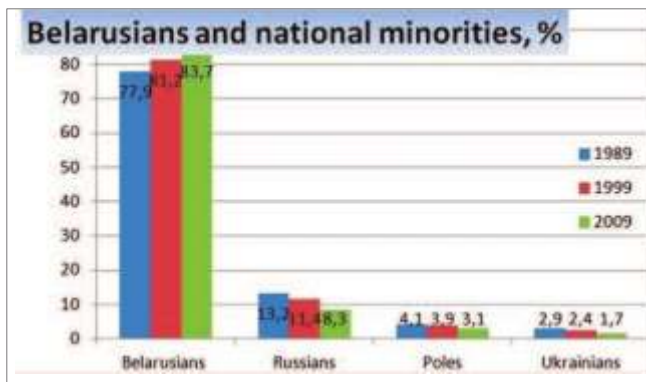
Official population censuses, which were conducted in 1989, 1999 and 2009<sup>46</sup>, reveal a number of interesting trends. They show that the proportion of those who identify themselves as Belarusians is increasing, but the use of Belarusian language has dramatically declined, leading to the formation of a Russian-speaking Belarusian nation.

Belarus remains a relatively mono-ethnic nation-state. Among the national minorities the largest are Russians, Poles, and Ukrainians. Notably, the number of people who consider themselves Belarusians has increased from 80% to 84% over the last twenty years.

Traditionally, the Russian minority resides in the central and northern parts of Belarus and in large urban areas. The Polish minority makes up a considerable part of the western region of Hrodna. Ukrainians settle more densely in the southern Brest and Homiel regions near the Ukrainian border.

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<sup>46</sup>National Statistical Committee of Belarus. Publications of 2009 Census; <http://belstat.gov.by/homep/ru/perepic/2009/itogi1.php>, accessed: 14.04.2013.  
European Union Foreign Affairs Journal – N° 1 – 2014  
[www.eufaj.eu](http://www.eufaj.eu), [eufaj@libertas-institut.com](mailto:eufaj@libertas-institut.com)

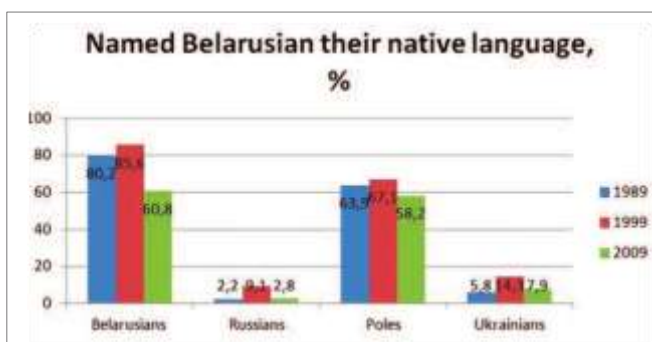


Source: National Statistical Committee of the Republic of Belarus. Population Census 2009. Ethnic composition of the Population of the Republic of Belarus (Volume 3).

As the diagram shows, the size of each of minority groups (especially Russians) has been decreasing since 1989. This trend apparently shows that minorities have assimilated and changed their identities along with the development of a Belarusian independent state. On the other hand, it may also indicate growing national consciousness among Belarusians, who identified themselves with another national identity previously.

This can be explained by the confusion that was the result of labels associated with an individual's religion and nationality. It was common for Orthodox Belarusians to call themselves "Russian" while Catholics referred to themselves as "Poles". Such consciousness widely existed in Belarus even in the late USSR and during its early days of independence, especially in rural areas.

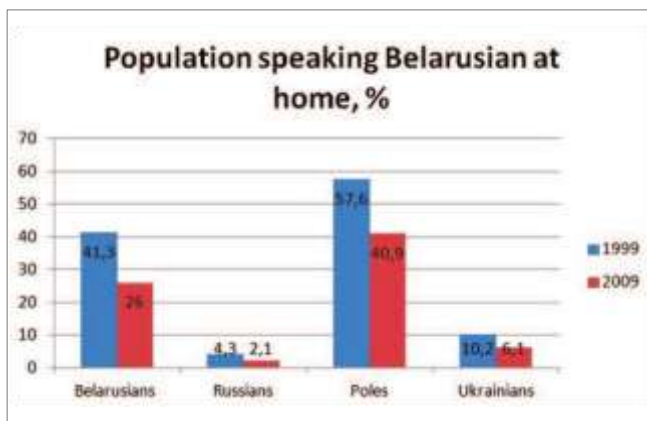
However, this growing national consciousness is not based on language and culture of the dominant ethnic group, as is usually the case with modern nation states. On the contrary, the significance of the Belarusian language has declined over this period. In the 1990s, before the Lukashenka regime had come into its own, the national renaissance policy improved the position of the Belarusian language in the daily communication of the population. But the stabilisation of the regime brought with it the decay of the Belarusian language in daily usage as is clearly demonstrated in the diagram below.



Source: National Statistical Committee of the Republic of Belarus. Population Census 2009. Ethnic composition of the Population of the Republic of Belarus (Volume 3).



The same concerns such indicators as the use of Belarusian language at home, which shows the actual viability of the language. Here, the decline appeared to be even more dramatic.



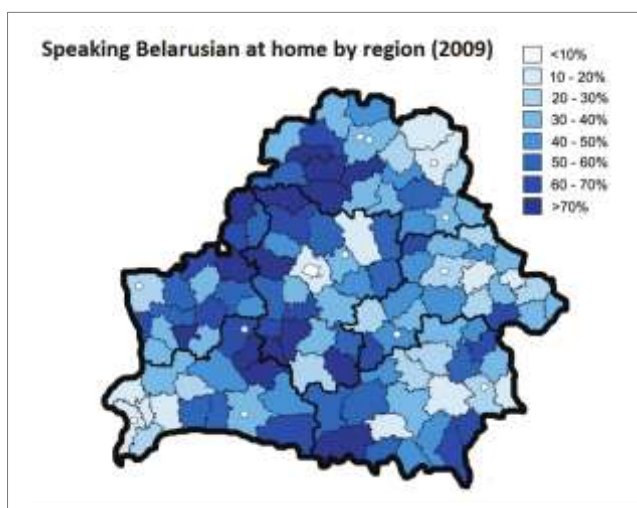
Source: National Statistical Committee of the Republic of Belarus. Population Census 2009. Ethnic composition of the Population of the Republic of Belarus (Volume 3).

Only a quarter of Belarusians speaks Belarusian at home, which roughly equals the number of the total rural population. Belarusian Poles signify an interesting phenomenon when it comes to the Belarusian language. They are the biggest national group in relation to the total number of a group who speak Belarusian at home. Out of 295,000 Poles, 120,000, or 40 per cent, speak Belarusian at home, while the share of Belarusians speaking Belarusian at home is only 26 per cent.

The term “Pole” in Belarus has a rather confusing and ambiguous meaning, as Belarusian Poles are in fact Belarusians of the Roman Catholic religious tradition, which historically has been under the strong influence of Poland. This group, though referring to Polish identity, evidently is a community that strongly preserves the features of Belarusian culture. The language policy of the Catholic Church also influences this process, as it uses mostly Belarusian as the language of service. Meanwhile, the Orthodox Church uses exclusively Old Slavic and Russian in its services.

In Minsk, the number of people who indicated Belarusian as their native language has decreased almost two-fold over the 1999-2009 decade. In general, only a little more than 10 per cent of the urban population of Belarus speaks Belarusian at home, and for the largest cities this number is much smaller.

It is also worth noting the regional spread of Belarusian language. Traditionally, the less russified western region of Belarus is considered to be more Belarusian-speaking, while eastern Belarus, which entered the USSR 20 years earlier and until now has had closer relations with Russia, appears to be more Russian-speaking. The data of the 2009 census confirms this view.



Source: National Statistical Committee of the Republic of Belarus. Population Census 2009. Statistical bulletin on the general number of population, its composition by age, gender, marital status, education, nationality, language, and sources of income.

The region with the highest percentage of Belarusian-speakers is the one to the northwest of Minsk on the Lithuanian border. Interestingly, this particular region correlates with the pro-democratic and anti-Lukashenka voting areas<sup>47</sup> of regional political preferences. It is also the region where the leader of national renaissance of 1980s-1990s, Zianon Paŭniak, comes from. Perhaps equally surprising, the areas of western Belarus in the south do not show such correlation, as neither a strong preservation of the Belarusian language nor a high level of support for opposition is observed here.

### Civil Society as a Major Belarusianisation Stakeholder

The picture described above clearly shows that the Belarusian language today exists in a highly unfavourable, even hostile, environment. The state refuses to complicate its own machinery by introducing Belarusian and Russian as two equal languages under the eyes of the law. The political elite does not have any particularly strong ties to anything that might be described as national values. Most of the population take a more pragmatic stance towards the language issue and follow the example established by the ruling elite.

The only actor that has made any serious attempts to revive the Belarusian language and introduce it into public life is civil society. Independent media has played a leading role in this regard. The newspaper *Naša Niva*, Radio Liberty, European Radio for Belarus and Belsat TV are the largest independent media to exclusively use Belarusian language in their work.

<sup>47</sup>Kazakievic, Andrej, *Palitycnaja kartahrafiija Bielarusi u vnikach prezidenckich vybarani 1994-2006 hadou*, *Palitycnaja sfiera* N 7, 5-18, <http://palityka.org/pdf/07/0703.pdf>, accessed: 27.08.2013.

Apart from the media, various forms of support for Belarusian has emerged inside of Belarusian civil society itself. The largest campaign for the promotion of Belarusian culture and language is Budźma Bielarusami (Let's be Belarusians). Launched in 2008, it has carried out numerous projects in Minsk and throughout the various regions of Belarus.

Many such activities are purely grassroots campaigns. The Belarusian language courses entitled “Mova ci kava” (Language or Coffee) started in 2013 in Moscow by enthusiasts, but soon spread to Minsk. Organized through social networks and held in an informal and friendly atmosphere, it has become very popular among young people.

Many campaigns to protect Belarusian appear spontaneously as a reaction to the russification policies of the authorities. Fine examples of such campaigns have occurred in recent years. One of them - when Minsk authorities attempted to make public transportation announcements and signs only in Russian language, they were met with stiff opposition. The very day that they had everything switched over to Russian, citizens organized a wave of complaints and formally addressed the authorities, who immediately restored the Belarusian language in all spheres of public transportation, scared as they were by the unprecedented reaction by the city's citizenry.

As both of these cases show, citizens are able to successfully advocate for Belarusianisation. The authorities have nothing to do but concede if the issue receives enough attention from Belarusians. Generally, the regime tolerates cultural activity as it does not see a direct threat to its stability with these kinds of campaigns and actions. In the end, it very much depends on the active participation of Belarusians whether or not an alternative cultural environment will appear in Belarus.

## **A Mixed Self-Awareness**

Another important issue of national identity is people's view of themselves and the group that they consider themselves to belong to, elements that often form the foundations of identity. A study of the ethnic identity of Belarusians carried out by the Institute of Sociology in 2000-2004<sup>48</sup> shows that the younger generation considers their ethnic identity to be less important than older generations. The same concerns the more educated segments of society and those who live in urban areas. It means that younger, more educated people demonstrate a stronger trend towards integration in an international context and less connection to specific territorial or ethnic identities. Meanwhile, the older, less educated rural population with low social mobility and communication levels senses their ethnicity in a stronger manner.

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<sup>48</sup>Naumienka, Liudmila, *Etnicheskaia identichnost' belorusov: sodierzhanie dinamika, regional'naia i social'no-demograficheskaia specifika*, in O. Pr Proleskovskii, G. Osilov (ed.), *Belarus i Rossia: social'n'naia sfera i sociokul'turnaia dinamika*, Minsk, 2006, [http://www.isprras.ru/pics/File/Rus\\_Bel/br-111-132.pdf](http://www.isprras.ru/pics/File/Rus_Bel/br-111-132.pdf), accessed: 27.08.2013.

Regional differences also have clear indications with regard to ethnic identity. Inhabitants of the Hrodna region view it as the most important item, while residents of the eastern Belarusian regions of Mahilioŭ and Homiel have a more fuzzy ethnic consciousness.

Another study entitled “National Identity in the Views of Belarusians<sup>49</sup>” was conducted by Belarusian Institute of Strategic Studies and Novak laboratory in 2009. It identified some important aspects of Belarusian national self-consciousness. When asked “what unites you with other people of your nationality?” Belarusians most often refer to territory and state, rather than culture and language as the most important in defining themselves. Political unity based on the state serves the core idea of the official ideology of the Lukashenka regime, and it certainly has affected the views of Belarusians which is clear from this poll data.

Responses to the question, “What do you consider the origin of Belarusian statehood?” brought rather interesting results. 38% mentioned the Great Duchy of Lithuania, 18% said the Polack and Turaŭ princedoms, and only 12% said the Belarusian Soviet Socialist Republic. This data presents a radical step away from Soviet identity and the creation of a longer-term perception of Belarus’ national genealogy, which is also supported by the official ideology.

Still, it should be noted that Belarusians have already accepted the symbols of the Lukashenka regime introduced in 1990s. 57% consider 3 July, the Day of Liberation of Minsk from the Nazis<sup>50</sup>, as the main national holiday, while 25 March, the Declaration of Independence of Belarusian Popular Republic in 1918, and 27 July, the Declaration of State Sovereignty of Belarus, were supported only by 1% of respondents. The same concerns the national flag issue. 73% consider the present (and former Soviet) green-red flag as their flag, while only 8% maintain the white-red-white flag to be the nation’s true flag<sup>51</sup>.

The results of this study show that the Lukashenka regime’s ideological discourse has had a massive impact on the opinions of Belarusians and their national identity. It presents a mix of both nationalist and Soviet concepts and therefore creates the same mixed view in the minds of people, who know their roots to be found somewhere in a medieval European context, but at the same time respect Soviet symbols. Following the nature of the political regime, people tend to express a political and statist orientation rather than a cultural view with regards to national unity.

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<sup>49</sup> Belarusian Institute of Strategic Studies and Novak laboratory, Vniki sacjalahicnaha dasliedannia “Nacyanalnaja identychnasc vacami bielarusau: chto my i jakim i my budziem?”, 2006, <http://budzma.org/socium/pres-reliz-pa-vynikakh-prezyentacyi-sacyyalahichnaha-daslyedvannya-nacyyanalnaya-identychnasc-vachami-byelarusaw-khto-my-i-yakimi-my-budzyem.html>, accessed: 27.08.2013.

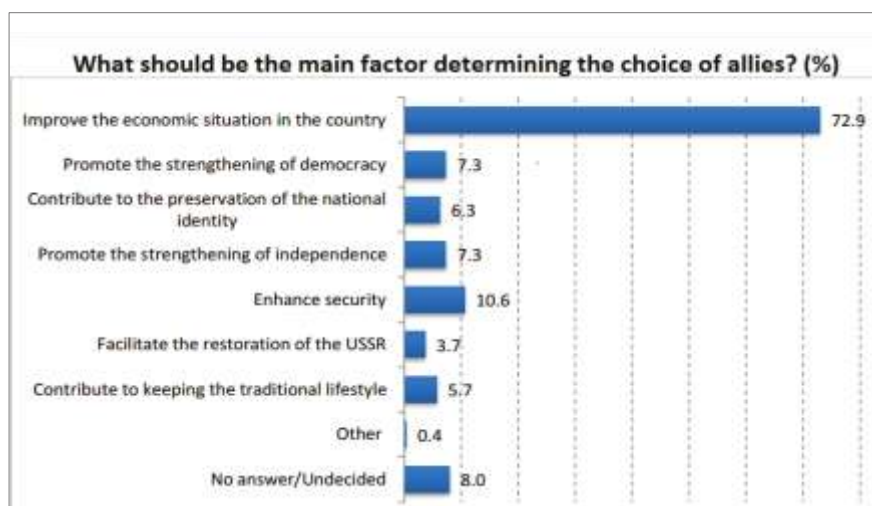
<sup>50</sup> Vadzim Bylina, Belarus Independence Day Reviving the Soviet Myths, Belarus Digest, <http://belarusdigest.com/story/belarus-independence-day-reviving-soviet-myths-14568>, accessed: 27.08.2013.

<sup>51</sup> Vadzim Bylina, White-Red-White Flag: the True Belarusian Symbol or the Sign of Opposition?, Belarus Digest, <http://belarusdigest.com/story/white-red-white-flag-true-belarusian-symbol-or-sign-opposition-14093>, accessed: 07.08.2013.

## Geopolitical Choice of Belarusians: Pragmatism without USSR Sentiments

The geopolitical views of citizens, their understanding of foreign relations, that is to say who are the nation's "friends and enemies", serves an important function in the formation of national identity and, conversely, is also affected by state policy on national identity. A number of polls on geopolitical attitudes in recent years studied Belarusians' perceptions of foreign countries. Here, several diagrams from such studies will be presented. Some of them appeared in research carried out by the Belarusian Institute of Strategic Studies<sup>52</sup> (BISS), while others were presented in several publications put out by the Independent Institute of Socio-Economic and Political Studies<sup>53</sup>.

BISS research proves that people's view of Belarus' foreign relations is largely utilitarian and is based on individual economic interests and not on any particular cultural or political sentiment. 73% of respondents replied that economic development should be the main criteria for making any geopolitical decisions, while such values as democracy national identity and independence received only 6-7% support from the survey's respondents.



Source: Belarusian Institute for Strategic Studies. Geopolitical preferences of Belarusians: a too pragmatic nation?, <[http://belinstitute.eu/sites/biss.newmediahost.info/files/attached-files/BISS\\_SA07\\_2013en.pdf](http://belinstitute.eu/sites/biss.newmediahost.info/files/attached-files/BISS_SA07_2013en.pdf)>, accessed 07 August 2013.

Belarusians express their readiness to join Russia and the European Union in almost equal measure, so long as it will promote the nation's economic development.

<sup>52</sup> Belarusian Institute for Strategic Studies, *Geopolitical Preferences of Belarusians: a too pragmatic nation?*, <[http://belinstitute.eu/sites/biss.newmediahost.info/files/attached-files/BISS\\_SA07\\_2013en.pdf](http://belinstitute.eu/sites/biss.newmediahost.info/files/attached-files/BISS_SA07_2013en.pdf)>, accessed: 07.08.2013.

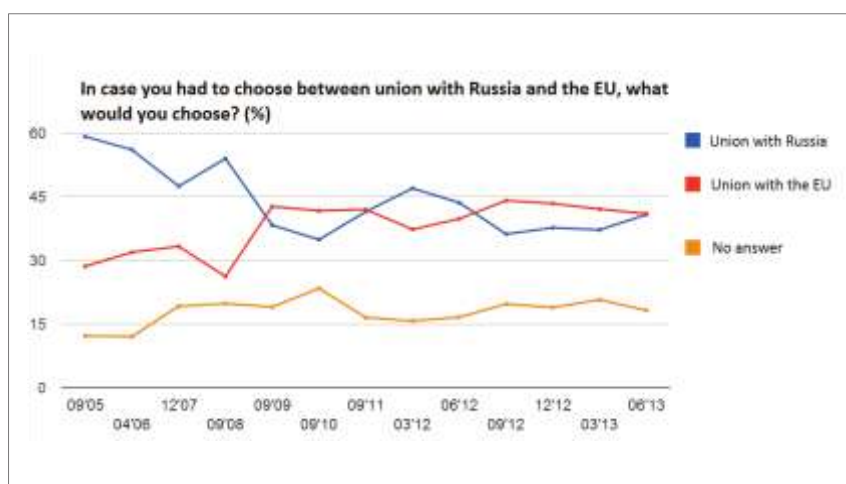
<sup>53</sup> Independent Institute of Socio-Economic and Political Studies, *Dinamika belarusskogo obshchestvennogo mnenia*, <<http://www.iiseps.org/trends/11>>, accessed: 07.08.2013.



However, the authors who carried out the research note that these kinds of economic unions for Belarusians are defined as free trade areas or, in other terms, a common economic space. For instance, only 7% of people would like to see deeper political integration with Russia alongside economic integration. Belarusians are also reluctant to enter into any kind of military unions with either the west or east, and instead wish to retain their own large national industries, keeping them out of reach of foreign capital and foreign hands.

A third of Belarusians prefer to live in Belarus and remain independent of any integration projects. At the same time, 60% would prefer any kind of integration, either with Russia or with the EU, or with both. So, while a substantial segment of the population remains reluctant to integrate with any country, a majority of the population agrees that it is not only possible, but also desirable.

Previous data referred to the opinions of Belarusians in 2009, while IISEPS' data presents their geopolitical preferences over a span of the past 8 years. The following diagram shows that in 2005, 60% of respondents supported the union with Russia and only 30% preferred a European path of integration. In 2009 this rate already obtained a certain balance with 40% of supporters on both sides. This balance persists up to the present day and shows that Belarus indeed remains a divided nation with regards to its attitudes towards its own geopolitical preferences.

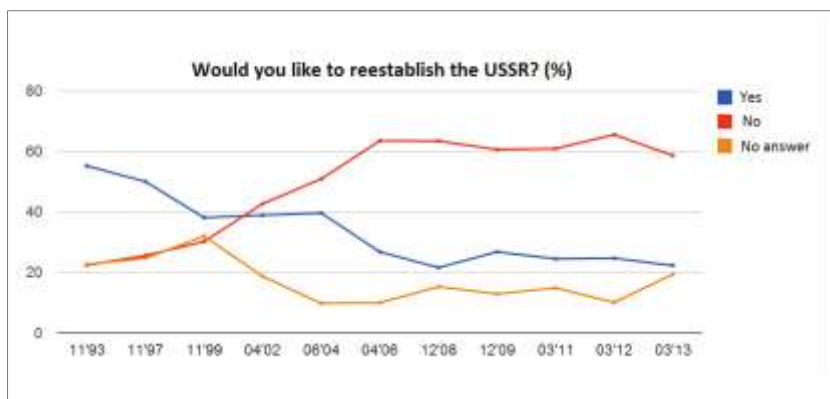


Source: Independent Institute of Socio-Economic and Political Studies. Dynamics of Belarusian public opinion, <<http://www.iiseps.org/trends/11>>, accessed 07 August 2013.

The last diagram shows the position of Belarusians towards the restoration of the USSR. Such sentiments were quite popular in the 1990s when the economy declined and people lacked the stability of the Soviet system that they were accustomed to. But as the economy grew throughout the 2000s, the number of proponents for the USSR steadily decreased and now makes up around only 20% of the population. So, the idea of Belarus as a Soviet nation should be assessed more thoroughly in order to come to a better understanding of these trends. Some elements of Soviet institutions persist in Belarus, especially the domination of the state in society and the economy, but it does not mean that Belarusians are eager to restore the Soviet political system or way of life.

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Source: Independent Institute of Socio-Economic and Political Studies. Dynamics of Belarusian public opinion, <<http://www.iiseps.org/trends/11>>, accessed 07 August 2013.

The studies presented here show some important features present in Belarusians' geopolitical views. First, they express a purely utilitarian understanding of foreign relations and are ready to join the integration project which offers the most economic benefits. Taken out of the equation, then, is a preference for any particular political or national values in mind when making their geopolitical choice, a feature that is markedly different from their neighbours' motivations who joined the EU in 2004. These kinds of views, in many ways, resemble the opportunistic foreign policy of Lukashenka's regime, which seeks momentary benefits without having any noticeable concrete strategic approach.

Second, a large number of Belarusians express isolationist views, while others remain divided in trying to decide between the east and the west. No consensus on this matter exists in Belarusian society; Belarus truly remains a place where civilizations clash.

Third, although Belarusians are often considered a Soviet-style nation that stubbornly persists in holding onto the USSR's legacy, in the end its people actually do not want to witness the restoration of Soviet regime.

## Conclusion

The Belarusian state (or political regime, which is one in same in this case) retains a strong hold over society and has deeply affected the self-consciousness of its citizens over nearly two decades of Lukashenka's rule. It has brought much of the Soviet legacy back and rejected an ethno-national identity as a path for state building. It effectively halted the revival of the Belarusian language and led to its near extinction in mass communication and public institutions. It developed an eclectic ideology, indoctrinating it through state and, more specifically, educational institutions. As a result, the majority of Belarusians still have a rather weak national identity. Instead, the territory and the state itself became the main subject of affiliation for them. Inside Belarus, where alternative political subjects and civil society have been destroyed, no strong advocacy group that might propose an alternative identity can effectively function or push their agenda.

The main source of regime identity politics remains the ongoing economic game with Russia. If Moscow continues to feed the regime, a Soviet and Russia-oriented identity will persist in Belarus. But if a major long-term conflict erupts between them, these politics are likely to change. If such a situation were to arise, it is likely that the regime itself would change and new players would come onto the national scene. There is still another problem that can yet emerge, particularly considering the attitude of the political and economic elite towards the issue of identity. The current Belarusian elite has no sense of national pride or concern for anything save their own material wellbeing. Whether they will alter their behaviour and involve alternative identity politics, when the regime changes, is still unclear. Common Belarusians, for their part, try to mimic their rulers and remain very pragmatic with regard to the question of national identity. However, as a nation that has seen numerous dramatic changes throughout its history, it will always be ready to adapt to new circumstances, whatever they may be. Despite the current pro-Russian direction of the nation's politics, half of Belarusians are already exhibiting Europe-friendly views. Belarusians appreciate their country's independence and do not want go back to the USSR. More and more people have the opportunity to travel abroad and use the Internet on a daily basis. The regime is unable to fully control society, and society itself is gradually developing autonomously of the state.

Younger generations will play a crucial role in the future development of the Belarusian nation. They communicate by the Internet, which remains a free and open space for communication and exchange of ideas in Belarus. They did not undergo Soviet indoctrination or experience its relentless propaganda and tend to prefer to work in the private sector, meaning they are less and less tied to the state. These people look much freer and democratically minded than their parents, and quite soon they will rule the country.

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# *The Commonwealth of Independent States in Sequence of the Former USSR: A Tool for the Formation of the Eurasian Union?*

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**By Tsoghik Khachatryan**

## **Introduction**

It seems the history is getting repeated, proving the thesis that “each new is well forgotten old”. Actually, the current disguised war between Russia and the West over the CIS territory resembles the Cold war between the USA and the former Soviet Union.<sup>54</sup> The process may continue, by dismantling the CIS and the rest in the newly promoted Eurasian Union. Factors of revisionism are evident between the new and old structures. To the point, the CIS encompasses the space, which the former Soviet Union had taken over from the Russian Empire, excluding the territory of the Western Ukraine.<sup>55</sup>

In its turn, the set-up of the forthcoming Eurasian Union shows that foremost it intends to meet a kind of Russia’s imperialistic ambitions and integrate at least the CIS countries (in the ideal version wholly, if not some of them) and adopt structurally the European Union like, yet, but functionally a Russian-dominated body. Of course, the structural as well as functional analogies of the forthcoming entity with the Former Soviet Union is not worded by the initiator of the project, contrary, he states that the Soviet Union is already in the past<sup>56</sup>. The well-known

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<sup>54</sup> Furman, D., A Silent Cold War. Russia in Global Affairs, Vol. 4, No. 2, 2006, pp. 68-72.

[http://webcache.googleusercontent.com/search?q=cache:tAsNPK1AyQkJ:kms1.isn.ethz.ch/serviceengine/Files/ISN/19429/ichaptersection\\_singledocument/d8e0e89e-3ed7-41de-a4da-36c45b7440e5/en/Furman.pdf+&cd=1&hl=en&ct=clnk&gl=de](http://webcache.googleusercontent.com/search?q=cache:tAsNPK1AyQkJ:kms1.isn.ethz.ch/serviceengine/Files/ISN/19429/ichaptersection_singledocument/d8e0e89e-3ed7-41de-a4da-36c45b7440e5/en/Furman.pdf+&cd=1&hl=en&ct=clnk&gl=de)

<sup>55</sup> Libman, Post-Soviet Space, Central Asia and Eurasia, Ch. 18. July 23, 2012, p. 193,

[http://www.eabr.org/general/upload/CII%20-%20izdania/2013/Post\\_soviet\\_Integration%20chapter18.pdf](http://www.eabr.org/general/upload/CII%20-%20izdania/2013/Post_soviet_Integration%20chapter18.pdf)

<sup>56</sup> Halbach, U., Vladimir Putin’s Eurasian union: A new integration project for CIS region, 2012, p. 1

<[http://www.swp-berlin.org/en/publications/swp-comments-en/swp-aktuelle-details/article/putins\\_eurasian\\_union.html](http://www.swp-berlin.org/en/publications/swp-comments-en/swp-aktuelle-details/article/putins_eurasian_union.html)>

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expression: “He who does not regret the passing of the USSR has no heart; he, who wants to restore it, has no head” comes.<sup>57</sup>

In his book “The End of Eurasia: Russia on the Border between Geopolitics and Globalization” Dmitri Trenin stated that all over the history Russia had experienced failures, which were accompanied with territory losses. Yet, it dealt with the difficulties and became bigger and mightier. The author quotes Ivan Ilyin: “With each attempt to divide Russia and after each disintegration it restores itself again by the mysterious ancient power of its spiritual identity.” At the same time he doubts, whether this will be the case also in the future<sup>58</sup>.

In this context, the current paper tries to find out to what extent, if any, the CIS can serve as a tool for the successful reintegration and implementation of the “Eurasian Union” project, initiated by then Russian Prime-Minister Vladimir Putin in his attempts to restore Russia’s control over the CIS countries and resurrect the country’s erstwhile image of an “uncontested power” in the world.

### **Commonalities and differences between the Commonwealth of Independent States (CIS)<sup>59</sup> and the Eurasian Union**

On December 8, 1991, in Minsk the heads of the Republic of Belarus, the Russian Federation and the Ukraine signed the Declaration and Founding Agreement (hereafter referred to as Minsk Agreement) both on the establishment of the Commonwealth of Independent States (hereafter referred to as the CIS) and the dissolution of the then Union of Soviet Socialist Republics (hereafter referred to as the Soviet Union). On December 21, at the Alma-Ata summit, the leaders of the eleven Member States of the former Soviet Union, except for Georgia, signed the Protocol to the Agreement, establishing the CIS as the confirmation and development of the Minsk arrangements, which was to enter into force for each party from the moment of its ratification. Additionally, on January 22, 1993 the Charter of the Commonwealth of Independent States was signed in Minsk. One more document was signed at the Alma-Ata summit - the

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<sup>57</sup> Trenin, D., The end of Eurasia: Russia on the border between geopolitics and globalization. Carnegie Endowment, 2002, p. 88, <http://josefdarski.pl/uploads/zalacznik/7134/dmitritrenin-theendofeurasiarussiaontheborderbetweengeopoliticsandglobalization2002.pdf>

<sup>58</sup> Trenin, D., The end of Eurasia: Russia on the border between geopolitics and globalization. Carnegie Endowment, 2002, p. 87. <http://josefdarski.pl/uploads/zalacznik/7134/dmitritrenin-theendofeurasiarussiaontheborderbetweengeopoliticsandglobalization2002.pdf>

<sup>59</sup> The term the Commonwealth of Independent States (CIS) is used to describe the area ex Soviet Countries except Baltic States. Along with the notion the CIS is used also the connotations “post-Soviet area” (space) and the “former Soviet Union” (FSU). As an appropriate geographical description of the is used the term “Eurasia” as well. (The scope of Eurasian Integration, MAC/VINO, September 7, 2012, ch. 2, p. 17. <http://www.css.ethz.ch/publications/pdfs/RAD-142.pdf>)

Alma-Ata Declaration, which avowed more precisely than its preceding documents that “with establishment of the Commonwealth of Independent States, the Union of Soviet Socialist Republics ceases to exist”. Not only did it adopt other notable provisions, but also reaffirmed the already proclaimed statement on the foundation of the CIS and the dissolution of the Soviet Union. From the legal prospective it had the same importance as the Minsk Agreement, signed by the three members of the former Soviet Union.<sup>60</sup> The CIS is considered to encompass all the former Soviet countries, except the Baltic States. However, from the legal prospective, the CIS member states are those who signed the CIS Charter: Armenia, Azerbaijan, Kazakhstan, Kirgizstan, Uzbekistan, Tajikistan, Moldova, Belarus, Russia and Georgia, which joined in December 1993. De jure, the Ukraine and Turkmenistan are not members since they have not ratified the CIS Charter. They have “associate” status.<sup>61</sup>

After the de jure formation, the CIS was buckled to set up its institutions. Accordingly, the following bodies were established – the Council of the Heads of State and the Council of the Heads of Government, CIS Economic Union (1994), the Inter-state Economic Committee (1997) and the CIS Economic Court (1994). Committee, which was to serve as a supranational body, became solely an administrative institution. Another institution, the Court, had only recommendatory competency.<sup>62</sup> With the abovementioned agreements in hands, the members were obliged to cooperate in various fields of external and internal policies, and ensure the fulfilment of the international commitments of the former Soviet Union. However, even having adopted the necessary institutional framework and legal bases, the CIS failed to enhance cooperation between the member states and achieve the goal of creating a democratic and open political system, assumed at the outset.<sup>63</sup> Referring to the CIS then Prime Minister Vladimir Putin mentioned in his article “A new integration project for Eurasia – A future that is born today” in the newspaper “Izvestia”, that despite controversial ideas about the efficiency of the CIS, it has, undoubtedly, helped the member countries jointly address the challenges that the region faces as well as harvest the benefits from the cooperation. Furthermore, he stated that considering the Eurasian Union and the Commonwealth of Independent States rivalry forces is erroneous, because each of them has its own path and role in the former Soviet space.<sup>64</sup> Of

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<sup>60</sup> Voitovich, S. A., Commonwealth of Independent States: An Emerging Institutional Model, *The Eur. J. Int'l L.*, 4, 1993, pp. 403-406, <http://ejil.org/pdfs/4/1/1211.pdf>; <http://ejil.org/article.php?article=1211&issue=67>

<sup>61</sup> Voitovich, S. A., 1993, p. 411.

<sup>62</sup> Hoffman Katharina, “Eurasian Union—a New Name for an Old Integration Agenda,” *Russian Analytical Digest*, No. 112, April 20, 2012, pp. 3-4, <http://www.css.ethz.ch/publications/pdfs/RAD-112.pdf>

<sup>63</sup> Libman, A., Commonwealth of Independent States and Eurasian Economic Community. *International Democracy Watch*, Center for Studies Federalism, First International Democracy Report, 2011, p. 6. [http://www.internationaldemocracywatch.org/attachments/460\\_CIS-libman.pdf](http://www.internationaldemocracywatch.org/attachments/460_CIS-libman.pdf)

<sup>64</sup> “Izvestia”, Article by Prime Minister Vladimir Putin: A new integration project for Eurasia: The future in the making, 3 October 2011, <http://www.russianmission.eu/en/news/article-prime-minister-vladimir-putin-new-integration-project-eurasia-future-making-izvestia-3->

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course, at present hardly can one find competing features between these two entities, but whether these two institutions will co-exist is a matter of time. To this end, the possibilities or risks that the CIS could gradually be dismantled by being embraced into the future Union, yet with some exceptions, are worth noting. Here, Putin's another statement from the same article comes to the mind - the Eurasian Union is an open project and any country is welcome to join the "Eurasian Club", especially CIS member states.<sup>65</sup>

The CIS is perceived as an organization with no supranational powers and weak institutions, whose decrees are not binding. Contrary, the forthcoming Eurasian Union, as it could be seen, is characterized as the one which will have strong functioning institutions and will be a supranational body. Actually, seducing the CIS member states to join the Eurasian Union is a hard job. Despite Putin's claim that "the CIS remains an irreplaceable mechanism that helps bring our positions closer together and enables us to elaborate a common view", it turns out that not all the member states share that stance. The CIS states had divergent views regarding to the CIS functions. For instance, Russia treated the CIS institutional framework as the means for the realization of its hegemonic aspirations<sup>66</sup>. The Ukraine perceived it as a transmission tool to achieve independence. Armenia saw it as its security guarantor vis a vis Azerbaijan. Belarus hoped to get back the Soviet Union. Kyrgyzstan saw it as an instrument for reviving its degraded economy. For Tajikistan, it was just a sole opportunity.<sup>67</sup> In fact, the rationale of the countries to join the CIS is basically compatible with the Eurasian Union membership motivations. The CIS and forthcoming Eurasian Union have one more common thing: the reluctance of the states to relinquish their sovereignty, which is the most important factor for supranationalism.

The failure of the CIS is conditioned also with the lack of sufficient common interests, scarcity of resources and absence of political will.<sup>68</sup> Particularly, Russia was focused on building cooperation with the West and did not care about the relations with the newly independent states<sup>69</sup> who were in their turn busy with state and nation-building issues. And currently, Vladimir Putin states that these countries can join the Eurasian Union based on their sovereign decisions. This announcement is at least questionable. There are undeniable arguments that show that Russia applies to both soft and hard power to grab membership applications for the Eurasian Union. Hence, contrary to the CIS mission of being a guarantor for the "civilized divorce" from the Soviet Union and shock absorber, the Eurasian Union is likely to become a cause for the CIS divorce and loose of the sovereignty of its potential member states. Another parallel between the CIS-Eurasian Union could be the threat of "Color revolutions". Before "Color Revolutions" were

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<sup>65</sup> "Izvestia", 3 October 2011.

<sup>66</sup> Larrabee, F. S., Russia and Its Neighbours: Integration or Disintegration. *The Global Century*, (2), 860, 2001, <http://indianstrategicknowledgeonline.com/web/C40Larra.pdf>.

<sup>67</sup> Larrabee, F. S., 2001, p. 137.

<sup>68</sup> Trenin, D., 2002, p. 101.

<sup>69</sup> Larrabee, F. S., 2001.

organized in favor of the EU and against Russia in the future, the state of affairs might change, becoming color revolutions in favor of Russia and against the EU.

Over the time, several regional groups emerged within the CIS, gradually fragmenting the organization. Those are Collective Security Treaty Organization (CSTO), uniting Russia, Belarus, Kazakhstan, Kyrgyzstan, Armenia and Tajikistan<sup>70</sup>, Shanghai Cooperation Organization (SCO)<sup>71</sup>, Eurasian Economic Community (EEC), Organization for Democracy and Economic Development created by Georgia, Ukraine, Azerbaijan, and Moldova (GUAM/GUAM) - also known as the Western Camp<sup>72</sup>. The members of the Western Camp are reluctant to deeper integration within the Russian dominance. To the point, the President of Moldova happened to voice that Russia's hegemonic position threatened the members of the CIS and seeded concerns about their sovereignty and independence, making them refrain from deeper integration. Georgia's President also once expressed his disappointment over the CIS functions, emphasizing that the CIS should try to put into practice its legal acts rather than become a tool for Russia's imperialistic desires.<sup>73</sup> Last but by no means the least common feature of the CIS and Eurasian Union are the existing "frozen conflicts" in the region, which hinder deep and full-fledged integration. Georgia lost control on Abkhazia and South Ossetia after the war with Russia in 2008.<sup>74</sup> The Ukraine encountered permanent covert separatist sentiment in the Crimea and, finally, lost it. According to the referendum held in the Crimea on March 16, 97% of the population voted for the annexation of the region to Russia.<sup>75</sup> Azerbaijan has "frozen conflict" with Armenia on Nagorno-Karabakh. Finally, Moldova cannot spread its jurisdiction on its Trans-Dniester region.<sup>76</sup>

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<sup>70</sup> CSTO is an abbreviation for Collective Security Treaty Organization. CSTO was established in 2002 as a military alliance. Members of organization are Belarus, Kazakhstan, Kyrgyzstan, Russia, Armenia and Tajikistan. Uzbekistan joined the organization in 2005 and withdrew its in 2012 did Uzbekistan. It is ruled by political and military institutions (Bailes, A. J., Baranovsky, V. and Dunay P. 4. Regional security cooperation in the former Soviet area. SIPRI Yearbook 2007), pp. 174-175., <http://www.sipri.org/yearbook/2007/files/SIPRIYB0704.pdf>)

<sup>71</sup> Organization was established in 2001 with membership of China, the Russian Federation, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. Later Iran, India, Pakistan and Mongolia were embraced as an observer state. Mainly because of its continuants it is referred as undemocratic and its policy legitimacy was questionable (Bailes, A. J., Dunay, P., Guang, P., & Troitskiy, M. (2007). The Shanghai Cooperation Organization. Stockholm International Peace Research Institute, p. 1.

[http://www.peacepalacelibrary.nl/ebooks/files/SIPRI\\_Policypaper17%5B1%5D.pdf](http://www.peacepalacelibrary.nl/ebooks/files/SIPRI_Policypaper17%5B1%5D.pdf))

<sup>72</sup> Kuzio, T. , Geopolitical pluralism in the CIS: the emergence of GUUAM. European Security, 9(2), 2000, p. 83 [http://www.taraskuzio.net/International%20Relations\\_files/guam\\_emergence.pdf](http://www.taraskuzio.net/International%20Relations_files/guam_emergence.pdf)

<sup>73</sup> Kuzio, T., Promoting geopolitical pluralism in the CIS: GUUAM and Western foreign policy, Problems of Post-Communism, 47(3), 2000, p.31. [http://www.taraskuzio.net/International%20Relations\\_files/guamforeignpolicy.pdf](http://www.taraskuzio.net/International%20Relations_files/guamforeignpolicy.pdf)

<sup>74</sup> Kuzio, T. , 2000, p. 83-86.

<sup>75</sup> Global News. Ukraine crisis, 97% back Russia in Crimea vote count.

<http://globalnews.ca/news/1211828/ukraine-crisis-97-back-russia-in-final-crimea-vote-count/>

<sup>76</sup> Kuzio, T., 2000, p. 26.

To sum up, Putin's affirmation, that by no means the CIS is a counter to the Eurasian Union is obvious. There are more commonalities between these two entities than contradictions. The question is whether the CIS will be viable once the Eurasian Union starts operating, because the aforementioned commonalities and differences witness that Russia uses the CIS as a vehicle for its new integration project, which, may lead to the CIS divorce.

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# *Forming a New Energy Security Alliance in North-Eastern Europe*

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## **Katerina Nosova**



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## **Energy security in a snapshot**

While doing the current research, a number of people were asked to define the term of ‘energy security’ and the answers were usually linked not to the whole concept per se, but rather, separately to the notions of ‘security’ and ‘energy’; i.e. - to the protection of the resources of the region. However, not all appreciate the role of the energy security in the world, a state or, even, a small country. It includes numerous measures and aspects, among them being the control over resources, their extraction, transportation and storing<sup>77</sup>. This is of colossal importance, especially, for those countries, which depend on the natural reserves supplies from outside.

Hence, in the present rapid globalization era, the development of a common strategy over the energy development is a prerequisite. Even today most scientists forecast a significant increase in population in the nearest 50 years. As a result, there will be a double consumption of energy and a tendency to look for alternative sources of energy and new additional suppliers.

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<sup>77</sup> Belfer A. Mitchell, *Dropping the Anchor: An EU Naval Approach to Energy Security*, Protis, Prague, 2010, p. 11  
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## **European capacity in the energy security field**

The European countries get energy from outside rather than develop their own alternative energy from renewable resources or, just, extract it at their territories. That is why energy and its security are important for most of these countries. There are plenty of pipelines, crossing the territory of Europe. “Russia remains one of Europe’s most important natural gas suppliers. Europe’s natural gas consumption is projected to grow while its own domestic natural gas production continues to decline.”<sup>78</sup> From the economic perspective, the consequence of such a big dependency on the gas import can harm the economy in Europe. In the last years, the import of the resources from Russia to Europe has been quite impressive: “In 2007, Europe imported 300 billion cubic meters (bcm) of gas, accounting for 60% of the consumption.”<sup>79</sup> In other words, Europe does not have enough capabilities to fulfill its needs, despite its desire to change the situation.

There are numerous forums and programs about the European cooperation with the biggest actors in the energy sector. New methods and strategies to improve the energy problems of the region have persistently been on the agenda. There is a viewpoint that such a strong actor as the European Union can research and evaluate the capacities of its members so as to develop its own energy base and maintain its own rules and regulations over the energy security in the region.

## **What can Europe do to avoid dependency?**

The European states will only benefit in case gas flows more easily between the countries. To achieve the goal Europe has to develop its own energy market within its space. This will enable to some extent avoid the total gas dependency from its partners. However, such a radical step needs to a stable base.

A fast and an efficient solution to the problem could be finding new partners within the territory of Europe or involve other big producers of natural resources in the energy security policy.

To conclude, the challenge is that Europe can face a growing economic and political dependence on Russia. Yet, this is not a verdict. To avoid it new alliances, with alternative partners and pro European policies should be formed.

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<sup>78</sup> Ratner Michael, Belkin Paul, et al., Europe’s Energy Security: Options and Challenges to Natural Gas Supply Diversification, Congressional Research Service, August 20, 2013, p. 1

<sup>79</sup> Noël Pierre, “How dependent is Europe on Russian gas?”, University of Cambridge, EU Energy Policy Blog, last modified 2014, article last updated: November 18, 2008.

<http://www.energypolicyblog.com/2008/11/18/how-dependent-is-europe-on-russian-gas/>

## **The framework of the possible alliance**

One of the most significant and influential members of the possible energy security alliance in Europe can be Norway - state, which is located in the North of Europe and owns an impressive amount of natural gas and oil as well as relevant technologies to promote these resources beyond its territory. The country's location - the presence of seas nearby, enables to connect Norway with lower located states located via pipelines, e.g., the North Sea. "Norway became the world's 3<sup>rd</sup> largest exporter of crude oil and natural gas in the 90s<sup>80</sup>." Since then the country has developed even more up-to-date technologies on the extraction of resources, increasing its position in the world's energy market. Establishing cooperation with Norway in the field of energy security will provide a reliable, cheap and more convenient source of extraction of gas, oil and hydrocarbon.

The energy security alliance will imply numerous technical tasks and development of logical structures. As Norway is separated from the Eastern part of Europe by the North Sea, the question is to identify the most suitable way of transportation of resources to the rest of the member states. Looking at the map of Europe, it is seen that the closest country to connect Norway with East Europe is Denmark, separated from Norway just by the bay. "Since Denmark's territorial waters link the Baltic and North Seas, its geopolitical position makes it an indispensable asset for EU ES in the area of transportation<sup>81</sup>."

Among the other member states of the alliance, significant partners for Norway and Denmark will be Germany and the United Kingdom. The commercial aspect of creating the alliance is one of the most important as extraction, transportation and tankers for the storage demand billions. This can be ensured with the participation of economically stable members in the alliance. Moreover, all the members have access to the sea which will enable the gas from Norway to move easily and conveniently. These countries will be the cores of the alliance. A possible name for it could be the North Energy Alliance (NEA).

The United States has always been a partner for Eastern European countries and could, perhaps, invite for cooperation to this to this suggested possible alliance. Besides, "In 2004 the Norwegian minister of petroleum and energy and the US secretary of energy signed a memorandum of understanding between their 2 countries on long-term energy research and technology<sup>82</sup>." Such positive perspectives give the impression that the basic preconditions for a successful development of this possible alliance, with the support of the US, are already benchmarked.

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<sup>80</sup> Kalicki H. Jan, *Energy and Security Toward a New Foreign Policy Strategy*, Woodrow Wilson Center Press, Washington, D.C., 2005, p. 345.

<sup>81</sup> Belfer A. Mitchell, *Dropping the Anchor: An EU Naval Approach to Energy Security*, Protis, Prague, 2010, p. 52.

<sup>82</sup> Kalicki H. Jan, 2005, p. 349.

## Implications

It is worth noting that the North Energy Alliance can be of significant benefit. It will result in the accumulation and preservation of power within the member states, will lead to the decrease in expensing of means by these countries; among them also, for the nearest European countries; for example for Spain and France (which can be a member state in the future), as well as will provide a good opportunity to receive the gas freely through the nearest pipelines of the NEA. According to the North African sources, there can be multiple opportunities to adjust the shipment of their gas through the Eastern side of Europe to the North Sea, thus promoting the oil extraction in the region. “More than 40bn barrels of oil equivalent have already been produced from the North Sea<sup>83</sup>.”<sup>7</sup> The interaction with North Africa can also include cooperation in the spheres of the storage of resources somewhere in the middle of the parties and connecting both networks-from the North Sea and North Africa. Hence, the gas can be mixed which will save resources for the future extra needs. In short, there are enough optimistic perspectives for the future of the possible alliance.

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<sup>83</sup> Critchlow Andrew, “Investment in North Sea Oil and Gas to Rise Sharply, Say Analysts”, The Telegraph Magazine, last modified: 2014, article last updated: January 10, 2014, <http://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/10565072/Investment-in-North-Sea-oil-and-gas-to-rise-sharply-say-analysts.html>.





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# *Transitioning from a Fossil-Fuel to a Green Economy: Government Policy for Private Sector Participation in Trinidad and Tobago*

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## **Alan Cooper**

### **About the author and the project**

*Alan Cooper is the Policy Analyst at the Ministry of Labour and Small and Micro Enterprise Development (Enterprise Development Division), in the Republic of Trinidad and Tobago. His experience has focused upon high-level strategic analysis for creating and enabling environment for entrepreneurship, innovation and access to finance. It spans over fifteen years working professionally in financial analysis, investment banking, foreign exchange analysis including the Central Bank of Trinidad and Tobago and investment banking. He is a member of the Economics Society of Trinidad and Tobago, the Interministerial Committee for a National Policy for Corporate Social Responsibility (Ministry of Trade, Industry and Investment, Trinidad and Tobago), the Committee for National Financial Literacy (Central Bank of Trinidad and Tobago) and the Food and Beverage Industry Development Committee (Ministry of Trade, Industry and Investment, Trinidad and Tobago).*

*Cooper's research was centred primarily on economic development, but touched also environmental economics, local economic development, the role of micro and small enterprises, and the impact of economics upon culture, focusing upon crime and delinquency in developing countries. His experience includes work in various capacities in Barbados, Dominican Republic, Colombia, Dominica and Brazil.*



*On the photo left: Alan Cooper (left) and Milan Jezic von Gesseneck, Team Leader of the EU project in Trinidad and Tobago. Cooper holds a Master in development economics from Universidad Carlos III de Madrid (Spain), and a first degree in economics and marketing from The University of the West Indies (Trinidad). He has participated in courses in finance at the World Bank, Washington, USA, the Latin American Centre for Monetary Studies (CEMLA), among others. He is also certified as a Project Management Professional by the Project Management Institute (USA) and, supported by the Delegation of the European Union, he has received extensive training in project management, results-based-monitoring and evaluation and sustainable and green economy with European consultancies. An awardee of an Agencia Espanola Cooperacion Internacional y Desarrollo (AECID) scholarship for study in economic sciences, Alan Cooper is fluent in Spanish and English and competent in Portuguese. This paper has been developed in January 2014 under a European Commission contract for Technical Assistance for a National Green Enterprises Policy for Trinidad and Tobago (all sectors including*

renewable, energy efficiency, energy services), funded by 10<sup>th</sup> European Development Fund. The project was contracted by VGGGroup, and implemented by its Team Leader Milan Jezic von Gesseneck (Brussels).

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Alan Cooper

## Abstract

*This paper, which was finished in January 2014, provides a road map for kick-starting the green economy in economies traditionally based upon non-renewable energy sources. This road map may be valid for many countries. Using Trinidad and Tobago as a case study, it focuses upon the role of public procurement arrangements as the key to giving impetus in a demand-driven model where state involvement is high. The paper defines a dynamic model for transitioning economic agents from the traditional non-green sector to the green sector and provides a framework for analysing the economy for effective stepwise greening of the economy through government tools for capacity-building, financing and improving public information.*

**Keywords:** environmental economics; fiscal policy; public procurement,

JEL: Q58; H3; H57

## The need for a “green” Trinidad and Tobago

In the sphere of environmental economics, the compendium of challenges facing oil and gas producing economies is unique. While on the one hand, such resource endowments generate substantial prosperity and boost foreign exchange reserves, on the other hand, energy production exact high costs on the environment and result in various forms of deindustrialisation through the resource curse or Dutch disease.

Trinidad and Tobago, as a small island state, recently classified as a developed nation, faces the environmental challenge even more acutely. With one of the highest per capita incomes of countries in the Latin America and Caribbean region, Trinidad and Tobago’s growth is heavily dependent upon petroleum and natural gas, which together contribute 45.3 per cent of GDP. Nevertheless, the energy sector employs no more than 3 per cent of the labour force. Other sectors of strategic importance (such as services, manufacturing and construction, contributing

62 per cent, 8 per cent, and 16 per cent of the labour force respectively<sup>84</sup>) despite their potential lag significantly behind the energy sector. The Government (GORTT) has committed to diversify the economy away from the dependence energy sector in an environmentally sustainable manner.<sup>85</sup>

This directive is of great importance: on the Environmental Performance Index (EPI),<sup>86</sup> Trinidad and Tobago ranks as a “weaker” environmental performer, together countries such as Ghana, China and Qatar. The EPI ranked Trinidad and Tobago at 79 of 178 countries in 2012, with a score of 52.28 for 2012, a modest improvement from 49.1 in 2002, when the index was first



While Trinidad and Tobago has among the most impressive levels of infrastructure development in the Caribbean, its development has come at a high environmental cost: the nation’s environmental performance (EPI) stands around 52.28, a “weaker” performer, together with Ghana, China and Qatar.

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<sup>84</sup> All data here taken from the Central Bank of Trinidad and Tobago, Annual Economic Survey 2010.

<sup>85</sup> Medium Term Policy Framework, Ministry of Planning and Sustainable Development, Republic of Trinidad and Tobago

<sup>86</sup> The EPI is an international index ranking international environmental performance compiled and updated annual by Yale University. The index takes into account the categories of environmental disease, water, air pollution (effects on human and ecosystem), water resources, biodiversity, forestry, fisheries, agriculture and climate change. With particular reference to the “green economy” the Ministry of Labour and Small and Micro Enterprise Development (MLS MED) has taken on the mandate to effect a “green” transition in Trinidad and Tobago that includes the private sector, comprised mainly of the micro and small enterprises. This initiative is in harmony with work by the International Labour Organisation, in recognition of the fact that work in environmental sustainability can create sustained employment in developed and developing countries.

calculated. Furthermore, extraction of oil and gas leave the nation vulnerable to significant anthropogenic environmental disasters.<sup>87</sup>

### **Environmental management in the international context**

Trinidad and Tobago is signatory to no fewer than 18 international protocols, conventions, treaties or codes addressing environmental management and wildlife protection. A list of the major international agreements is presented on *Appendix I. Selected International Environmental Agreements in Trinidad and Tobago*. Consequently, the national framework for supporting the actions under the conventions is elaborate in comparison to any other developing or recently developed country in the Caribbean basin. In spite of this, however, Trinidad and Tobago has had limited success in “going green”. Several explanations can be proffered to account for this:

Political conservatism: cheap, subsidised energy has been the backbone of the economy; ruling political parties seen its maintenance as key to political succession.

Restricted local-private sector involvement in energy: as the nation’s chief asset, the government manages the energy resource. This has led to a general lack of awareness or interest in green economics. As a consequence of having cheap energy, there has never been a genuine need to develop extensive technical expertise for “greenness”. Green engineering is a recent addition to the university syllabuses.<sup>88</sup> These factors are highly intertwined with one other.<sup>89</sup>

Arguably, the main obstacle has been that the green thrust has remained at the inter-national level and ministerial level and has not filtered down to include the local private sector.<sup>90</sup>

This paper considers the role of government in kick-starting a green revolution in the private sector. While fiscal policy for greening has revolved largely around taxation<sup>91</sup>, the value of direct

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<sup>87</sup> As an economy based upon oil and natural gas, Trinidad and Tobago faces additional environmental, health and social risks in oil spills. In the 1979, the collision of two tankers resulted in the spillage of some 90 million gallons of oil of Trinidad and Tobago’s 18 miles east of the coast of Tobago. This has been listed as one of the largest oil spills in history. More recently, between December 17 and 26, 2013, there was a series of 9 oil spills from underwater pipelines off the north coast of the island of Trinidad. This latter situation has resulted in substantial negative impact upon marine and coastline flora and fauna, the degradation of human livelihoods and notable financial costs for rehabilitation.

<sup>88</sup> Environmental engineering at the post graduate level was offered for the first time less than 5 years ago.

<sup>89</sup> Energy sector subventions can be used as devices of political power and, objectively, it serves the general interest that the government manage the sale of the nation’s most valuable natural resource. This in turn leads to limited private sector involvement and a general lack of awareness of the energy bias of green economics. This ripples into apathy and a lack of know-how where greening is concerned.

<sup>90</sup> The exclusion of the private sector, especially small and micro enterprises, is in fact the basis of Bass, S. (2013).

<sup>91</sup> Bowen, A., Frankhauser, S., Stern, N., and Zenghelis, D. (2009) recognise the need for fiscal incentives focusing specifically on tax cuts as a stimulus for green economy. This method may be less apt for hydrocarbon based economies.



intervention through public procurement cannot be overstated for hydrocarbon based economies where bulk of the resource is managed by the government.

The findings of this paper are loosely based upon work conducted with the government of Trinidad and Tobago in 2013, with a focus upon the micro and small enterprise sector, which comprises more than 85 per cent<sup>92</sup> of all registered businesses in Trinidad and Tobago. It should be noted that some of the recommendations of this paper are still to be fully adopted by the Government of the Republic of Trinidad and Tobago. This paper is sectionised in the following manner: Section 1 defines the green economy, its components and specifies a dynamic model for transitioning to a green economy; Section 2 provides an analysis of the Trinidad and Tobago framework (policy, institutional, fiscal and legal) for green environmental management and green economy; Section 3 considers the role of the government in deploying specific policy tools; Section 4 details the role of government in stimulating the dynamic green transition model; Section 5, gives some methodological considerations; and Section 6 summarises the chief conclusions of the paper and presents relevant caveats for policy-makers in other territories.



In December 2013, the south-western coast of Trinidad and Tobago experienced one of the worst oil spills in the history of the twin island state. The spills resulted in excess of 7,000 spilt barrels of oil. Photo credit: Stephen Broad bridge.

### **Defining the “green economy” continuum**

The “green economy” is a relatively new term which to date carries variable meanings. Notwithstanding, the United Nations Environmental Programme (UNEP) defines it as “[an economy] that results in improved human well-being and social equity, while significantly

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<sup>92</sup> Business Survey Establishment Register (2011), Central Statistical Office  
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reducing environmental risks and ecological scarcities. In its simplest expression, a green economy can be thought of as one which is low carbon, resource efficient and socially inclusive.” Alternative definitions of the green economy focus upon “clean energy”, which consists of four sectors: renewable energy (e.g. solar, wind, geothermal); green building and energy efficiency technology; energy-efficient infrastructure and transportation; and recycling and waste-to-energy.

All green economy definitions zero in upon two common concepts: one, resource efficiency and, two, the fact that traditional economic activities (energy production, construction, manufacturing, transport and communication) can be done differently.<sup>93</sup> The green economy can then be thought of as *doing everything differently to improve resource efficiency and environmental sustainability*. Of course, so-called “green technologies” are not static and what is considered green today may not be considered as green tomorrow. Thinking of the green economy in this way, it becomes evident that it is not only extremely broad but we refer to a target that is constantly moving and evolving.<sup>94</sup> It is therefore not prudent to talk about the green economy as a point or single stationary state; rather it is a transition along a green continuum. Instead of asking whether an economy is green, it would be preferable to pose the question: How far along are we along the green continuum? While this paper does not propose to provide metrics for determining an economy’s position along the green continuum<sup>95</sup>, it will be valuable to understand how such a determination regarding “greenness” could be made.

### **Segmentation and green industry standards: stability in the inconstant green universe**

First, it must be recognised economies are conceptualised as comprising industries, segments or clusters. The standard recognition of these is the United Nations System of National Account (UNSNA).<sup>96</sup>

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<sup>93</sup> For a more complete understanding of the green economy see Jarvis, A., Varma A., & Ram, J., Assessing green jobs potential in developing countries: a practitioner’s guide. International Labour Organisation, 2011. Chapter 2 p.9-12 provide an extensive understanding of the social and environmental aspects of green jobs.

<sup>94</sup> Esty, D., & Winston, A., Green to Gold (2009) note that it is impossible for any firm to go entirely green because there will always be reliance upon environmental resources and there will always be new ways to produce and sell goods and services that further contain, reduce or eliminate waste and negative environmental impact.

<sup>95</sup> For the purpose of this paper, no attempt is made to develop a new definition of the green economy. However, it is important to note that, as the focus of this work was the engagement of the private sector, the green economy here will not relate to the provision of public goods which are under the purview of the government. While this approach may rightly be considered limiting, it provides the benefit of focusing the green economy upon the issues that most need attention.

<sup>96</sup> The Trinidad and Tobago System of National Accounts (TTSNA) divides and classifies economic activities into 16 categories: Sugar; Petroleum Industries; Food Processors and Drink; Textiles, Garments, Footwear and Headwear; Printing, Publishing and Paper Converters; Wood and Related Products; Chemicals and Non-Metallic Minerals; Assembly-type and Related Industries; Miscellaneous Manufacturing; Construction; Distribution; Hotels and

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The extent to which each of these areas of economic activity is deemed to be resource efficient **in comparison to a recognised resource-efficient benchmark** is the extent to which it is “green”. Theoretically, if a country had successfully achieved resource efficiency, for all economic activities reflected in the UNSNA, in conformity to specific activity green standards, that economy would be a hundred per cent green. Of course, as benchmarks change, the particular sector, industry or economic activity to which will have to adjust accordingly to maintain the green designation. Greenness is therefore inextricable from benchmarks or standards. This imbues a level of stability to what would otherwise be an uncertain and flexible universe of greenness.

Since we cannot sum up whether an economy as a single unit is “green”, a ‘fragmentary’ or industry/cluster/economic activity approach is expedient. This is consistent with methodology proposed by Jarvis, A., Varma A., and Ram, J. (2011). Using it, we can be determined that some Caribbean basin countries have had considerable success in certain specific aspects of greening. Dominica, the Dominican Republic and Jamaica all have a relatively small but thriving green or organic agricultural sector; in Central America, Costa Rica has developed its ecotourism sector so well that it surpasses agriculture as the main foreign exchange earner; Belize is also growing its ecotourism label; and Barbados,<sup>97</sup> thanks to a combination of fiscal policy, moral suasion and economic need, has converted itself into the Caribbean’s most successful case of residential solar power generation. These are but a few of the success stories.

On a country-by-country basis in other Caribbean islands, various consultancies are developing the groundwork for environmental mainstreaming.<sup>98</sup>

In terms of the overarching framework the Caricom Regional Organisation for Standards and Quality (CROSQ) is currently developing a set of standards for organic agriculture in the Caribbean region. Despite the obvious progress that is being made, none of these countries or territories has generated or disclosed statistics attesting to how much of their GDP is green.<sup>99</sup>

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Guesthouses; Transportation, Communication and Storage; Finance, Insurance, Real Estate and Business Services; Educational and Cultural Community Services; and Personal Services

<sup>97</sup> “As of 2008, approximately 40,000 solar water heaters were in operation in Barbados – 75 per cent of which represent domestic installations. Given recent estimates that there are 91,406 dwelling units on the island in total, it is clear that solar water heaters have successfully penetrated the domestic market.”

<http://www.unep.org/greenconomy/SuccessStories/SolarEnergyinBarbados/tabid/29891/Default.aspx>

<sup>98</sup> In 2013, Caribbean Natural Resource Institute (CANARI) Consultants, with funding from UK Aid and IIED, completed work for environmental mainstreaming in several Caribbean countries including Anguilla and the British Virgin Islands.

<sup>99</sup> Jarvis, A., Varma A., & Ram, J., (2011) detail green economy measurement concepts and techniques using surveys, input-output models and multipliers.

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## **A priori impact of the green economy: Going green versus the green economy**

While “going green” inevitably has positive impacts upon the environment, the green economy is not environmental management and conservation. As the definition implies, the green economy should also produce tangible benefits for the private sector of a country or region. As a Caribbean-wide Position Paper<sup>100</sup> notes, in addition to environmental changes, the green economy should positively impact upon poverty and social inequality, the risk of disaster and public debt, while also effecting diversification and strengthening weaker sectors<sup>101</sup> of the economy.

### **The quadripartite typology for the green economy**

Despite the enormity of the green economy, that part of the economy defined as “green” inevitably falls into a definite quadripartite typology. These are:

The first facet consists of enterprises whose core activity relates to the environment directly. We call these “**Pure Green Activities.**” These include ecotourism, agro-tourism, guides, tour operators, hiking and excursion operators and the like.

The second type relates to enterprises which act as greening agents for other economic actors. These include consultants and advisors who possess specialised knowledge necessary for moving businesses further along the green continuum, whether they operate in construction, processes, land rehabilitation or forest restoration. It also includes agents who certify businesses as green or environmentally sustainable. These we will call “**Green Consultants, Assessors and Certifiers.**”

The third facet relates to those agents who have the specialised skills for enacting the advice of the “Green Consultants, Assessors and Certifiers”. These we call “**Green Technicians.**” A good example of the distinction between the two groups could be the difference between a green design architect and the actual contractor who erects the building. In many industries, the actual execution of a green design may require builders with special skills. Recycling companies with special information on collecting, sorting, cleaning, packaging and sorting waste are also green technicians. Green financing companies may also be included here.

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<sup>100</sup> In 2013, a “Caribbean Green Economy Position Paper” was produced by Caribbean Natural Resource Institute (CANARI) Consultants, with UK Aid and IIED

<sup>101</sup> In the present paper, the term diminishing sectoral benefits found in the position was re-interpreted as a need to diversify and to strengthen weakened. When a sector begins to shrink, barring the use of cash or kind transfers to artificially prop a sector, the state’s options are limited to strengthening the sector in its weak areas or diversifying into other activities where labour, capital and environmental may be absorbed.

Finally, the fourth facet of the green economy is a “**Sundry group**” of all other economic agents who operate up to recognised environmental and sustainable standards. The core function of these businesses is not the environmental. It includes the general private sector (producers of goods and services) and the government as an operational entity.

Segments 2 and 3 together comprise the “Transition Mechanism”; they are the domestic agents that transition other agents from being non-green to higher levels of greenness. Their competencies may reside in a single entity. In each policy or programme aiming at the green economy transition, the role of each of these four stakeholder segments must be considered.



There is a growing environmental consciousness in the islands and conservation groups, such as the Papa Bois Conservation Centre shown here may be considered part of the “pure green activities”. The group aims at preserving the country’s rich biodiversity. Here an awareness campaign sensitises the young to shark conservation. Sharks are endangered in Trinidad and Tobago because their meat is valued as a delicacy.

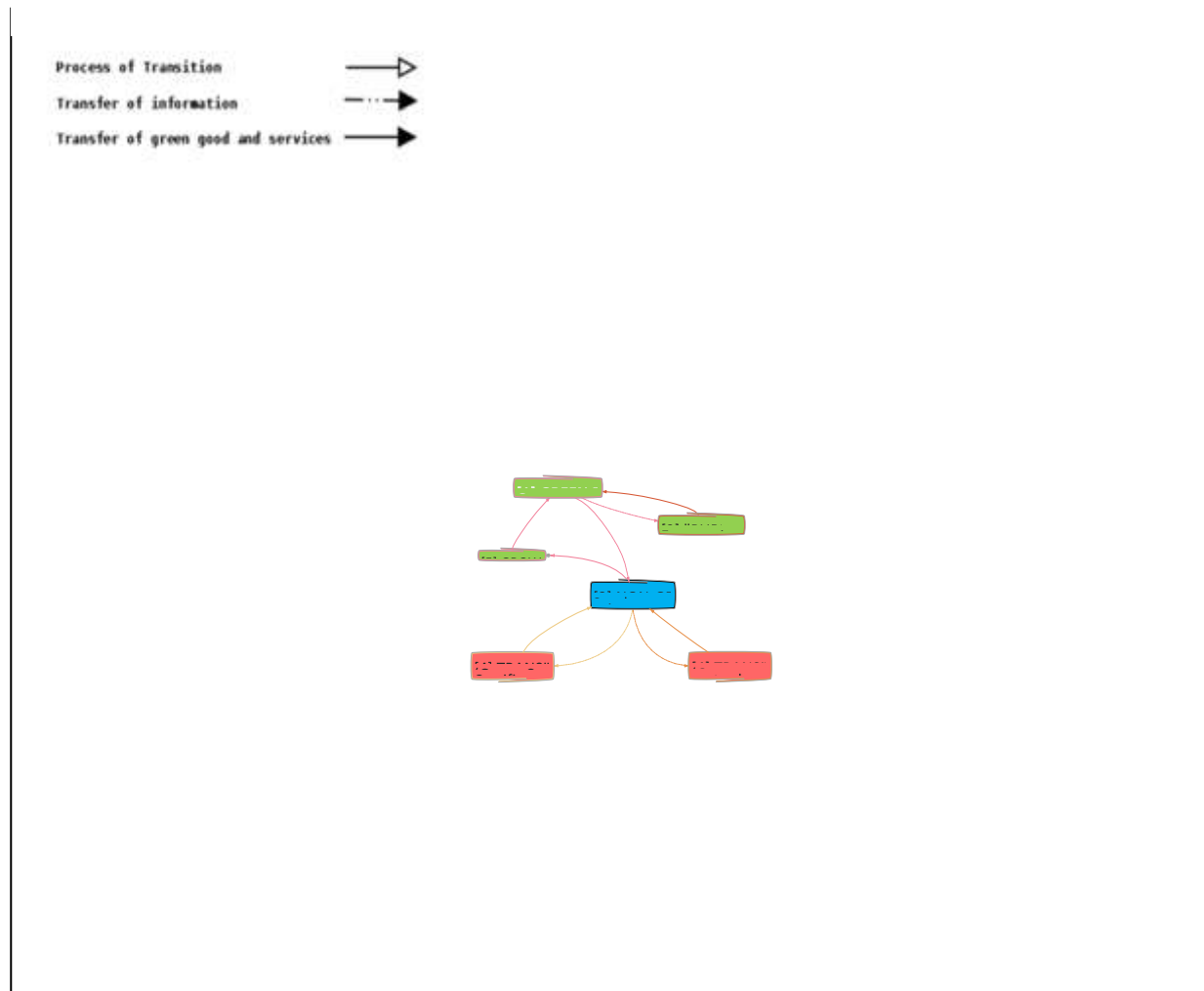
### **A dynamic model for transition to green economy**

Having defined the green economy and segregated it into its composite parts, a dynamic model of the green economy may be advanced. This model is referred to as dynamic because it includes the non-static element of transitioning from the conventional economy to the green economy. It is in this model that the role of government is introduced.

According to this model, fuelled by adequate information, the government and private sector demand green goods and services. This information must be effectively transferred to the non-green and “pure green” sectors. The non-green sector, under the pressure of facilitating the demand for green goods and services, turns to the “Transition Mechanism”, both financial and technical. These then operate upon the non-green sector and effect a transition which creates a new sector (the “growing green private sector”), which then meets the demand by the



Figure 1: Dynamic Model for Transition to a Green Economy



government and private sector. See Figure 1: Dynamic Model for Transition to a Green Economy.

### **The Green Economy Framework in Trinidad and Tobago: Policy, Institutional, Fiscal and Legal Context**

With specific reference to green economy, it is important to assess the national policy, institutional, fiscal and legal contexts from the perspective of the public versus private sector involvement.

While it is possible to have a green economy that is largely based upon the government, the public sector and state agencies, such a model of economic greening is considered less than ideal for many countries, including Trinidad and Tobago, given the important role played by the



private sector in the productive sectors, as well as the role the green economy must play in economic diversification, wealth redistribution and in addressing socioeconomic inequality.

In the following section, therefore, we will overview the national policy, institutional, fiscal and legislative contexts to understand the extent to which the private sector is included or can be included.

### **National Environmental Policy Framework**

The national policy framework can be categorised into four sections. These are 1) Climate Change, 2) Ecosystems and Wildlife, 3) Resources (water, land and trees; waste management; energy) and 4) culture-environmental assets, eco- and agro-tourism. The coverage of these policies is present on Table 1: National Environmental and Resource Management Policy Framework for Trinidad and Tobago.

By and large, the policies do not filter into explicit, written implementation plans. Moreover, even where there are implementation plans, there is an almost exclusive bias towards implementation by the government and its agencies, NGOs and CBOs. In other words, the profit-oriented private sector, upon which most of the economy is based, is not actively engaged. With the exception of a few specified policies, namely the Integrated Water Management Policy and the Waste Management Policy and to a lesser extent the Renewable Energy and Tourism policies, the national policies do not include the profit-oriented private sector as partners in the work of environmental management and resource efficiency.

Table 1: National Environmental and Resource Management Policy Framework for Trinidad and Tobago

Area	Policy	Main proposals
<b>Climate change</b>	The National climate Change Policy (2011)	Reducing greenhouse gases and ecosystem vulnerability, Mass education in “greenness” Capacity building and institutional strengthening Data sharing and financing with accountability between environmental management agencies
<b>Ecosystems and Wildlife</b>	National Environmental Policy ((2006) edited 2009)	Defines environmentally sensitive areas, species, invasive species, vulnerable forests, wetlands, and coastal areas along with water, mineral and energy resources Concerned with 1) conservation of natural resources, 2) reduction of pollution, 3) impact assessments, 4) education and information and 5) financial support for those
	National Wetlands Policy (2002)	Protection of recognised wetlands
	National Biosafety Framework Project (2007?)	Natural organisms and GMOs and a system for managing assessing the impact of introducing such to Trinidad and Tobago
	National Biodiversity Strategy and Action Plan (2013)	Awareness and information sharing for protecting biodiversity
	National Protected Areas Policy (2011)	Recognises and designates areas as protected
<b>Resource management: Water, land and trees</b>	Integrated Water resources Management Policy (2005)	Management of inland, freshwater quality and quantity in such a way as to support both human development (socio-economic) and natural eco-systems. To meet quantity objectives, the policy emphasises fair allocation of water via “true pricing” or the removal of subsidies and the decentralisation of the water supply by empowering the Water and Sewerage Authority (WASA) to issue abstraction <sup>102</sup> licences, introducing fees for the abstraction of groundwater
	National Forestry Policy (2011)	The function of forests in reducing greenhouse gases and the optimisation of the use of forest resources for supporting livelihoods (related to cultural activities including religion while ensuring sustainable extraction of timber and use of wildlife); highlighting the need to protect and enhance the natural productivity of forest ecosystems. The main difficulty regarding the implementation of the policy is scarcity of data on the state of local forests.
	National Spatial Development Strategy (2012)	Space for food security (agriculture and fisheries), and the sustainable use of natural resources, managed landscapes, culture, sport and recreation, sustainable transport, energy efficiency and waste management
<b>Resource management: Waste management</b>	Integrated Solid Waste Management Policy for Trinidad and Tobago (2012)	Divides waste into six (6) main categories (household waste, hazardous waste, bio-medical waste, industrial waste, electronic waste and bulk waste) Proposes a system of incentives and disincentives for prudent, policy-aligned waste management including a deposit-refund system, institutionalised buy-back systems and disposal bans.
<b>Resource management: Renewable energy and energy efficiency</b>	A Framework for Development of a Renewable Energy Policy for Trinidad and Tobago (2011)	Identifies viable renewable energy to introduce to local energy mix so that 5 per cent of domestic energy come from renewable sources by 2020 Proposes tax deductions for the installation of solar water heaters Gradual reduction of subsidies on non-renewable fossil fuels
<b>Culture-environmental assets, eco- and agro-tourism</b>	National Tourism Policy (2010)	Speaks directly and explicitly to the role of for-profit enterprise in environment management and sustainability in Trinidad and Tobago

<sup>102</sup> Abstraction is the term used for the process of extracting water from groundwater sources.

## **Institutional Framework**

Given the list of international conventions, the range of policies and the environmental challenges facing Trinidad and Tobago, it is of little surprise that there is large number of agencies either directly or indirectly involved in environmental management and greening. Of the 31 ministries, 6 ministries play a pivotal role. These are Ministry of the Environment and Water Resources, Ministry of Housing, the Ministry of Tourism, the Tobago House of Assembly, Ministry of Finance and the Economy, and Ministry of Energy and Energy Affairs. These are separate from the several statutory organisations which are also involved in the process. These include among others the Environmental Management Authority (EMA), which falls under the Ministry of Housing and the Institute of Marine Affairs (IMA).

The Environmental Commission of Trinidad and Tobago was established by legislation in 1995 and 2000 as the superior court of record for environmental matters. Apart from these ministries and state bodies, other ministries are extremely important if greening is to be seriously accomplished in Trinidad and Tobago. These include the Ministry of Labour and Small and Micro Enterprise Development, Ministry of Planning and Sustainable Development, Ministry of Education, Ministry of Public Administration, Ministry of Legal Affairs, Ministry of Tobago Development, Ministry of Food Production Land and Marine Affairs, Ministry of Transport and the Ministry of Works and Infrastructure. Together, these ministries and agencies, in turn, develop national environmental policy.

### *ESCOs and the particular case of energy and fuels*

Regarding energy in particular, there is a particular problem related to energy service companies (ESCOs). ESCOs perform energy audits, which are an important step in improving energy efficiency, as they provide information on energy usage, savings and the cost of achieving such savings. ESCOs must be certified to conduct audits by the Energy Service Certification Committee, instated for the first time in January 2012. Progress with this has been slow partly due to the fact that the energy subsidy, which remains quite high, diminishes the need for serious consideration of energy cost savings. Essentially, the subsidy on fuels must be removed more rapidly if Trinidad and Tobago is to go green.

### *Extractive industries*

In addition, as of March 2011, Trinidad and Tobago signed on to the Extractive Industries Transparency Initiative (EITI).<sup>103</sup> Besides meaning that the operations of extractive industries, such as oil and gas, must be fully reported in the public domain, it also holds companies responsible for the replacement of and/or compensation for negative net effects caused by resource extraction. The need for both environmental restoration (land rehabilitation, pollution

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<sup>103</sup> The EITI is based in Oslo, Norway. Details of the T&T entrance to EITI are found on the TTEITI website: <http://www.tteiti.org.tt/about-tteiti/>

control etc.) and social remediation open the way to the involvement of the private sector and to corporate social responsibility.

The selected list of players involved in environmental management and greening is shown on Table 2: Institutional Framework for Environmental Management in Trinidad and Tobago (selected actors).

Table 2: Institutional Framework for Environmental Management in Trinidad and Tobago (selected actors)

<b>Policy Development and Legal Review</b>	<p>Exclusively comprised of ministries and government agencies.</p> <p>Ministry of the Environment and Water Resources: Environmental Management Authority (EMA) and the Institute of Marine Affairs (IMA)</p> <p>Ministry of Planning and Sustainable Development</p> <p>Ministry of Food Production</p> <p>Ministry of Tourism: Tourism Development Company (TDC)</p> <p>Ministry of Energy and Energy Affairs: Regulated Industries Commission (RIC), water and energy management</p> <p>Ministry of Legal Affairs</p> <p>Ministry of Works and Infrastructure</p> <p>Ministry of Tobago Development.</p>
<b>Dispute resolution, Arbitration and Legal Enforcement</b>	The Environmental Commission of Trinidad and Tobago
<b>Environmental oversight, Monitoring and Reporting</b>	<p>Environmental Management Authority (MEWR): Institute of Marine Affairs (MEWR), Forestry Division (MEWR), TTEITI</p> <p>Ministry of Energy and Energy Affairs</p> <p>Ministry of Housing</p> <p>Ministry of Transport and Ministry of Works and Infrastructure</p>
<b>Awareness and sensitisation</b>	<p>Government agencies and their respective awareness areas are listed below:</p> <p>Ministry of the Environment and Water Resources: EMA, IMA, Forestry, Solid Waste Management Company Limited (SWMCOL)</p> <p>The Tourism Development Company (TDC)</p> <p>The Ministry of Energy and Energy Affairs: Powergen and Trinidad and Tobago Electricity Commission (T&amp;TEC)</p> <p>Ministry of Trade, Industry and Investment: T&amp;T Bureau of Standards</p> <p>There are also numerous non-governmental organisations (NGOs) and not-for-profit organisations (NPOs). For example, in the area of green construction the T&amp;T Green Building Council is important, while in ecosystems management consultants such as the Caribbean Natural Resource Institute, the Cropper Foundation, and the universities may be highlighted.</p>

Technical support, consultancy and HR development in “greenness”	Training is dominated by smaller private enterprises, NGOs and NPOs.		
	Building design and management		
	Trinidad and Tobago Green Building Council (T&TGBC) provides training for architects and civil engineers in greening techniques aligned with the US Leadership in Energy and Environmental Design (LEED)		
	Jaric ESH, a private enterprise, has shown ability to train and develop workers in the EU Eco-Management Audit Scheme (EMAS) and ISO 14001 family of standards.		
	Wa Samaki Ecosystems, permaculture		
	Buildings’ energy management		
	Premier Quality Services Limited (PQSL): assists buildings in obtaining energy certification and provides training for individuals for receiving energy auditor certification.		
	Tourism		
	Tourism Development Company: ecological certification of tourism activities for small tourism-related enterprises		
	Agriculture		
	Various other agencies exist, most notably the Inter-American Institute for Cooperation on Agriculture (IICA)		
	General training, including tertiary level educational training		
	The University of the West Indies, the University of Trinidad and Tobago, the Arthur Lok Jack Graduate School of Business, and the School of Business and Computer Science (SBCS)		
Financing	Caribbean Institute of Quality (CIQ)		
	Caribbean Industrial Research Institute (CARIRI)		
	Grants	Loans	Other forms of financing including
	Green Fund (MEWR) for NGOs and NPOs only; Environmental Trust Fund (EMA); Innovation fund (i2i), Ministry of Planning and Sustainable Development.	Commercial banks, Credit unions, other commercial lenders Government small business support agencies	equity, such as the Venture Capital Incentive Programme. These have not been deemed successful in Trinidad and Tobago.
Direct Implementation	Small Grants Programme (UNDP) for community-based organisation and non-governmental organisations		
	The Government has developed several institutions and programmes to directly implement its environmental management objectives.		
	Community-based Environmental and Enhancement Programme (CEPEP): focuses on the environmental protection, enhancement and beautification, and has been operational since 2002.		
	Unemployment Relief Programme (URP): provides short-term employment to citizens of Trinidad and Tobago, designed to enhance the entrepreneurial skills of individuals and community groups, and to assist in the delivery of small-scale projects in various communities. These small-scale projects may be geared at addressing environmental and sustainability matters.		
	Office of Disaster Preparedness and Management (ODPM): concentrates on building national Disaster Risk Management and Climate Change Adaptation capabilities with our partners and coordinate response and recovery operations in order to protect the people, environment and economy and ensure a disaster resilient nation.		
	In addition to the above, the private sector (NGOs, NPOs, CBOs and for-profit businesses) also has programmes with meet environmental and sustainability objectives.		



## National Fiscal Framework for the Green Economy

Despite the untenable issues surrounding converting from non-renewable to renewable energy sources, it is the energy sector that has been the target of the most extensive fiscal development. The Government has embarked upon a gradual phasing out of fuel subsidies.<sup>104</sup>

Further, by amending the Miscellaneous Taxes Act (2011), incentives have been put in place to facilitate greater deployment of renewable energy and cleaner technologies as outlined by the National Climate Change Policy.

The following obtain: a twenty-five (25) per cent tax credit on solar water heaters for household installation; zero (0) per cent VAT on wind turbines; a one hundred and fifty (150) per cent allowance for the design and installation of energy saving systems by an energy service company (ESCO); and a one hundred and fifty (150) per cent ‘wear and tear allowance’ for solar water heaters, solar water heater plants, machinery and equipment and solar photo voltaic systems.

Additionally ESCOs can write off the value of assets in two years with seventy-five (75) per cent depreciation on plant, machinery and equipment acquisition and twenty-five (25) per cent for wear and tear. There is a conditional duty exemption for solar water heater manufactures; there is zero (0) per cent VAT and motor vehicle tax on vehicles less than 2 years old which run on compressed natural gas (CNG) and zero (0) per cent VAT on SWH & Solar PV systems. Interviews with the main stakeholders indicate that the general belief is that the non-renewable energy subsidy has not yet reduced to a level that makes the investment in renewable energy sufficiently attractive. To date the measures have not served to stimulate interest in renewable energy. It is noteworthy, also, that there are no penalties for energy wastage.

### *Domestic “greening” funds and multi-purpose funds*

There are several funding sources for environmental management and greening. These include environmental funds, multipurpose funds and international funding sources (See Table 3: Environmental Funds).

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<sup>104</sup> As a consequence of a reduction in October 2012, the price of premium unleaded gasoline price rose to \$5.75 per litre, a 44 per cent increase over the previous \$4 per litre. Subsidies exist on diesel, \$ 1.83, and for super gasoline, \$2.71, with the majority of the fuel subsidy affecting the price of diesel. Prior to the reduction of the subsidy on premium unleaded gasoline, the total fuel subsidy amounted to an estimated \$4 billion TTD per annum.

Table 3: Environmental Funds

Fund Category/ Source	Detail
<b>Environmental funds</b>	<p><b>Green Fund</b></p> <p>Purpose: To support environmental projects.</p> <p>Capitalisation: \$2.9 billion TTD, through a levy of 0.01 per cent on corporate revenue.</p> <p>Type: Grants to non-profit community groups and organisations (NPOs/NGOs/CBOs) engaged in environmental remediation, reforestation or conservation of the environment. It excludes the for-profit private sector.</p> <p>Since inception in 2001, the Fund disbursed \$153 million TTD to approximately 13 applicants.</p>
	<p><b>Environmental Trust Fund</b></p> <p>Purpose: To meet EMA operational expenses and expenditure on projects and incentives for reducing environmental pollution, demonstration projects of innovative technologies toward the reduction of pollution, emergency response activities including remediation of degraded sites, public awareness and education programmes to enhance understanding of national environmental protection and natural resource management issues.<sup>105</sup></p> <p>Capitalised through annual government appropriations from permit application fees and fees for services rendered by the EMA and international grant funding and loan funds.</p>
<b>Multi-purpose funds</b>	<p><b>Community Development Fund</b>, Ministry of Community Development (MOCD), a small grants' scheme managed by the which focuses upon NGOs and CBOs for poverty alleviation</p> <p><b>Ideas to Innovation</b> (i2i) competition, Council for Competitiveness of the Ministry of Planning and Sustainable Development, administering grants up to \$200,000 TTD for innovation;</p> <p><b>Micro Loan Facility</b>, Ministry of the People and Social Development, disbursing loans up to \$10,000 for strengthening small businesses.</p> <p><b>Heritage and Stabilisation Fund</b> (HSF), Central Bank of Trinidad and Tobago, a fund currently estimated at US\$3 billion for structural adjustment including reducing dependence on non-renewable energy sector.</p>
<b>International funding sources</b>	<p><b>Global Environmental Fund</b> (GEF), awarding up to \$50,000 per project</p> <p>CAF funding, a Latin American development bank headquartered in Caracas, Venezuela</p>

## Legislative Context for Environmental Management and Green Economy

The legislative context for environmental management and green economy is shown on Appendix II: Legislative Context for Environmental Management and Green Economy. The main challenge with the laws appears to be enforcement.

<sup>105</sup> Cited from:

[http://www.ema.co.tt/cms/index.php?option=com\\_content&task=view&id=53&Itemid=61](http://www.ema.co.tt/cms/index.php?option=com_content&task=view&id=53&Itemid=61)

## **Summary of the Policy, Institutional, Fiscal and Legal Context**

Despite the complexity of the green economic framework in Trinidad and Tobago, policy, institutional, fiscal and legal, certain basic adjustments can be made to improve the overall functioning of what obtains. The summary of our conclusions follows:

The policies suffer from a lack of well-synchronised implementation plans. Where implementation plans are included, underway or alluded to, they generally factor in private sector involvement which is the backbone of the green economy. Policies which explicitly rely upon the market mechanism and private sector (most notably the Integrated Water Management Policy and the Waste Management Policy and to a lesser extent the Renewable Energy and Tourism policies) are the exception. While the institutional infrastructure appears to be well developed, without a sense of private sector involvement, there is a lack of engagement from a large section of the economy. While fiscal incentive structures are well contemplated, they appear to be stymied by the protracted reduction of the energy subsidy. Additionally, there are no counterbalancing disincentives for energy wastage to complement the incentives provided. While fiscal policy has succeeded in amassing large sums of finance, the for-profit private sector is explicitly excluded. For instance, a portion of the Green Fund could be adjusted to facilitate loans to assist for-profit private sector enterprises transition to the green economy.

Furthermore, fiscal policy does not appear to operate according to the so-called “polluter pays principle,” a principle that simply ascribes responsibility for an environmental offence to the offender. Expanding upon this point, those contributing to environmental funds are either not the agents responsible for the particular environmental infraction or they do not contribute commensurate to the magnitude of their offense. The monies paid to an environmental fund for environmental degradation are not necessarily matched to remediation efforts related to that environmental degradation. Finally, while the legislative context may benefit from some modernisation, the chief challenge has been one of enforcing existing laws and not developing new ones.

## **The Role of Trinidad and Tobago Government in the Dynamic Green Transition Model**

Given the foregoing analysis, it is now possible to compare the Trinidad and Tobago situation with the dynamic model presented in Section 2. The model starts with the demand for green goods and services. In an economy that is largely private sector based, the state must rely almost solely upon incentives or legislation and policing to stimulate such a demand. In Trinidad and Tobago, like so many other emergent monocrop economies or former plantation model economies, the government is both the largest employer and the largest purchaser of goods and services. It is therefore in a unique position to take charge of greening by using environmental mainstreaming methods. More specifically, if the government determines to purchase green from the private sector, the crucial demand kick-start is put into action.

Although demand is arguably the major weakness in the Trinidad and Tobago system, it is not the only one. There is a general lack of awareness regarding greenness; the information channels on the value and definition of greenness needs to be strengthened, including information on standards and certification; the technical players forming the transition mechanism need to put into some structure, which implies their being registered, logged, assessed and accredited; and businesses already operating in a green way need to be recognised and certified. In each of these areas, government can play an important role. These other issues relate either to the supply of training services or the market mechanism, supported by the flow of relevant information.

### **Tools for greening in Trinidad and Tobago**

Three components make up the market for green goods and services. These are the demand pull factors, the supply of training and transitional services and market facilitation. The government of Trinidad and Tobago has a range of tools which speak to these areas and these are discussed in the following section.

### **Environmental Mainstreaming in Demand**

#### *Public procurement through the Fair Share Programme*

The Fair Share Programme is a public procurement (or set-aside programme) that gives micro and small enterprises<sup>106</sup> access to government services up to \$1 million TTD. The Fair Share Programme recognises that the government is the largest spender in the Trinidad and Tobago economy, spending up to 34 per cent of all GDP, of which up to 12 per cent is eligible for public procurement<sup>107</sup>. This is comprised of Goods and services, Public Sector Investment Programme Funding (PSIP), and Infrastructure Development Funding. (See Figure 2: Government Expenditure).

The Fair Share Programme also provides access to training in both general business management and industry specific skills. The Fair Share Programme employs an ICT portal for centralising

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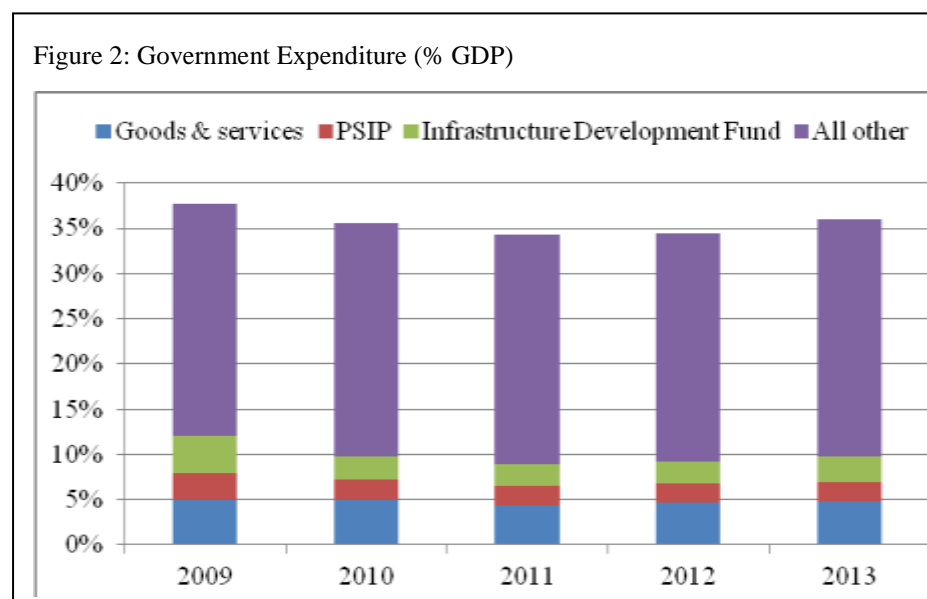
<sup>106</sup> Three criteria are currently used to designate enterprises as micro and/or small: businesses must have no more than 25 employees including the owner/manager; they must possess assets of \$1.5 million TTD or less (excluding land and buildings); and annual sales turnover must not exceed \$5 million TTD. To access the FairShare Programme enterprises must be registered and majority owned by nationals of Trinidad and Tobago over 18 years of age. A new micro and small enterprise policy, which is currently under review, proposes that only the employee number and sales turnover be taken into account to classify enterprises as micro and small.

<sup>107</sup> In 2013, this figure was estimated at \$16 million Trinidad and Tobago dollars (US\$3,000 million). Data estimated from Review of the Economy 2013, Ministry of Finance and the Economy, Trinidad and Tobago.

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government procurement information and to allow for competitive bidding for such opportunities. As an electronic platform, it facilitates networking among MSEs and simplifies monitoring and evaluation of MSEs.



The Programme was launched in 2012 and up to October 2013, it had attracted over one thousand and thirty (1030) enterprises spread across twenty-seven (27) sectors, including construction, printing and packaging, catering, professional consultancy services, and information technology, among others. The main challenge to the Fair Share Programme is the absence of legislation mandating that all ministries and state agencies use its repository of micro and small enterprises and co-operatives. Without this element, its use by government and state agencies is discretionary.

Environmental mainstreaming in public procurement implies that enterprises which operate in a sustainable manner have better chances of being selected for government opportunities. Currently, the selection criteria for tendering MSEs vary from one ministry to another. The Fair Share Programme can also expose and train government procurement departments in the principles of green public procurement.

#### *Moral suasion and information on incentives*

While the Fair Share Programme can introduce environmental mainstreaming to government procurement, the need to include environmental concerns in private sector demand buyers remains unaddressed. Moral suasion based upon relevant information will be valuable to generating such demand. It is also important to use fiscal policy to incentivise the activities that

support the transition to a green economy. While some incentives already exist (see section on Fiscal Policy Framework), these are generally not well known by the general public. The green energy incentives are not sufficient to counteract the prevailing non-green energy subsidy. Additionally, the incentives are directed largely to energy consumption and they need to be applied to a wider range of economic activities and publicised.

### *Supply through targeted technical support and transition services*

The supply of green businesses will depend upon the spread and efficacy of green support services. The government of Trinidad and Tobago has a wide range of institutions and programmes through which it can offer training in “greenness.” These include, but are not limited to, the National Integrated Business Incubator System (IBIS), the training branch of the FairShare Programme, NEDCO (ETIIC) and ExporTT.

IBIS is a programme developed by the MOLSMED which aims to provide a mix of business development support, infrastructure and operational and financial support to grow new and existing MSEs. IBIS will assist MSEs by providing mentors, infrastructural support, information technology, operational support, finance, and networking opportunities in both local and foreign markets. IBIS was launched in October 2011. To date, four of the incubators have been established. Eighteen will be eventually dispersed throughout Trinidad and Tobago. There are two types of incubators: (i) Social Empowerment through Enterprise Development (SEED) incubators and Commercial Business Incubators.

The former aims at uplifting communities through small businesses while the latter is geared toward high-value, high-growth businesses with export potential. Generally, businesses are expected to occupy the physical premises of incubator building (approximately 4,000 to 12,000 square feet). Nevertheless, other incubators will also operate virtually via internet technology and will not require businesses to be all located within a shared physical space.

The MOLSMED also trains and develops small businesses through the Fair Share Programme’s training branch and the National Entrepreneurship Development Company (NEDCO). While NEDCO has traditionally been a low interest lender for start-up businesses, it operates a training arm known as the Entrepreneurship Training Institute and Incubation Centre (ETIIC). Both can offer a wide range of on-demand business development services. ExporTT (formerly known as the Business Development Company (BDC)) is an agency of the Ministry of Trade Industry and Investment. Although its primary function is to prepare and support businesses for export, it, like NEDCO and the training branch of the Fair Share Programme can offer a wide variety of on-demand training courses for the business community.



### *Resident capacity*

Part of the beauty of these programmes and agencies is that training and capacity building are outsourced. They can easily integrate the work of the green economy facets 2 and 3 viz., green consultants, advisors and trainers, and green technicians or implementers. In this way, the programmes and agencies operate as nexus for increased private sector engagement and integration. The resident capacity in Trinidad and Tobago can be utilised.

### *Non-resident capacity*

In some cases, however, the particular skill or need cannot be readily met from internal sources. Perhaps this is most readily visible in the area of standard-setting and certification. Trinidad and Tobago has no national recognised standards and consumer labels for greenness: all such certification originates in Europe, North America or Australia. Resident capacity therefore needs to be accredited to provide such certification. Certifications are themselves industry specific. IBIS, FairShare, NEDCO and ExporTT are all in a position to facilitate this. However, the specific economic activities for greening must be identified and certifier capacity must be built up strategically and in a stepwise manner.

### ***Financing***

Finance is also important to the private sector greening process. Trinidad and Tobago has a wide range of funding sources which may be used for private sector greening. These include NEDCO, commercial bank and credit union loans, IBIS funding and i2i grants. The rules for the Green Fund and the Environmental Trust Fund may also be adjusted to allow some private sector, for-profit access to the funds as loans. Funding should operate two ways. Direct funding includes the government programmes under NEDCO, IBIS, and i2i among others. Indirect funding refers to sustainable procurement. At present, the direct funding mechanisms have not been targeted towards stimulating the green economy.

### ***Market facilitation: Information and technology deployment***

#### *Market-relevant information*

Demand and supply factors are not enough to generate a functional green economy. The final element is the prevalence of relevant and timely market-relevant information, that is, information on the demand for and supply of goods and services, their fair prices and the cost of transition services. The way forward for Trinidad and Tobago requires a repository of information related to who offers green transition services, the cost of their services and specific target industry. This

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information must be supported by a general appreciation of industry specific standards, the meaning of certification and consumer labels. Information on industry specific incentives should also be readily available.

### **Monitoring and evaluation (M&E)**

Beyond this kind of market-relevant information, there is the additional need for a steady, timely and relevant feed of information to policy-makers. This will enable them to monitor and evaluate the success of initiatives. Modern ICT infrastructure has made inter-ministry, inter-agency networking much easier and more feasible. Any such system should be linked to national statistics including national accounts. A green M&E system must include, as a minimum, data on employment, earnings and profitability of green enterprises, the environmental impact of greening, the cost of the green transition (equipment, training, standardisation and certification), the types of services utilised for transition and accession to standards, certificates and labels.

### **Methodology for classifying economic activities for greening in Trinidad and Tobago**

#### *The “Green Trinity”*

The challenge of creating a green economy in Trinidad and Tobago can be addressed by the greening of three broad areas: general business management, construction and agriculture. These may be referred to as “the green trinity.”<sup>108</sup> Arguably, all economic activities fall into one or more of these areas. They are therefore cross-cutting.

**General Business Management** refers to the set of operational policies that a business can put in place to maximise resource efficiency, regardless of sector or industry. Movement of human and other resources from one place to another in the most resource efficient way can extend this concept to sustainable transport as well. **Construction** refers to the physical infrastructure including utilities, buildings, road works, encompassing design and site selection, and the like which support economic and non-economic activity. It also includes front- and back-end activities such as mining and quarrying and building demolition and disposal. **Agriculture** refers of course to the tools and techniques used for producing food whether produced for sale or not. The greening of agriculture has come to envelope participatory production arrangements and social structures, in addition to sustainable agricultural techniques and organic farming. For this reason, it is included as a separate category.

#### *Two-Pronged Implementation: General and targeted-intervention*

While the green trinity may be thought of as encompassing all business activities in any country, it is perhaps impossible to roll out greening in this way. In the real, day-to-day management of

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<sup>108</sup> For the purposes of this paper, green economy speaks directly to private sector engagement and for this reason certain public goods (such as mass transport and utilities) have been omitted in the discussion.

economies, there are no ministries that oversee and manage these three areas holistically; instead there is the ministerial approach, where various ministries attend to the cross-cutting needs of various facets of production. To this end, a two-pronged approach has been proposed for classifying economic activities for greening the economy of Trinidad and Tobago. The two-pronged approach takes into account general business needs as well as the functionality of each ministry, their implementing agencies and programmes.



In addition to dealing with green methods of production, any attempt at a green economy in Trinidad and Tobago, as in any small island state, must address difficult issues relating to land, which is an acutely scarce resource that must be divided between alternate uses in agriculture or construction.

### *General intervention*

The first prong relates to the general greening of all business operations, regardless of sector. It speaks to how businesses are managed, including their choice raw materials and sources of raw materials, resource usage in production processes, waste production and management, distribution channels and methods, customer management and waste collection, and the disposal, reduction, recycling and reuse of materials and waste. This thinking can be deployed through all ministry programmes that train and develop businesses and entrepreneurs. The second prong speaks to specific economic activities or industry groups where sustainable practices are more nuanced. The environmental practices associated with managing a touristic eco-lodge differ substantially from those related to commercial building design, cattle-rearing or motor vehicle assemblage. The second prong therefore addresses targeted or industry-specific interventions which tend to correspond to various ministries. The categorisation of economic activities (see Table 4: Categorisation of Economic Activities for Greening) was based upon the ease by which economic activities could be categorised, not from a national accounting perspective, but from the perspective of Ease of Implementation. The Ease of Implementation criteria<sup>109</sup> are based

<sup>109</sup> The Ease of Implementation criteria are loosely based on Base, S. Scoping the Green Economy: Dialogue and Diagnostics for Developing Countries. IIED, London, 2013. They are comprised of the following: the existence of a private sector champion, the presence of a public sector champion, the state of readiness of the sector, the ease of transforming the sector, the number of key stakeholders, the availability of finance, environmental importance, profit generating capacity, accessibility of standards and certification.

upon the idea that greening initiatives will be most successfully deployed through line ministries whose industries are well organised and where the private sector is accessible. See Appendix III: Criteria for categorising sectors for greening. Based upon this method, four areas were selected for greening: construction, agriculture, tourism, and energy. Two additional areas (waste management and creative industries<sup>110</sup>) were included because the remit of the ministries is not discrete or “boxed-in”. For instance, business activities inevitably generate waste; but business activities fall under the Ministry of Trade, Industry and Investment, the MOLSMED and the Ministry of Food Production, with aspects of waste management falling under the Ministry of Environment and Water Resources except for waste collection and disposal which fall under the Ministry of Local Government. In the case of creative industries, these are often partly under the Ministry of the Arts and Multiculturalism and the Ministry of Tourism. Many other countries may not have such a complex structure and, so, may have simpler ministerial management systems.

Table 4: Categorisation of economic activities for greening<sup>111</sup>

Sector	Employment (%)	No. business	GDP (%)
<b>All categories</b>	<b>100</b>		<b>88.7</b>
<b>Agriculture and sugar<sup>112</sup></b>	<b>0</b>	<b>3</b>	<b>0.7</b>
<b>Construction</b>	<b>16</b>	<b>3113</b>	<b>6.5</b>
Construction	13	2953	5
Chemicals and Non-Metallic Minerals	3	160	1.5
<b>Creative industries<sup>113</sup></b>	<b>2</b>	<b>582</b>	<b>0</b>
Textiles, Garments, Footwear and Headwear	0	111	0
Educational and Cultural Community Services	2	471	0
<b>Tourism</b>	<b>10</b>	<b>3773</b>	<b>0</b>
Hotels and Guesthouses	2	288	

<sup>110</sup> The creative industries were included as a sector for development going forward with the green initiative.

However, its selection is based upon the fact that human artistic creativity (in terms of intellectual creations) often has a smaller impact upon the environment than other forms of production. Of course, there are cases where artistic creation can exert a heavy impact upon the environment and biodiversity (think of turtle shell, elephant and seal tusks, or coral, among others). These fall under a special category of conservation and are not the chief type of creative output that was considered.

<sup>111</sup> Based upon data from the Survey of Business Establishments, 2011, Central Statistical Office (Trinidad and Tobago)

<sup>112</sup> The contribution of agriculture to GDP is estimated at 0.7% (Review of the Economy, 2013: Ministry of Finance and the Economy) and the contribution to labour was estimated at 3.5%. This was not captured by the Survey of Business Establishments, which is a survey of private sector enterprises. The absence of data on the latter source may be linked to the widespread informality of small scale agriculturalists.

<sup>113</sup> Creative industries were not presented in this format in the Review of the Economy, 2013: Ministry of Finance and the Economy.

<b>Personal Services</b>	8	3488	
<b>Energy and Transport</b>	<b>15</b>	<b>1592</b>	<b>48.4</b>
<b>Petroleum Industries</b>	9	545	40.2
<b>Transportation, Communication and Storage</b>	6	1047	8.2
<b>General operations and waste management: manufacturing, services, assemblage</b>	<b>58</b>	<b>18243</b>	<b>33.1</b>
<b>Finance, Insurance, Real Estate and Business Services</b>	18	3190	14.9
<b>Food, beverages and tobacco<sup>114</sup></b>	6	300	4.6
<b>Printing, Publishing and Paper Converters</b>	2	256	0.7
<b>Wood and Related Products</b>	1	203	0.2
<b>Assembly-type and Related Industries</b>	3	281	1.2
<b>Miscellaneous Manufacturing</b>	1	134	0.4
<b>Distribution and restaurants</b>	27	13879	11.1

#### *Implementation: Oversight mechanism*

The next step in this stage of the transition is the creation of an oversight and implementation mechanism. While the model chosen is a demand-based model, information on the need to green the activity, how and when it should be done, and information on the acceptable standards, certification and certifiers must be rolled out by the government. Any such structure should be empowered to operate in this capacity by the highest office in the nation. Any such implementation agency must resemble the greening task in that it should be (i) inter-ministerial and cross-functional, (ii) possess facets that are specific to the industry or economic activity to be greened and (iii) somewhat centralised and not unwieldy. It can therefore have two components: A Central Committee representing the socioeconomic facets of green economy and the general area of business management; and Sub-committees representing the four industry approaches to greening (construction, tourism, agriculture and energy) and the two related areas (waste management and creative industry).

For Trinidad and Tobago, the Central Committee should entail the Ministry of Planning and Sustainable Development, the Ministry of Environment and Water Resources, the Ministry of Trade, Industry and Investment, and the Ministry of Labour and Small and Micro Enterprise Development. The structure recommended for Trinidad and Tobago is shown on Table 5: Government oversight for green economy implementation.

<sup>114</sup> Food beverage and tobacco on Business Surveys Establishment Register, Central Statistical Office, Trinidad and Tobago

Table 5: Government oversight for green economy implementation

Area of responsibility	Government Agents
<b>Central Committee</b>	Ministry of Planning and Sustainable Development Ministry of Environment and Water Resources Ministry of Trade, Industry and Investment Ministry of Labour and Small and Micro Enterprise Development
<b>Sub-Committees</b>	
Construction	Ministry of Housing Ministry of Works and Infrastructure
Agriculture	Ministry of Food Production
Tourism	Ministry of Tourism
Energy and transport	Ministry of Energy and Energy Affairs
Waste management	Ministry of the Environment and Water Resources Ministry of Local Government
Creative Industries	Ministry of the Arts and Multiculturalism Ministry of Trade, Industry and Investment Ministry of Tourism

### *Standards and Certification*

The two-pronged approach to greening leads to the issue of standards and certification. Standards are the acceptable manner of function while certification refers to the recognition by some objective organisation that the standard has been met. The certifying agent must itself be accredited to do such certification. The Government Agents (see Table 4) must decide upon the standard to be used and the certification to be used. Certification need not be created in Trinidad and Tobago, rather adapted or adopted from other territories. International Standards Organisation (ISO) standards and certification are already well known and in common use in Trinidad and Tobago.

For the first prong of policy implementation, or general music management, the ISO 14001 may be used. Alternatively the European Union Eco Management Audit Scheme (EMAS) or EMAS Easy may be used. For the other areas, industry specific certification must be found and implemented. These are shown on Table 6: Green Certification applicable to Trinidad and Tobago.



Table 6: Green Certification applicable to Trinidad and Tobago

Area of responsibility	
General business Waste management Creative industries	Applicable to all industries: Environmental management (ISO 14001) Corporate social responsibility (ISO 26000) Occupational Safety and Health (ISO 18001)
Construction	Regional architects and engineers are most familiar with Leadership in Energy and Environmental Design (LEED) certification. Any recognised European Union green construction standard may be used. However, certification is currently not available to buildings outside of the EU.
Agriculture	Any International Federal of Organic Agricultural Movements (IFOAM) may be used. Several are already in use in other Caribbean countries, including Dominica, Jamaica, Costa Rica and Belize.
Tourism	Players in the tourism sector have some experience with EarthCheck; this remains the preferred standard.
Energy and transport	At present there is no evidence of the use of familiarity with renewable energy certification in Trinidad and Tobago. Standards and certification may have to be adapted for Trinidad and Tobago based upon what exists in the EU and North America. Certificates for Renewable Energy Guarantees of Origin (REGO) are used in Europe while Renewable Energy Certificates are used in the United States. Either of these is recommended the emphasis on solar power found in “A Framework for Development of a Renewable Energy Policy for Trinidad and Tobago (2011)”.

## Conclusion: Lessons for Greening a Hydrocarbon-based economy

Hydrocarbon-based economies, like Trinidad and Tobago, face a peculiar variant of the resource curse where green economics are concerned: their dependence upon non-renewable resources can translate into a disincentive for going green in both economic and political terms. Nevertheless, it is as important for them as it is for other non-fossil-fuel dependent economies to go green, given the fact that the resource is liable to expire sooner if not later, and that extractive industries expose human, animal and plant life to health risks and crises. The unnaturalness of a green transition makes a strong case for active government involvement. As such, Trinidad and Tobago offers several important lessons for policy-makers. The basic lessons are presented as steps in the greening process in this final section.

While stimulating the green economy must actively involve the private sector, in fossil fuel based economies (often characterised by a preponderance of state involvement), a viable approach will be by the formation of partnerships between the government and green, private sector, industry-specific champions.

The dynamic model proposed in this paper for economic greening is a demand model: its success is undergirded by strong demand. In Trinidad and Tobago, the government represents the largest purchaser of goods and services. Therefore, its public procurement system is the key to unlocking green potential. This can be accomplished by environmental mainstreaming, whereby the environment is taken into account for all government activities, especially outsourcing and procurement.

The selection of the economic activities to guide the green process requires special attention. Given the importance of the energy sector in such economies, it would be wise for policy makers to first focus in other sectors. The selected sectors should aim for economic diversification to create additional sources of foreign exchange and sustainable employment to reduce socioeconomic inequality. For Trinidad and Tobago, *six activities* were chosen: construction, agriculture, tourism, waste management, the creative Industries and finally, energy. Each area of economic activity must be clearly mapped out to ensure that all the activities in the value chain may be greened. These include inputs, outputs, labour, technological support, storage and transport, and support structures for waste reduction, reuse and recycling. Green procurement is a first step that precludes the direct implementation of the polluter pays principle and the use of taxes, subsidies and direct transfers to influence greening.

However, not all private economic activities interface with government procurement. For those activities, moral suasion via public awareness and sensitisation will perhaps be the primary tool. The chief message here is that the real benefit of going green is intrinsic. By adopting a lifecycle approach to commercial activities, we recognise that, in the long run, going green benefits companies' bottom lines. Green goods and services may represent larger financial investments in the initial instance, but they usually have longer lifespans and often lower maintenance and replacement costs. When the public is aware of this, demand for green goods and services is expected to rise. Going green is also good for customer relationships. Mentality changes are usually long-term measures that are introduced over time to create conscious demand.

On the supply side, technical and financial support is needed to support the green transition. Technical services must be registered, assessed and accredited in order to fully support the green economy. In some cases, international support – such as for certification – international support may be required. In a high-income country like Trinidad and Tobago, financing is not a major obstacle. However, funds need to be allocated specifically to the purpose of private sector greening, as opposed to simply environmental management. This may be assisted by creating funds that take account of the polluter pays principle and matching cost with benefit.

The government can also play an important role in developing the market mechanism, that is, the information that supports to transfer of green goods and services and information on services available to do so. The public procurement mechanism (the FairShare Programme) and incubation systems (IBIS) can be used to this end. The information they contain regarding green goods and services and green transition support services can be opened up to the public.

Finally, monitoring and evaluation (M&E) structures must be in place to assess the success of policy initiatives these should take into account a wide range of variables related to socioeconomic and environmental impact, as well as the role of standards and certification in the greening process.

As a hydrocarbon-based economy, environmental concerns are not foremost in the minds of the average Trinidadian or Tobagonian. In fact, the nation's energy sector wealth masks its vulnerability to environmental degradation and the longstanding impacts that this can have upon the rest of the economy. In fact, despite the cost of maintaining a large fuel subsidy, the subvention is used to contain inflation; and energy sector dependence enables the government to meet the needs of the population through protracted public assistance transfers. This means that, ultimately, the decision and the outcome of this will be as much an economic and business one as a political one. For a fossil fuel based economy to go green, a particularly strong political will is essential.

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## **Appendixes**

### **Appendix I: Selected International Environmental Agreements in Trinidad and Tobago**

Convention on the International Trade of Endangered Species of Wild Flora and Fauna (CITES) (1984)

Montreal Protocol on Ozone Depleting Substances (1989)

Convention for Biological Diversity (1992)

Ramsar Convention of Wetlands of International Importance (1992/3)

United Nations Framework Convention on Climate Change (1994)

Basel Convention on the Transboundary Movement of Hazardous Wastes and their Disposal (1994)

United Nations Convention to Combat Desertification (2000)

Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (2004)

Protocol for Specially Protected Areas & Wildlife (SPA) from Cartagena Convention

Convention for the Protection & Development of the Marine Environment of the Wider Caribbean (Cartagena Convention) - Ratified 1983 - Includes protection of marine and coastal ecosystems, oil spills

Marpol International Code of Conduct on Responsible Fishing (voluntary, non-binding, promoted by FAO)

Convention on Conservation & Management of Straddling Fish Stocks and Highly Migratory Fish Stocks on the High Seas 1995

Inter-Government Agreement on Fisheries (IGA) among CARICOM – to coordinate and manage marine fisheries in the CARICOM area

International Commission for the Conservation of Atlantic Tuna (ICCAT)

Law of the Sea Convention, UNCLOS III 1982 – cooperate in management of migratory large pelagics (tuna, billfish), some sharks and dolphin fish

Agenda 21 International Plant Protection Convention

International Tropical Timber Agreement (ITTO)

Agenda 21 and SIDS POA

## **Appendix II: Legislative Context for Environmental Management and Green Economy**

<b>Legislation</b>	
Standards Act (1997)	To provide general authority to promulgate standards that improves environmental performance.
Minerals Act (2000)	Regulation of mining and treatment of matters connected to mining. This act does not apply to hydrocarbon exploitation.
Petroleum Act (Chap 62:01) (revised in 2011)	To consolidate and amend the law relating to petroleum so as to make better provision for the exploration for, and the development and production of, petroleum, and for matters consequential or incidental thereto.
Disaster Measures Act Ch 16:50 (updated in 2007)	To take prompt measures to alleviate the effects of a disaster.
Trade Ordinance (1958)	To prohibit or regulate the importation into Trinidad and Tobago, by creating a “negative list”.
Environmentally Sensitive Areas (ESAs) Rules (2001)	To provide the EMA the authority to designate environmentally sensitive areas (ESAs) in Trinidad and Tobago.
Plant Protection Act (63:56) (2001)	
Marine Areas (Preservation & Enhancement) Act (Chap 37:02) (revised in 2011)	To protect and manage Trinidad and Tobago’s marine areas through special steps for (a) preserving and enhancing the natural beauty of marine areas, (b) the protection of the flora and fauna of such areas;(c) the promotion of the enjoyment by the public of such areas; and (d) the promotion of scientific study and research in respect of such areas.
Water and Sewerage Act (Chap 54:40) (2006)	Management of water distribution in Trinidad and Tobago.
Regulated Industries Commission Act (Ch. 54:73) (updated 2011)  Also related to the National Renewable Energy Policy (2011)	For a Regulated Industries Commission to perform certain functions with respect to service providers including the licensing of service providers and making consequential amendments to related Acts.
Water Pollution Rules (2006)	
Environmental Management Act (2001, revised in 2009)	To make provision for the management of the environment within Trinidad and Tobago and the protection of its natural resources.  To establish the Environmental Management Authority (“the Authority”), an Environmental Trust Fund and the Environmental Commission of Trinidad and Tobago
Miscellaneous Taxes Act Ch. 77:01 (updated in 2011)  <i>Related to all other environmental policies, including National Biodiversity (2001)</i>  <i>Water Management (2005)</i>	To raise revenue by the imposition of certain taxes.
Certificate of Environmental Clearance Rules (2001)	To regulate the process for obtaining a certificate of environmental clearance, supported by two other pieces of subsidiary legislation being the Certificate of Environmental Clearance (Designated Activities) Order 2001 as amended and the Certificate of Environmental Clearance (Fees and Charges) Regulations 2001.



Draft Air Pollution Rules (2010)	To regulate air pollution in Trinidad and Tobago by limiting the release of specific air pollutants from stacks and non-point sources.
Noise Pollution Control Rules Ch 35:05 (Under the Environment Management Act (2000))	
Tobago House Of Assembly Act (Ch 25:03) (updated 2011)	To provide the Tobago House of Assembly legal power to formulate and implement environmental policies in Tobago.
Forests Act (Chap 66:01) (revised in 2011)	The management of forests and forest produce  The regulation of the extraction of balata gum, the timber industry and designation of forest reserves
Agricultural Fires Act Ch 63:02 (reviewed in 2011)	To designate a fire season, regulate agricultural fires and appoint of fire control officers and guardians.
Fisheries Act (Chap 67:51) (reviewed in 2011)	To regulate fishing in the waters (all rivers, whether tidal or otherwise, and to the Territorial Sea of Trinidad and Tobago) of Trinidad and Tobago.
Town and Country Planning Act (Chap 35:01) (revised in 2011)	The orderly and progressive development of land in both urban and rural areas and to preserve and improve the amenities thereof.
Land Acquisition Act 73 (2001); (See 58:01)  State Lands Act 25 (2006); (See 57:01)  State Land (Regularisation of Tenure) (Act 25 (1998); (See 57:05)	
Finance Act No. 30 (2010)	to provide for the variation of certain duties and taxes
Motor Vehicles and Road Traffic Act (Chap 48:50) (reviewed in 2011)	To regulate of motor vehicles and road traffic in Trinidad and Tobago.
Trinidad and Tobago Electricity Act (Chap 54:70) (reviewed in 2011)	To establish electricity commission for Trinidad and Tobago, to enable the commission to generate and supply electrical energy and for other purposes in connection therewith.
Draft Waste Management Rules (2008)  Waste Management Rules contributed to Solid Waste Management Policy (2012)	To regulate waste in Trinidad and Tobago.
Draft Beverage Container Bill (2012)  Litter Act Ch 30:52 (updated in 2011)	
Chaguaramas Development Authority Act (35:02) (1995)	

### Appendix III: Criteria for selection of sectors for greening

Except where indicated, all criteria are assigned a Likert rating between 1 and 5, where 1 is “very low” and where 5 is “Very high”, the strongest position. The rating is subjective and based upon the assessment by the consultant and team of their discussions with the stakeholders.

<i>Champion</i>	New initiatives have a greater possibility of success where there are private and public sector stakeholders which are well positioned to operate in a coordinated ways as strategic partners. The scale, therefore, presents two measures here: Private sector champion and Public sector champion. Champions should have a history of reaching their target MSEs effective or at least have proven reach.
<i>State of readiness</i>	This gauges the general level of awareness or dialogue on the particular area within the MSE sector.
<i>Ease of executive (current level of technical skill)</i>	This measure takes into account the general level of technical skill needed to carry to sector to the desired level of “greenness”. It is an assessment of the current skills resident in the country in relation practised
<i>Complexity (or Number of key stakeholders)</i>	When there are many stakeholders which are difficult to coordinate, the rating is lower. Where coordination between the stakeholders appears to be relatively straightforward or where the stakeholders are few, the rating is higher.
<i>Availability of funding</i>	This is a preliminary assessment of funding opportunities for the particular area as ascertained from conversations, bi- and multi-lateral cooperation agreements and the Government’s priority areas.
<i>Environmental importance</i>	Some areas of greening are of greater strategic importance to Trinidad and Tobago as a small island state. Higher ratings represent greater degrees of urgency with regard to addressing the area.
<i>Profit generating capacity</i>	This addresses the ability of the greening of the area to generate revenue for Trinidad and Tobago
<i>Accessibility of standards</i>	For some areas standards exist, while for others they do not exist and will have to be created for Trinidad and Tobago. The rating here is binary where 1 is “exists” and 0 is “inexistent”.
<i>Certification</i>	This refers the ability to offer the certification in Trinidad and Tobago, as most standards and certifications originate in other countries. The rating here is binary where 1 is “exists” and 0 is “inexistent”.

# *The Right to Development and Rights-Based Approach to Development: Two Mutually Reinforcing Concepts?*

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## **Summary**

*The current paper aims at exploring the interrelationship between the right to development and rights-based approaches as a key to the implementation of international development.*

*First, it investigates the right to development as a human right. The paper opens the research with the historical background, the evolvement of the right to development, going through the adoption of Declaration on the Right to Development till the creation of the Working group and High Level Task Force on the Right to Development and actions in the field. The research goes further, focusing on the Declaration on the Right to Development, the applicability of the articles and implications in the context of international development. The implications mostly refer to the fact that both developing and developed countries violate the right to development in their own way. Developing countries invoke the right to development to justify domination of economic development, thus, giving it priority over civil and political rights. Developed states, on the other hand, have the issue of providing a favourable atmosphere for the activities of their TNCs in developing countries very often in violation of human rights. The paper seeks to analyze and show that there can be no domination of one set of rights over the others, that all rights are indivisible and interdependent. Afterwards, the research links the right to development to Millennium Development Goals, and Goal 8 in particular, focusing on their interrelationship in the context of development.*

*The paper then elaborates on a rights-based approach to development cooperation. It concentrates on the applicable principles and policies within the rights-based approach. Later on the study discusses the development aid and conditionality in the context of development cooperation. The paper debates the concept of conditionality, imposed by donor governments on recipient ones, about the advantages and disadvantages of the conditionality concept, concluding that conditionality should be replaced by the notion of mutual accountability where there is a responsibility of both donor and recipient governments.*

*And, finally, the paper elaborates on the mutual reinforcement of the right to the development and the rights-based approach to explore their impacting potential on international development. Additionally, the study provides recommendations over the implementation, emphasizing the importance of several factors, such as adherence to human rights, protection and promotion in development policies, indivisibility and interdependence of all human rights, replacement of conditionality with mutual accountability notion, good governance, participation, etc., which could lay the ground for the operation of an appropriate international development while incorporating economic growth and social justice.<sup>115</sup>*

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## **Introduction**

The right to development emerged in the 1970s aimed at promoting an equitable treatment between developing and developed countries in trade issues as well as ensuring the right to clean environment. Furthermore, peace was included in the group of the third generation rights, entitled solidarity rights, mostly, because these were the rights to be realized in solidarity in all the members of the international community, among them being both the developing and developed countries. Along the time, the implementation of the right to development started to be associated not only with fair trade issues, but also the issue of the implementation of human rights came into the scene as an essential prerequisite for the

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<sup>115</sup> Report of the Working Group on the Right to Development on its sixth session (E/CN.4/2005/25), 3 March 2005, available on the internet at: <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/G05/115/80/PDF/G0511580.pdf?OpenElement>, Last visited April 30, 2011

implementation of the right to development and, therefore, an instigator for an appropriate international development. International development was no more perceived to be an issue of economic development but rather it needed to be accompanied by the realization of all human rights, i.e. civil, political, economic, social and cultural ones.

The purpose of this study is to research the applicability of the right to development in the context of the current international development, examine the role of the rights-based approach to development cooperation, and, finally, discuss mutual reinforcement of these two notions as a perspective for appropriate international development. The actuality of the topic is obvious. There is a growing polarization between the developed North and the developing South. The analyses and recommendations in this paper strive to address the challenges to the implementation of international development. The thesis strives to elaborate on the issue of appropriate international development through the notions of the right to development and a rights-based approach. The research refers to a number of policy documents, books and articles of eminent scholars and practitioners in the field of human rights, and the right to development, especially. The policy documents are prepared by the High Level Task Force and Working group on the Right to Development on the official website of the Office of the High Commissioner for Human Rights. The relevant declarations are: Declaration on the Right to Development (1986), Vienna Declaration and Program of action. The referred articles and books are written by Mary Robinson (High Commissioner for Human Rights 1997-2002), Arjun Sengupta (Independent Expert on the Right to Development) and many others. Furthermore, guide books on rights-based approaches to development, and cooperation help are used, to uncover the problems identified in the paper as well as come up with recommendations.

The study consists of three chapters: The first one explores the right to development as a human right. To get a thorough understanding of the issue, the first subchapter will refer to the historical background of the right. The second subchapter examines the Declaration on the Right to Development, focusing on its most challenging articles and exploring the implications of their applicability. The third subchapter links the right to development with MDGs and Goal 8 in particular. The second chapter seeks to explore the rights based approach to development cooperation as an innovative tool for the combined realization of human rights and economic development. The first subchapter deals with applicable principles and policies within the rights-based approach. The second subchapter aims to research the situation with development aid and the conditionalities, imposed on the recipient countries. It analyzes the acceptability of the donor country's actions and their adherence to a rights-based approach. The third chapter elaborates on the interdependence and mutual reinforcement of the right to development and the rights-based approach as a perspective for international development and brings about recommendations for its proper implementation.

The current paper has no concrete regional focus. Instead, it takes a global approach to the issue of the application of the rights to development, accompanied by an innovative human rights-based approach to development cooperation.

# 1. The Right to Development as a human right

## 1.1 Historical background

The movement for the right to development was initiated in the 1970s by developing countries. It was associated with the movement for establishing a New International Economic Order. It was a period when the world was divided between the North and the South, including the Soviet bloc. With the incorporation of the right to development, the countries of the South were claiming to establish equal and favourable treatment for developing countries in international trade and finance.<sup>116</sup> The first United Nations (UN) World Conference on Human Rights held in Teheran from 22 April to 13 May, 1968, became the start of the long process of the development of the right to development and its incorporation into a number of documents of international organizations. The Teheran Proclamation states: “The widening gap between the economically developed and developing countries impedes the realization of human rights in the international community. The failure of the Development Decade to reach its modest objectives makes it prerequisite for every nation, within the limits of its capacities, put the maximum possible efforts to fill in this gap”.<sup>117</sup>

The idea of human right to development was originally launched by two scholars/practitioners, Karel Vasak and Keba M. Baye. It was included in the category of “solidarity” or the third-generation rights<sup>118</sup>. Vasak considered the active holders of the right to development to be not only individuals, but also states and sub-national groups, such as local collectivities and national ethnic and linguistic communities. The duty holders were the States and the international community, at large. The intended effect was to provide the international economic order with a human face. This would be possible if all the identified actors actively participated in the process as in their capacity of right-holders and duty bearers.<sup>119</sup>

In 1986, during the 97th plenary meeting, the UN General Assembly adopted the Declaration on the Right to Development. It was opposed by US (United States) and abstained by a number of developed countries. The Declaration on the Right to Development exposes Article 28 of the Universal Declaration of Human Rights (UDHR), which goes, ‘Everyone is entitled to a social and international order in which the rights and freedoms set forth in this

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<sup>116</sup> A. Sengupta, “On the theory and practice of the right to development”, in Human Rights Quarterly, volume 24, Number 4 (2002), p.838-889, at p. 877

<sup>117</sup> Teheran Proclamation 1968, at para 12. (U.N. Doc. A/CONF. 32/41). Available on the internet at: <http://www1.umn.edu/humanrts/instree/l2ptchr.htm>. Last visited May 24, 2011

<sup>118</sup> These are the right to development, right to self-determination, right to health environment, etc. These rights are enshrined in international law and express more than the civil, political, social, economic and cultural rights.

<sup>119</sup> K. Feyter, “Globalization and human rights”, in K. Feyter, F.G. Isa (eds), International Human rights law in a Global Context, University of Deusto, 2009, at p. 62

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Declaration can be fully realized'.<sup>120</sup> It is a right, reflected in different forms in various human rights instruments, having a binding effect.

Based on the regional human rights treaty (Article 22 of African Charter on Human and People's rights)<sup>121</sup> and addressed to the states of the North, in particular, the right to development also appears in a number of other non-binding texts, adopted by consensus, such as the Vienna Declaration and Programme of Action adopted at the World Conference on Human rights in 1993, which was agreed upon with the consent of 171 states (including the US). Under Paragraph 10, the World conference reaffirmed the right to development as defined in the 1986 Declaration on the Right to Development as an integral part of fundamental human rights.<sup>122</sup> Besides, the Vienna Declaration and Program of Action embodied a separate chapter (Articles 66-77)<sup>123</sup> devoted to cooperation, development and strengthening of human rights.<sup>124</sup> The follow-up to the Declaration was a period of institutional establishment. In 1995 a special division dealing with the right to development was created within the office of the High Commissioner for Human rights. In 1998 the Commission on Human rights appointed an independent expert on the Right to Development, and established the open-ended Working Group on the Right to Development by its resolution 1998/72 and Economic and Social Council decision 1998/269. The Working Group operates till today.<sup>125</sup> The mandate of the open-ended Working Group is:<sup>126</sup>

To monitor and review progress made in the promotion and implementation of the right to development  
**to review reports and other information submitted by States and international or non-governmental organizations to submit a sessional report to the Commission on Human Rights**

In 2004, in accordance with the Commission on Human Rights Resolution 2004/7, the High Level Task Force on the Implementation of the Right to Development was set up as a supplementary body to the Working Group on the Right to Development. The purpose of the

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<sup>120</sup> Universal Declaration of Human Rights (1948), Article 28. (G.A. res. 217A (III), U.N. Doc A/810 at 71 (1948). Available at: <http://www.un.org/en/documents/udhr/index.shtml#a1>. Last visited May 1, 2011

<sup>121</sup> 1. All peoples shall have the right to their economic, social and cultural development with due regard to their freedom and identity and in the equal enjoyment of the common heritage of mankind. 2. States shall have the duty, individually or collectively, to ensure the exercise of the right to development. See: African Charter on Human and People's rights: 1981, Article 22. (OAU Doc. CAB/LEG/67/3 rev. 5, 21 I.L.M. 58). Available at: [http://www.africa union.org/official\\_documents/treaties\\_%20conventions\\_%20protocols/banjul%20charter.pdf](http://www.africa union.org/official_documents/treaties_%20conventions_%20protocols/banjul%20charter.pdf). Last visited May 1, 2011

<sup>122</sup> Vienna Declaration and Program of Action (1993), at para. 10, (U.N.Doc. A/CONF.157/23). Available at: [http://www.unhchr.ch/huridocda/huridoca.nsf/\(symbol\)/a.conf.157.23.en](http://www.unhchr.ch/huridocda/huridoca.nsf/(symbol)/a.conf.157.23.en). Last visited May 1, 2011

<sup>123</sup> Part II, paragraph 72 of the Vienna Declaration and Program of Action states the need for 'Comprehensive and effective measures to eliminate obstacles to the implementation and realization of the Declaration on the Right to Development and asks the UN General Assembly to recommend ways and means towards the realization of the right to development by all States'. See: Ibid, at para. 72

<sup>124</sup> M. Nowak, Introduction of the International Human Rights Regime, M. Nijhoff, 2003, at p. 44

<sup>125</sup> Open-ended Working Group on the Right to Development, Ninth session, 18-22 August, 2008. Available at: <http://www2.ohchr.org/english/issues/development/groups/index.htm>. Last visited May 1, 2011

<sup>126</sup> Ibid

Task Force is to provide the necessary expertise to the Working Group, enabling it to make relevant recommendations to various actors on different issues, identified for the implementation of the right to development. The Task Force consists of five experts who are nominated by the Chairperson of the Working Group on the Right to Development, in consultation with the regional groups of member states and representatives from the identified international trade, finance and development entities.<sup>127</sup>

On 30 March 2007, the United Nations Human Rights Council adopted a Resolution (A/HRC/4/L.14) on the Right to Development, encouraging the Working group to take further steps, for giving the Declaration on the Right to Development a binding character. It reads as follows: “Adopted without a vote, the Council decides to act to ensure that its agenda promotes and advances sustainable development and the achievements of the Millennium Development Goals and, in this regard, to agree on a programme of work that will lead to raising the right to development to the same level and on a par with all other human rights and fundamental freedoms enshrined in the core human rights instruments; to endorse the road map outlined in the report of the eighth session of the Working Group on the Right to Development, which would ensure that the criteria for the periodic evaluation of global partnerships, as identified in Millennium Development Goal 8 is extended to other components of Millennium Development Goal 8, by no later than 2009; that the above criteria, as endorsed by the Working Group, should be used, as appropriate, in the elaboration of a comprehensive and coherent set of standards for the implementation of the right to development; that, upon completion of the above phases, the Working Group will take appropriate steps for enforcing these standards, which could take various forms, including guidelines on the implementation of the right to development, and evolve into a basis for consideration of an international legal standard of a binding nature, through a collaborative process of engagement”.<sup>128</sup>

Currently, the Intergovernmental open-ended Working Group on the Right to Development is preparing for its twelfth session, to be held from 14 to 18 November, 2011. During the session, the Working Group will consider views<sup>129</sup> of the Member States and other stakeholders with regards to the work of the High Level Task Force on the implementation of the Right to Development and the way forward in the implementation of the right to development.<sup>130</sup>

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<sup>127</sup> High- Level Task Force on the Implementation of the Right to Development, 14-18 November, 2005. Available at: <http://www2.ohchr.org/english/issues/development/taskforce.htm>. Last visited May 1, 2011

<sup>128</sup> Human rights council resolution on the right to development (A/HRC/4/L.14), 30 March 2007. Available at: <http://www.unhchr.ch/huricane/hurricane.nsf/0/4826AF1691C43372C12572AE00583E0B?opendocument>. Last visited May 25, 2011

<sup>129</sup> The deadline for the receipt of the views and comments is 24 June 2011. They should be sent to [R2D@ohchr.org](mailto:R2D@ohchr.org).

<sup>130</sup> Intergovernmental open-ended Working Group on the Right to Development, 2011. Available at: <http://www.ohchr.org/EN/Issues/Development/Pages/12thSession.aspx>. Last visited May 10, 2011

## 1.2. Declaration on the Right to Development and implications to applicability

The right to development is considered to be a human right of every person and of all peoples. They have the right for development on economic, social, cultural and political levels. As mentioned in the preamble of the Declaration on the Right to Development, from the rights are enshrined in the UN Charter,<sup>131</sup> Universal Declaration of Human Rights, the two International Covenants and all other subsequent proclamations of human rights, such as those on prevention of racial discrimination, maintenance of peace or self-determination. The Declaration is composed of ten articles, with each of them showcasing a particular aspect of the right to development and, yet, not strong enough to address the possible implications. First of all, the Declaration makes the human being the main subject of development. The human being is the beneficiary of the right to development and is entitled with the right to active participation (Article 2.1).<sup>132</sup>

The right to development may be described as a ‘participatory right’. As described by the Human Rights Council of Australia: “Participation, as a right, means that people should have control over the direction of the development process, rather than simply be consulted about the projects or policies that have already been decided upon”.<sup>133</sup> This means that people should be given the right to freely choose the form of development they wish to live in and should not be repressed in their decision.<sup>134</sup> On the one hand, the Declaration mentions the person as a beneficiary of the right to development, but, on the other hand, it also puts a responsibility for development on all human beings (Article 2.2).<sup>135</sup> They have the duty to, individually and collectively, take into account the need for full respect for their human rights and fundamental freedoms which, in its turn, will promote and protect an appropriate political, social and economic order for development.

Another interesting point, enshrined in the Declaration is that the State is the main duty-holder in the process of realization of the right to development (Article 2.3).<sup>136</sup> Meantime, in the same article the Declaration entitles the State with the right for the formulation of appropriate national development policies, aiming at the constant improvement of the well-being of the

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<sup>131</sup> Article 56 of the UN Charter commits all member states to take ‘joint and separate action in cooperation’ with the UN for the achievement of the purposes identified in Article 55, which includes ‘promotion of higher standards of living, full employment, conditions of economic and social progress and development’ and solutions of international economic, social, health and related problems, and international cultural and educational cooperation; and universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion. See: UN Charter. Available on the Internet at: <http://www.un.org/en/documents/charter/chapter9.shtml>. Last visited May 1, 2011

<sup>132</sup> Declaration on the Right to Development 1986, Article 2.1 (U.N.Doc. A/RES/41/128). Available at: <http://www.un.org/documents/ga/res/41/a41r128.htm>. Last visited May 24, 2011

<sup>133</sup> A. Orford, “Globalization and the Right to Development”, in Alston P.(ed), People’s rights, Oxford University Press, 2001, at p. 138

<sup>134</sup> Ibid, at p. 139

<sup>135</sup> see footnote 100, Article 2.2

<sup>136</sup> Ibid, Article 2.3

entire population and of all the individuals, on the basis of their active, free and meaningful participation in development and in the fair distribution of the benefits. It should be clarified that this right is not in force on the national level, but rather on the international one, when dealing with international donors to control their activities in the realization of their development agenda, with the consideration of the national development policies in the field of their operation. This is the incorporation of the rights-based approach to be discussed in details in the second chapter.

Another interesting article showcased in the Declaration which leaves a space for further discussion is Article 1.1. It describes the right to development as an inalienable human right by virtue of which every human being and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized.<sup>137</sup> Is this really a human right as agreed in the Declaration, can it be equalled to civil and political, economic, social and cultural rights or is it rather an umbrella concept? As mentioned by A. Eide, C. Krause and A. Rosas: “Right to development is rather a programme which may be of particular relevance as a summary and pointer of the human rights dimension for development cooperation and development aid purposes, including the notion of ‘human rights impact assessments’. It could then play a role in planning and implementing policies and programmes, rather than function as a legal mechanism per se”.<sup>138</sup> It may, of course, be argued that the right to development can really serve as a pointer of the human rights dimension for the development cooperation, as mentioned above, but, anyway, the right to development should be considered as a human right. Rights are based on needs, and development is a response to many global challenges in the form of needs. Therefore the incorporation of the right to development is a big step forward. It may bring to a larger success in international development if it is equated to all the existing rights with a binding status. The Declaration links the right to development with the full realization of the right of peoples to self-determination, bringing to the exercise of their inalienable right to full sovereignty over all their natural wealth and resources (Articles 1.2).<sup>139</sup>

Mohammad Bedjaoui gives a good comparison of the right to self-determination and the right to development: “The ‘right to development’ flows from the right to self-determination and has the same nature. There is little sense in recognizing self-determination as a superior and inviolable principle if one does not recognize at the same time a ‘right to development’ for the peoples that have achieved self-determination.”<sup>140</sup> It is, indeed, an important point. If there is recognition of the right of the peoples to self-determination, it should, definitely, be accompanied with the recognition and realization of their right to development.

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<sup>137</sup> Supra note 100, Article 1.1

<sup>138</sup> A. Eide, C. Krause, A. Rosas, *Economic, Social and Cultural rights*, M. Nijhoff Publishers, 2001, at p. 129

<sup>139</sup> Supra note 100, Article 1.2

<sup>140</sup> J. H. Steiner, P. Alston, R. Goodman, *International Human rights in Context: Law, politics and moral*, 3-rd ed., Oxford university Press 2008, at p. 1447

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While putting the primary responsibility for the creation of national and international conditions favourable to the realization of the right to development on the States (Article 3.1)<sup>141</sup>, the Declaration also emphasizes the importance of the international cooperation. It declares that States have the duty to co-operate with each other in ensuring development and eliminating obstacles to development. States should realize their rights and fulfil their duties in international cooperation in such a manner which promotes a new international economic order based on sovereign equality, interdependence, mutual interest and co-operation among all States, as well as encourages the observance and realization of human rights (Article 3.3).<sup>142</sup> The Declaration calls for the creation of such international development standards which would facilitate the full realization of the right to development with a big focus on the development of developing countries (Article 4).<sup>143</sup> Moreover, the Declaration makes a high emphasis on the need for the elimination of the massive and flagrant violations of human rights, such as apartheid, all forms of racism and racial discrimination, colonialism, foreign domination and occupation, aggression, foreign interference and threats against national sovereignty, national unity and territorial integrity, threats of war and refusal to recognize the fundamental right of peoples to self-determination (Article 5).<sup>144</sup> This should have definitely comprised one of the main parts of the declaration as human rights. Development is mutually dependent and reinforcing notions. If there is no respect for human rights, there is no development, and vice-versa. The Declaration further elaborates on the importance of the promotion, encouragement and strengthening of universal respect for and observance of all human rights and fundamental freedoms for all without any distinction as to race, sex, language or religion as a duty not of a state, calling on the states to cooperate for the achievement of human rights implementation (Article 6.1).<sup>145</sup> Another interesting and important point enshrined in the Declaration is the notion of indivisibility and interdependence of civil, political, economic, social and cultural rights (Article 6.2)<sup>146</sup>

Thus, the Declaration of the Right to Development makes it clear that there can be no priority of one right over the others. For example, the implementation of the right to development cannot be justified by the violation of other human rights, as it usually happens in the case of the governments of developing countries and multinational corporations. They resort to the right to development as an excuse to deny such rights as the right to freedom of association, freedom of expression or the right to political participation.<sup>147</sup> The Declaration also emphasizes the role of international peace (Article 7)<sup>148</sup> as there can be no development without peace. A real development means that the fundamental needs of people, such as access to basic resources, education, health services, food, housing, employment and the fair

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<sup>141</sup> Supra note 100, Article 3.1

<sup>142</sup> Ibid, Article 3.3

<sup>143</sup> Ibid, Article 4

<sup>144</sup> Ibid, Article 5

<sup>145</sup> Ibid, Article 6.1

<sup>146</sup> Ibid, Article 6.2

<sup>147</sup> Supra note 101, A. Orford, at. p. 140

<sup>148</sup> Supra note 100, Article 7

distribution of income, are satisfied. This is showcased in Article 8 of the Declaration<sup>149</sup> which encourages the states to undertake all the necessary measures for the creation of equality of opportunity for everybody in their access to all the above-mentioned basic needs.

And finally, the Declaration calls for steps to be taken for ensuring the full exercise and progressive enhancement of the right to development, including the formulation, adoption and implementation of policy, legislative and other measures at the national and international levels (Article 10).<sup>150</sup> The incorporation of this article has its own explanation. As mentioned by A. Eide, C. Krause and A. Rosas: “This language was included at the insistence of western governments, who feared that the right to development may be invoked as justification for violating other human rights. These governments also insisted on a reference to the importance of national development policies, while references to the need for international cooperation, equitable economic relations and a favourable economic environment at the international level were more to the liking of Third World governments”.<sup>151</sup> The evolvement of the Declaration is, of course, a great progress for the future of international development. All the articles described above leave an exciting impression and a big hope which may become real one day. But this is just a theory, and the practice shows the opposite with a number of implications, revealed in the process of the realization of the right to development. For instance, the right to development may very often justify the realization of the economic development over human rights which is quite opposite to the notion that “...the promotion of, respect for and enjoyment of certain human rights and fundamental freedoms cannot justify the denial of other human rights and fundamental freedoms...” described in the preamble of the Declaration on Right to Development.<sup>152</sup> This is more typical for the developing countries of the South which practice authoritarian regimes.

The situation does not differ much in the case of the developed states of the North which try to ensure security and stability for the operations of their corporations in the South.<sup>153</sup> For instance, the approach used by many financial institutions (the IMF and the World Bank), donor agencies and TNCs has serious implications for the right to development as it infringes the right of people to participate in decision-making and have a direct contribution to the development processes. The conditions imposed by those institutions lead directly and indirectly to violation of that right. These policies don't care about the realization of the right of people to “participate in, contribute to, and enjoy economic, cultural and political development” as enshrined in Article 1.1<sup>154</sup> of the Declaration on the Right to Development, which is the case with the multilateral and regional trade agreements especially.<sup>155</sup> As

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<sup>149</sup> Ibid, Article 8

<sup>150</sup> Ibid, Article 10

<sup>151</sup> Supra note 106, A. Eide, at p. 129

<sup>152</sup> Supra note 100, Preamble

<sup>153</sup> Supra note 101, A. Orford, at. p. 140

<sup>154</sup> Supra note 100, Article 1.1

<sup>155</sup> Trade and financial liberalization conducted through multilateral and regional trade agreements also limit the extent to which people in all states are able to form the economic, social and cultural policies of their

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described by A. Orford: “The supposedly economic and technocratic changes required by those institutions shape the policy choices available to governments, alter existing constitutional and political arrangements, determine the extent to which people in many states can access health care, education, pensions and social security, shape labour markets and, thus, effect functions that go to the heart of the political and constitutional authority. The detail of the prescriptions imposed by them makes it impossible for the people of target states to determine the nature of the economic, and thus the political system in which they live. People in such states are not free to choose forms of economic or social arrangements that differ from the models chosen by those who work for these institutions”.<sup>156</sup>

The fact that those institutions don’t have any effective mechanism which could hold them accountable to local people is another obstacle for those people in their right to participate in and contribute to development. This goes against the soul of the Declaration of the Right to Development according to which they have the right to create their own model of development where, as described in Article 1.1,<sup>157</sup> ‘all human rights and fundamental freedoms can be fully realized’.<sup>158</sup> On the other hand, these institutions can play an important role in the realization of the right to development and the development at large. As mentioned by O. de Schutter: “Either directly or through subsidiaries or affiliates they have the potential to be important actors in development, not only in that they may contribute to the expansion of exchange and therefore to economic growth, but also in that they may help fulfil a form of development oriented towards the expansion of human capabilities, of which human rights are both a main ingredient and precondition”.<sup>159</sup> To enhance the process of the realization of the right to development, the Working Group on the Right to Development elaborated several principles that are vital for the implementation of the right to development: accountability, transparency, non-discrimination, equity, participation, rule of law and good governance at all

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governments. States signing on to such trade agreements for the purposes of economic development weaken the human rights guarantees of people within their states and on international arena. These agreements give a priority to economic interests over the protection and promotion of series of human rights. For instance, the intellectual property regime embodied in TRIPS considers that traditional, community-based knowledge about seeds and plants is not patentable, while innovative, individually-based knowledge produced by scientific researchers but derived from traditional knowledge is patentable. Corporations patent the genetic properties, and are then able to exploit the intellectual property rights to that genetic material as commodity in the countries from which the knowledge and seeds were first taken. That practice is widely spread in the agrochemical and pharmaceutical industries particularly. As a result, these food and medicines is privatized become more expensive. Thus, economic interests are privileged over human rights such as the right to health or the right to adequate food in this case. See: Supra note 19, A. Orford, at. pp. 157, 167, 169

<sup>156</sup> Ibid, at p. 152

<sup>157</sup> Supra note 100, Article 1.1

<sup>158</sup> Supra note 101, A. Orford, at pp. 152-153

<sup>159</sup> O. de Schutter, “Transnational corporations as instruments of human development”, in Humans rights and development Towards mutual development, Oxford University Press, 2005, at p. 401

levels.<sup>160</sup> These principles are the reflection of the Declaration and should be applied in development process.

Thus, despite the fact that the Declaration on the Right to Development has nicely worded the needs for development and has also identified the ways to its realization, it's still a non-binding instrument and is still far from having totally taken its way from theory into practice. The right to development still needs time, efforts, a properly oriented action and international cooperation for a smooth removal of all the existing obstacles and implications and for its full realization. As stated by the delegation of Cuba during the 9<sup>th</sup> session of the Working Group on the Right to Development: "The gap between developed and developing, nevertheless, countries continues to widen owing to the effect of a number of obstacles: the impact of globalization, unfair trade rules and practices, inadequate international cooperation, reductions in and failure to comply with official development assistance (ODA) commitments, debt burdens and lack of democracy in decision-making in international trade, financial and monetary institutions. These obstacles must be comprehensively addressed by the international community if it wants to move the right to development from conceptual debate to full operationalization".<sup>161</sup>

### **1.3. Linking Right to development and Millennium development goals, and Goal 8 particularly**

Human rights and the Millennium Development Goals (MDG)<sup>162</sup> are interdependent and mutually reinforcing.<sup>163</sup> Yet, they have some differences. Human rights are considered to be long-term while MDGs are concrete, short-term goals. Human rights' implementation is related to the state obligations while the MDGs are mere political goals, therefore, being

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<sup>160</sup> Preliminary concept note: The Right to Development and practical strategies for the implementation of the Millennium Development Goals, particularly Goal 8 (E/CN.4/2005/WG.18/TF/CRP.1), 2 November 2005, Available at: <http://www2.ohchr.org/english/issues/development/taskforce.htm>. Last visited May 2, 2011

<sup>161</sup> Report of the Working Group on the Right to Development on its ninth session (A/HRC/9/17), 10 September 2008. Available at: <http://www2.ohchr.org/english/bodies/hrcouncil/docs/9session/A.HRC.9.17.pdf>. Last visited May 2, 2011

<sup>162</sup> The identified eight MDGs comprise a set of time-bound and measurable goals and designed to decrease poverty, hunger, disease, illiteracy, environmental devastation and discrimination against women. They are a unique approach to these global problems. The Millennium Development Goals are premised on six core values: freedom, equality; solidarity; tolerance; respect for nature; and shared responsibility. They place obligations on both rich and poor governments, but the rich countries bear a bigger responsibility. While the MDGs achievement does not guarantee a universal protection and respect towards human rights, it is believed that the successful implementation of these goals is a step forward to that direction. See: Primer on Development and Aid Effectiveness, IBON international 2007, at p. 15. Available at: [http://hdrnet.org/11/1/primer\\_on\\_aid\\_effectiveness-1.pdf](http://hdrnet.org/11/1/primer_on_aid_effectiveness-1.pdf). Last visited April 29, 2011

<sup>163</sup> UN Development Group, Frequently asked questions on a human rights-based approach to development. Available at: [http://www.undg.org/docs/7658/FAQ\\_en.pdf](http://www.undg.org/docs/7658/FAQ_en.pdf). Last visited May 2, 2011  
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optional.<sup>164</sup> The Millennium Development Goals are reflections to some of the basic needs for the development and require an international commitment to address them. If achieved, they may become a tool for making the right to development an entitlement for every human in the world.<sup>165</sup> As described by the Working Group on Right to Development: “The Millennium Development Goals represent a measurable set of human development objectives the attainment of which is critical for building a more humane, inclusive, equitable and sustainable world, as envisaged in the United Nations Millennium Declaration and the timely attainment of the Goals is critical for the progressive realization of the right to development”.<sup>166</sup> Meanwhile, the Goal 8, global partnership for development, is the one, out of the eight identified and mutually reinforcing goals which stands the closest to the right to development. The Goal 8 is a reflection and the means to the realization of the rest seven goals. The right to development, in the meantime, advocates for the realization of all the human rights in a non-discriminative and participatory manner as the realization of the human rights may create the basis for an appropriate development. This is to be achieved through the active involvement of both developing and developed countries, and the international community, as a whole, which will, of course, require a global partnership for development, namely the Goal 8. Here are the main target fields of the Goal 8 which, if successfully followed, would bring to a valuable success in the process of international development.<sup>167</sup>

- Further develop an open trading and financial system that is rule-based, predictable and non-discriminatory. This requires also a commitment to good governance, development and poverty reduction on national and international levels.
- Address the least developed countries’ special needs, implying tariff- and quota-free access for exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction.
- Address the special needs of landlocked and small island developing States.
- Deal comprehensively with developing countries’ debt problems through national and international measures to make debt sustainable in the long term.
- Develop decent and productive work for youth in cooperation with the developing countries,
- Provide access to affordable essential drugs in developing countries in cooperation with pharmaceutical companies,

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<sup>164</sup> UN Development Group, Summary Report on Linking MDGs and Human Rights: Theoretical and Practical Implications, 2006. Available at: [http://www.undp.org/oslocentre/docs07/SummaryReport\\_OsloWorkshop.pdf](http://www.undp.org/oslocentre/docs07/SummaryReport_OsloWorkshop.pdf). Last visited May 1, 2011

<sup>165</sup> Supra note 128

<sup>166</sup> Supra note 128

<sup>167</sup> Supra note 130, at p. 18

Development requires partnership. MDG 8, Global Partnership for Development, creates a framework for the realization of the right to development and of the development, at large. As stated by Louise Arbour, the High Commissioner: “Development was not only within the primary responsibility of States but also a matter of collective responsibility demanding international cooperation and constructive global partnerships”.<sup>168</sup> For the full realization of the right to development the activities of all the actors involved in the development process require international cooperation and global partnership. The main focus of the High-Level Task Force on Right to Development, for example, involves the identification of areas where there is a need for action on an international level in order to achieve full realization of the right to development, namely: (a) the right to adequate financing for development; (b) the right to equitable global trade rules; (c) the right to fair access to knowledge and technology; (d) the right not to be subjected to discriminatory treatment in the global economy on the basis of political or other non-economic reasons; and (e) the right to effective participation in international economic decision-making.<sup>169</sup>

The international cooperation and global partnership for development form the constituent parts of the right to development and MDG 8, respectively. Both the right to development and MDG 8 require collaboration on the basis of mutual accountability among all the actors involved, with a final aim of the realization of all human rights and identified goals for the implementation of the right to development and MDGs. As described by M. Salomon: “What is needed for MDG 8 to be consistent with the right to development is the removal of structural obstacles to the realization of human rights, a reorganization of the governance and priorities of the global economic system that sustains gross and systematic inequality, and mechanisms for ensuring international accountability related to the exercise of human rights, everywhere”.<sup>170</sup> Kofi Annan also, in his report “In Larger freedom: towards development, security and human rights for all” reflects the importance of global partnership and international cooperation for the realization of development: “Each developing country has a primary responsibility for its own development - strengthening governance, combating corruption and putting in place the policies and investments to drive private-sector-led growth and maximize domestic resources available to fund national development strategies. Developed countries, on their side, undertake that developing countries which adopt transparent, credible and properly costly development strategies will receive the full support they need, in the form of increased development assistance, a more development-oriented

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<sup>168</sup> Supra note 83

<sup>169</sup> Ibid

<sup>170</sup> M. E. Salomon, Briefing note to the 2nd Session of the UN High-Level Task Force on the Implementation of the Right to Development, Addressing Structural obstacles and advancing accountability for Human Rights, A contribution of the Right to Development to MDG 8, Available at:

<http://www2.ohchr.org/english/issues/development/docs/salomon.pdf>, Last visited April 29, 2011

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[www.eufaj.eu](http://www.eufaj.eu), e-mail: [eufaj@libertas-institut.com](mailto:eufaj@libertas-institut.com)

trade system and wider and deeper debt relief”.<sup>171</sup> This speaks about the need for the establishment of a partnership of a global character.

It may be so, that some countries, especially the developed ones, don't depend on the need for the achievement of Millennium Development Goals and on the realization of the right to development for all. Thus, there is no need for them to enter any form of global partnership or international cooperation. But, the international community doesn't consist of developed countries only. Developing countries are the full right-holders of the resources of the Earth planet and their problems should definitely be heard and addressed. As stated by M. Bedjaoui: “The international dimension of the right to development is nothing other than the right to an equitable share in the economic and social well-being of the world.”<sup>172</sup> Thus, the MDG 8 on a Global Partnership for Development may become a strong tool for the implementation of the right to development.

## **2. Human rights based approach: new perspective for development cooperation**

### **2.1. Applicable principles and policies**

A rights-based approach<sup>173</sup> to development is a framework that integrates the norms, principles, standards and goals of the international human rights system into the plans and processes of development.<sup>174</sup> It puts an emphasis on the rights and responsibilities and removes the charity dimension of development. The rights-based approach to development establishes the concept of duty bearers and rights holders. According to this approach, the marginalized and poor people are not beneficiaries, but rights-holders who are enhanced with the capacity to claim their rights from the established duty bearers, such as the states and the others. Along with the concept of the rights-holders and duty-bearers, rights-based approach incorporates the notion of accountability into the development process where the development

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<sup>171</sup> UN Secretary General Kofi Annan, Report of the Secretary General: “In Larger Freedom: Towards Development, Security and Human Rights” (A/59/2005), 21 March 2005. Available at: <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N05/270/78/PDF/N0527078.pdf?OpenElement>. Last visited May 1, 2011

<sup>172</sup> Supra note 108, J.H. Steiner, at p. 1447

<sup>173</sup> A rights-based approach is a conceptual framework for the process of human development that is normatively based on international human rights standards and operationally directed to promoting and protecting human rights. (Mary Robinson, UN High Commissioner for Human Rights 2001)

The human rights approach to development means empowering people to take their own decisions, rather than being the passive objects of choices made on their behalf. (DFID 2000b: 7)

A rights-based approach to development describes situations not simply in terms of human needs, or developmental requirements, but in terms of society's obligations to respond to the inalienable rights of individuals, empowers people to demand justice as a right, not as a charity, and gives communities a moral basis from which to claim international assistance when needed. (Kofi Annan, UN Secretary-General 1998). See: A. Nyamu-Musembi, C. Cornwall, What is the “rights-based approach” all about? Perspectives from international development agencies, IDS Working Paper 234, 2004, at p. 13. Available at:

[www.ids.ac.uk/download.cfm?file=wp234.pdf](http://www.ids.ac.uk/download.cfm?file=wp234.pdf), Last visited May 2, 2011

<sup>174</sup> Ibid, at p. 9

is recognized to be not for people, but by people.<sup>175</sup> The rights-based approach strives to analyze the obstacles, impeding the development process as well as suggest solutions for proper development.<sup>176</sup> To improve the situation of poor and marginalized people who are deprived of their right to development, the rights-based approach focuses on their needs, problems and potentials with a high emphasis on human rights, which is the cornerstone of rights-based approach.<sup>177</sup> As described by J. Kirkemann Boesen and T. Martin: “It is central to the premise of rights-based approach that human beings have inalienable rights and a deprivation of needs can often be addressed as a denial of rights<sup>178</sup>. In other words, clean drinking water is not only something you need, it is also something you have a right to have as a human being”.<sup>179</sup> Here is an illustration of development thinking elaboration, introduced by the right-based approach, with a comparison among charity-, needs- and rights-based approaches to the development from the publication “Applying a rights-based approach an inspirational guide for civil society” by J. Kirkemann Boesen and T. Martin:<sup>180</sup>

Focus on input not outcome	Focus on input and outcome	Focus on process and outcome
Emphasizes increasing charity	Emphasizes meeting needs	Emphasizes realizing rights
Recognizes moral responsibility of rich towards poor	Recognizes needs as valid claims	Recognizes individual and group rights as claims toward legal and moral duty-bearers
Individuals are seen as victims	Individuals are objects of development interventions	Individuals and groups are empower
Individuals deserve	Individuals deserve assistance	Individuals are entitled to assistance
Focuses on manifestation of problems	Focuses on immediate causes of problems	Focuses on structural causes and their manifestations

The rights-based approach has been illustrated within the UN system as well. In the UN Programme for Reform, launched in 1997, Kofi Anan, the Secretary-General, encouraged the

<sup>175</sup> J. Kirkemann Boesen, T. Martin, Applying a rights-based approach an inspirational guide for civil society, The Danish Institute for Human Rights, 2007, at p. 4. Available at: <http://www.humanrights.dk/files/pdf/Publikationer/applying%20a%20rights%20based%20approach.pdf>. Last visited May 1, 2011

<sup>176</sup> Supra note 131

<sup>177</sup> Supra note 143, at p. 9

<sup>178</sup> Fundamental human needs are the basis of human rights, meanwhile they have some differences:

- Human rights stand over the notion of physical needs and include a more holistic perspective of human beings in terms of their civil, political, social, economic, and cultural roles. Rights require obligations and responsibilities, whereas needs do not. Rights can be addressed only if there is a clarity of duty-bearers who have the obligations in relation to those rights.
- People may be thankful when their needs are met; this is not the case with the fulfillment of human rights. See. Supra note 143, at p. 9

<sup>179</sup> Ibid

<sup>180</sup> Ibid, at p. 10



UN system institutions to incorporate human rights into their activities and programmes in accordance with their mandates. This has been followed by the inclusion of a human rights-based approach into the development cooperation of most of the UN entities. Anyway, each entity has elaborated its own understanding of the approach.<sup>181</sup> However, the UN interagency cooperation in the field of the rights-based approach became more fruitful with an adoption of a common understanding, implying the incorporation of common policies and practices in the field. The UN Interagency statement of Common understanding, followed by a number of interagency meetings and exchanges of experiences in the field of Rights-based approach, was adopted in 2003. The Statement on “The Human Rights-based approach to Development Cooperation: Towards a Common Understanding Among UN Agencies” has since been supported by the United Nations Development Group (UNDG) and has been included in the CCA/UNDAF (Common Country Assessment/ United Nations Development Assistance Framework) guidelines.<sup>182</sup>

The Statement reads as follows:

1. All programmes of development co-operation, policies and technical assistance should further the realization of human rights as laid down in the Universal Declaration of Human Rights and other international human rights instruments. This means that the programme activities should not promote the human rights incidentally, but to directly contribute to their realization.<sup>183</sup>
2. Human rights standards contained in, and principles derived from, the Universal Declaration of Human Rights and other international human rights instruments guide all development cooperation and programming in all sectors and in all phases of the programming process. The sectors of development programming include governance, employment, health, education and many others. The developing programming in any of these fields should adhere to internationally acknowledged human rights standards. Moreover, these principles should accompany the developing programming in all the phases of its implementation, namely,

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<sup>181</sup> UNDP has incorporated the human rights-based approach in its Multi-Year Funding Framework (MYFF) and has a number of publications on human rights integration into its development work. UNICEF has integrated a HRBA in its programming manual. WHO has released a user-friendly pamphlet on “Twenty five Questions and Answers on Health and Human Rights.” The OHCHR has done the same regarding development and human rights along with a Guidance Note on Human Rights and MDGs. Apart from this, OHCHR has prepared a concept paper (2004) and draft guidelines (2002) on human rights and poverty reduction strategies (PRSPs). Likewise, many bilateral donors, such as CIDA, DANIDA, DFID, OECD-DAC, and SIDA have made HRBAP a priority in development cooperation. See: Capacity Development Group Bureau for Development Policy, Applying a human rights-based approach to development cooperation and programming, September 2006, at p. 15. Available on the internet at: <http://lencd.com/data/docs/252-Applying%20a%20Human%20Rights%20based%20Approach%20to%20Development%20Co.pdf>. Last visited May 1, 2011

<sup>182</sup> Ibid

<sup>183</sup> The Human-Rights based approach to development cooperation: Towards a Common understanding among UN Agencies, at p. 1. Available on the internet at: [http://www.unescobkk.org/fileadmin/user\\_upload/appeal/human\\_rights/UN\\_Common\\_understanding\\_RBA.pdf](http://www.unescobkk.org/fileadmin/user_upload/appeal/human_rights/UN_Common_understanding_RBA.pdf). Last visited May 24, 2011

planning, implementation, monitoring and evaluation. These are the basic human rights principles guiding the development process: inalienability; indivisibility and interdependence; non-discrimination and equality; participation and inclusion; accountability.<sup>184</sup>

#### A: Inalienability, Indivisibility and Interdependence

As stated in Article 1 of the UDHR, “All human beings are born free and equal in dignity and rights”.<sup>185</sup> This means every human being on this planet has the right to enjoy his/her human rights. Human beings are born with their rights which cannot be granted or taken away. Human rights are indivisible. No right can be given a priority over the other one and the realization of one right cannot be justified in violation of the other one. Human rights are interdependent. The realization of one right depends on the realization of the others. If someone has been deprived of the right to education, this may lead to the violation of their right to work, for instance.<sup>186</sup>

#### B: Empowerment and Participation

The principles of empowerment and participation imply that all people are entitled to participate actively and meaningfully in society to the maximum of their potential. Participation is, thus, not only a method to ensure ownership and sustainability in the development, but also envisages empowerment and public participation. It requires the provision of a supportive environment, including institutions and information that can enable people's access to the public decision-making processes and the exercise of power, in general. Increasing participation signifies a process by which people's ability to exercise their influence or claim their rights is improved. With the help of that people are given control over the means, necessary to control their own lives. Empowerment and participation should be enshrined both in the process of development and as a fundamental goal of development itself. Consequently, people, whose rights are deprived, must be brought to the centre of the development process.<sup>187</sup>

#### C: Equality and Non-Discrimination

Human beings are equal by virtue of their dignity. All human beings should be treated equally and with no discrimination on the grounds of race, color, sex, ethnicity, age, language, religion, political or other opinion, national or social origin, disability, property, birth. Development requires that all human beings have equal access to the process and benefits of development. Therefore, mechanisms should be established to address discrimination, inequality, and vulnerability.<sup>188</sup>

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<sup>184</sup> Ibid, at. p. 2

<sup>185</sup> Supra note 88, Article 1.

<sup>186</sup> Supra note 151, at p. 2

<sup>187</sup> Supra note 143, at p. 42

<sup>188</sup> Ibid

## D: Accountability

Accountability issue is mostly concerned with the responsibility of the duty-bearers towards the rights-holders and the duty of the state to observe the implementation of human rights and the extent of compliance to the standards, laws and policies. If states appear to be unable to guarantee any right, a redress mechanism, with accessible, transparent and effective infrastructures, should be available. The level of accountability in the development process can be considered achieved if the rights-holders and duty-bearers are identified and both are aware about their rights and responsibilities.<sup>189</sup>

3. The programmes of development cooperation contribute to the development of the capacities of the duty-bearers to meet their obligations and of the 'rights-holders' to claim their rights. The incorporation of the concept of the duty-bearers and rights-holders is one of the most important innovations by the rights-based approach. The concept develops the capacities of the duty-bearers for the implementation of their obligations and of the rights-holders to know and claim their rights. One of the most fundamental dynamics of the human rights, and, consequently, of the rights-based approach, is that every human being is a rights-holder and has a corresponding duty-bearer.<sup>190</sup> A rights-holder,

- is entitled to rights
- is entitled to claim rights
- is entitled to hold the duty-bearer accountable
- has a responsibility to respect the rights of others<sup>191</sup>.

And those who have the obligation to respect, protect and fulfil the rights of the rights-holder are duty-bearers.<sup>192</sup> The state bears the main responsibility for complying with the human rights obligations. This responsibility spreads over all the entities of the state, such as parliaments, ministries, local authorities, judges and justice authorities, police, teachers or extension workers. They are the legal duty-bearers. There exists the notion of a moral duty-bearer, as well. This refers to the individuals and entities that also have the power to impact human rights.<sup>193</sup> As stated by J. Kirkemann Boesen and T. Martin: "The greater the power the larger the obligation to fulfil and especially to respect and protect the human rights of others. In this sense private companies, local leaders, civil society organizations, international organizations, heads of households, and parents, and in principle every individual are moral duty-bearers. The state as a legal duty-bearer also has a duty to regulate the actions of moral duty-bearers – e.g. parents, companies etc. – to ensure that they respect human rights".<sup>194</sup>

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<sup>189</sup> Ibid, at p. 43

<sup>190</sup> Supra note 151, at p. 3

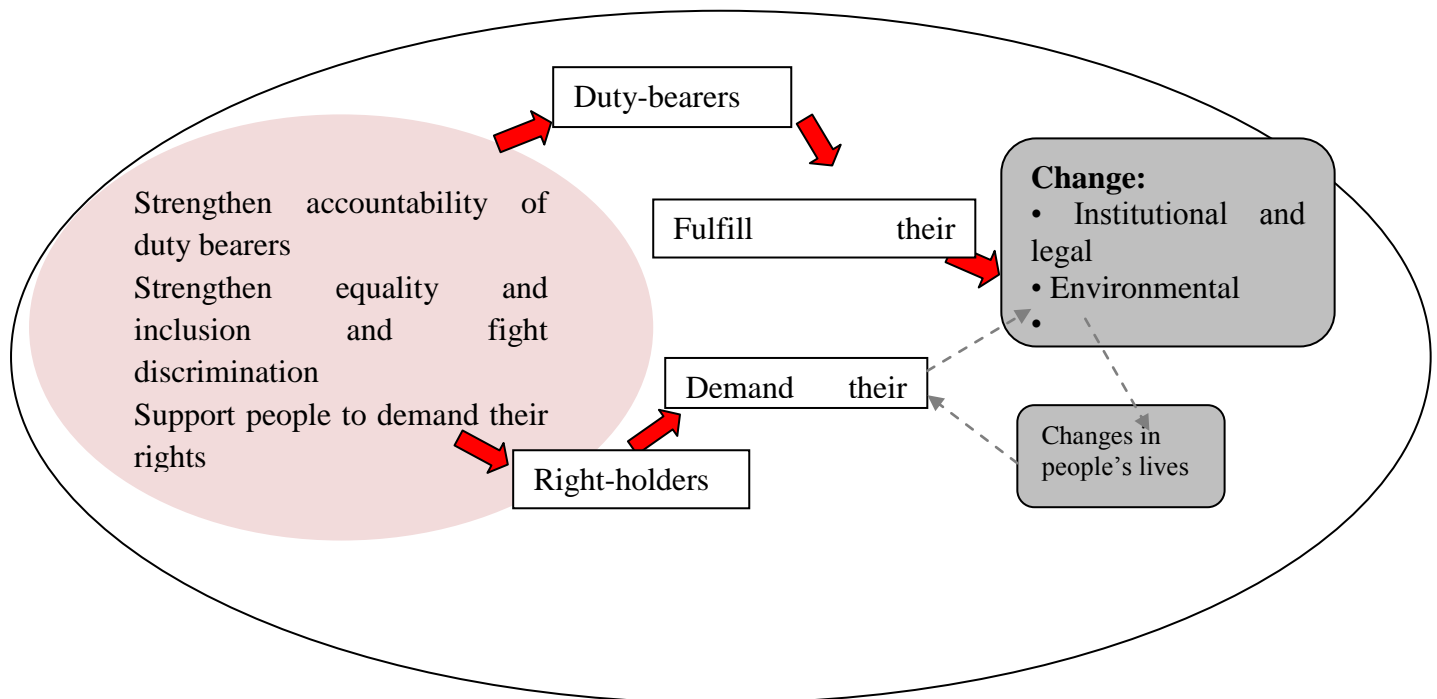
<sup>191</sup> Supra note 143, at p. 11

<sup>192</sup> Ibid

<sup>193</sup> Ibid

<sup>194</sup> Ibid

Here is another nice illustration, showcasing the rights-based approach and the relationship between the duty-bearers and the rights-holders. It stems from the publication “Applying a rights-based approach an inspirational guide for civil society” by J. Kirkemann Boesen and T. Martin:<sup>195</sup>



Thus, the rights-based approach empowers those who are poor and marginalized, giving them their right to development, as well as embraces those who are in power and are accountable to fulfil their responsibilities towards those with less power. It also supports the rights-holders in claiming their rights and participating in political, economic and social decision-makings which impact their lives.<sup>196</sup> As illustrated in the diagram above, it has a final goal to bring a positive change to people’s lives as a result of the development process where all the above-mentioned policies and principles are considered.

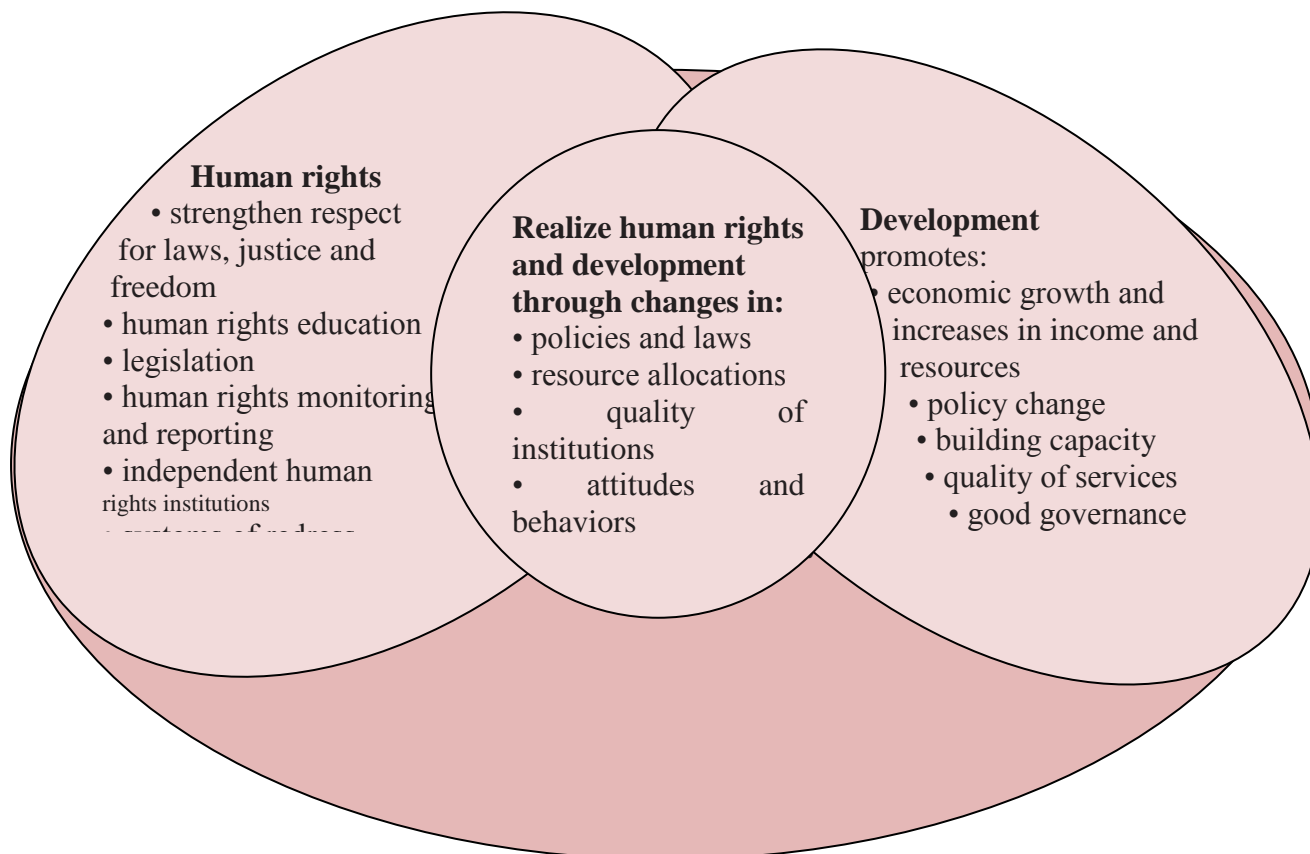
The following illustration from the publication “Applying a rights-based approach an inspirational guide for civil society” by J. Kirkemann Boesen and T. Martin showcases the rights-based approaches: combining human rights, development and activism:<sup>197</sup>

<sup>195</sup> Ibid

<sup>196</sup> J. Theis, Promoting Rights-Based Approaches Experiences and Ideas from Asia and the Pacific, Save the Children 2004, at p. 4. Available on the internet at:

<http://www.crin.org/docs/resources/publications/hrbap/promoting.pdf> .Last visited May 1, 2011

<sup>197</sup> Supra note 164, at p. 12



## 2.2. Development aid and conditionality in the context of development cooperation

“Aid is only effective if it achieves good development results, and good development results are not possible if gender inequalities persist, environmental damage is accepted, or human rights are abused”<sup>198</sup>, says Mary Robinson, former UN High Commissioner for Human Rights Development. Aid, along with the access to markets through preferential trade liberalization, incentives to increase investment flows and transfer of technology, debt forgiveness, and assistance to meet financial crises and other emergencies, is one of the instruments of the international economic cooperation which serves as a collaboration ground between donor governments and developing countries.<sup>199</sup> As identified in the Better Aid proposals for substantive themes for the 4th High Level Forum on Aid Effectiveness: “Development aid aims to address the root causes and symptoms of poverty, inequality and marginalization if it is to work and serve development for all. Such an agenda must aim, besides contributing to the reduction of poverty, at realizing the right to development of all communities, which, in turn, will promote the realization of all human rights”.<sup>200</sup>

<sup>198</sup> OECD, Human rights and aid effectiveness: key actions to improve inter-linkages, at p. 1. Available on the internet at: <http://www.oecd.org/dataoecd/13/63/43495904.pdf>. Last visited April 30, 2011

<sup>199</sup> Supra note 84, A. Sengupta, at p. 879

<sup>200</sup> BetterAid proposals for substantive themes for the 4th High Level Forum on Aid Effectiveness. Available on the internet at: [https://www.forumsyd.org/upload/tmp/Ettan/BetterAid\\_proposals\\_for\\_HLF422.pdf](https://www.forumsyd.org/upload/tmp/Ettan/BetterAid_proposals_for_HLF422.pdf). Last visited May 1, 2011

Along with the claims of the South for the realization of their human right to development, starting from early 1980s, most of donor countries (mostly Scandinavian countries, the Netherlands and Canada, followed by the EU as well) were becoming convinced that development cooperation was not to be built with the countries, where there is a catastrophic situation with human rights. This meant that donor countries had the right to freeze the development cooperation if there was a continuous and drastic deterioration of the human rights situation in the receiving countries (so called “negative conditionality”). Meanwhile, the development projects themselves were aimed at creating a conducive environment for the protection and promotion of human rights (so-called ‘positive measures’).<sup>201</sup> The transfer of conditionality from economic to political criteria became popular at the end of the cold war, having the critics of development aid failures in the past. The lack of accountability and responsibility, the need for rule of law, transparency in decision-making, reduction of military expenditure and suppression of corruption changed the direction of the development aid, resulting in with a significant focus on the human rights situation in the receiving countries.<sup>202</sup> Some bilateral donors, especially the USA, already applied human rights in their development aid activity in the form of so-called “negative” conditionality, implying the suspension, freeze or decrease in development aid in those receiving countries where violations of civil and political rights had been reported. This was a response to cases of censorship, arrests of political party leaders, mainly, but not denial of the right to education for poor children or land for the rural poor. Therefore, conditionality may be identified with the violation of civil and political rights, only bringing to the situation where the indivisibility of human rights, one of the basics of human rights framework, is ignored. Nevertheless, the resort to conditionality, as a justification for economic, social and cultural violation, would not be approved as well.<sup>203</sup> This will be discussed below in more details.

Conditionality takes a number of different forms. But the core principle doesn’t change: donors are using financial pressure to influence over the actions in human rights field in receiving states.<sup>204</sup> As defined in the Primer on Development and Aid effectiveness: “Conditionality may be defined as the application of specific, predetermined requirements that directly or indirectly enter into a donor’s decision to approve or continue to finance a loan or grant”.<sup>205</sup> Conditionalities can be divided into three categories:<sup>206</sup>

1. Prior actions – these are the actions taken by the government before any lending, to showcase its commitment to a development aid programme.

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<sup>201</sup> Supra note 90, M. Nowak, , at p. 44

<sup>202</sup> K. Tomasevski, Between sanctions and elections: aid donors and their human rights performance, Continuum Intl Pub Group, 1997, at p. 10

<sup>203</sup> Ibid, at p. 12

<sup>204</sup> Supra note 130, at p. 36

<sup>205</sup> Supra note 130, at p. 35

<sup>206</sup> Ibid



2. Performance criteria, or ‘trigger’ conditions – these are periodic conditions that must be met over the course of a development aid agenda in order to realize a further transfer of money, dependent on how well a country meets performance criteria.
3. Structural benchmarks – this is to ensure that a programme is ‘on the right way’.

In terms of purpose, there can be distinguished the following forms of conditionality:<sup>207</sup>

- Fiduciary conditionality: This is to deal with the financial management of funds and the public accountability with regard to those funds. This form of conditionality aims at ensuring that there is no deviation from the fund purpose, intended and that the funds are directed to the achievement of the purpose in the most efficient manner.
- Policy conditionality/economic policy conditionality: This implies conditions for the implementation of the policies, considered to be essential for the achievement of general development goals.
- Process conditionality: This makes an emphasis on the process of planning, adopting and/or implementing policies rather than their content or the management of funds. Process conditionality is generally directed to the enhancement of the transparency and representativeness of governance.
- Outcome conditionality: This relates to measurable outcomes, such as, GDP growth, poverty reduction rather than the content of programme, management of funds or the process of the implementation for the achievement of the goals. This form of conditionality is of importance for the concepts of the results orientation in aid and output-based aid.

On the one hand, human rights conditionality seem to bear a positive notion for the realization of human rights law by recipient governments as it keeps them accountable to their own population for their human rights obligations enshrined in relevant international treaties, but on the other hand, donor governments do not have the legal authority, necessary to blame another government for violation of human rights. This is to be considered the violation of national sovereignty. Furthermore, donors’ choice of countries whose development aid was frozen because of human rights violations is not in line with the listing of countries on the human rights agenda of the United Nations.<sup>208</sup>

Conditionality brings into scene a lot of negative things. As described by K. Tomasevski: “Human rights appear to be separated from their grounding in the rule of law and removed into the realm of political conditions, selectively enforced through external monitoring and

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<sup>207</sup> Ibid, at p. 37

<sup>208</sup> Supra note 171, K. Tomasevski, at p. 84

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policing, with donors combining the role of investigator, judge and executioner of sanctions”.<sup>209</sup>

According to the Institute of International Law, the government, imposing sanctions should, take into account the interests of individuals and of the third states, as well as the effect of such measures on the standard of living of the population concerned. This is to conclude that the population of the sanctioned country appears to be merely an object which is against the international law. It is acceptable in international and international human rights law that the people should be treated as subjects of rights.<sup>210</sup> Sanctions in the form of conditionalities do not differentiate between non-innocent and innocent parties unlike the rules of warfare, which encourage the protection of civilians. As mentioned by K.Tomasevski: “The use of sanctions challenges the essential principle of humanitarian law whereby civilians should not be purposefully harmed, in trying to punish ‘a state’ sanctions necessarily victimize its population and result in double victimization”.<sup>211</sup> Conditionalities appear to be indiscriminate as they target the state because the state is legally responsible and accountable for the alleged human rights violations and should be sanctioned and penalized. While, the ordinary population is affected by the suspension of development aid because of indiscriminate sanctions, those in power in the state easily manage to place themselves out of the reach of sanctions, exposing the population to victimization.<sup>212</sup> Therefore, the individualization of responsibility and accountability for human rights violations, and of sanctions is a step forward to effective human rights enforcement. Sanctions should discriminate so as to target and affect those categories that are in the capacity to change the governmental policy which had resulted in sanctions.<sup>213</sup>

The discussions about the character of conditionality have been conducted on global and regional levels. The final document of the Vienna Declaration and Program of Action, for example, referred to conditionality in a negative sense: “The promotion and protection of human rights and fundamental freedoms at the national and international levels should be universal and conducted without conditions attached”.<sup>214</sup> The Final Declaration of the Regional Meeting for Asia of the World Conference on Human Rights also expressed against conditionality, discouraging any attempt to use human rights as conditionality for extending development assistance.<sup>215</sup>

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<sup>209</sup> Ibid, at p. 215

<sup>210</sup> Ibid, at p. 217

<sup>211</sup> Ibid, at pp. 215, 218

<sup>212</sup> Ibid, at pp. 218, 219

<sup>213</sup> Ibid, at p. 219

<sup>214</sup> Supra note 90, para. 8

<sup>215</sup> Final Declaration of the Regional Meeting for Asia of the World Conference on Human Rights 1993, at para 4. (A/CONF.157/ASRM/8 A/CONF.157/PC/59). Available on the internet at:

<http://www.unhchr.ch/Huridocda/Huridoca.nsf/TestFrame/9d23b88f115fb827802569030037ed44?Opendocument>. Last visited 2 May, 2011

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The imposition of conditions on the development aid, provided to the developing countries by the donor countries and agencies, may cause unfortunate effects. First of all, it brings to the situation when developing countries are limited in their choice for the development policy which they are going to elaborate on and live with. Secondly, the citizens of those countries very often appear to be out of the decision-making framework imposed by development aid, though those decisions may heavily affect their lives. This is a restriction in the right to the development of people, coming from developing countries who have to be dependent on the decisions of the others. This is a huge impediment to development process.<sup>216</sup> Conditionality sometimes is a response to activities in the past rather than a condition for the future, like the suspension of aid in response to a widely publicized massacre. The recipient government is unable to bring back the lost lives. The maximum in the scope of its power is the identification and punishment of perpetrators, safeguards to victims' families and against repetition of such a huge violation of human rights.<sup>217</sup> It is also important to mention that the imposition of financial, trade and economic conditionalities results in a systematic violation of economic, social and cultural rights.<sup>218</sup> Therefore, to provide aid effectiveness and promote development process, the following principles of conditionalities, outlined in the Paris Declaration and confirmed in the Accra Agenda for Action<sup>219</sup>, are essential to be followed:<sup>220</sup>

Ownership: the developing countries will facilitate effective control over their development policies, strategies, and coordinate development actions;

Alignment: the donor countries will orientate their support according to the recipient countries' national development strategies, institutions, and procedures;

Harmonization: the donor countries will work in a manner so that their actions are more harmonized, transparent, and collectively effective;

Managing for results: all the countries will manage resources and improve decision-making for results;

Mutual accountability: the donor and developing countries pledge to a mutually accountable process for the development results.

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<sup>216</sup> Supra note 130, at p. 39

<sup>217</sup> Ibid, at p. 12

<sup>218</sup> Ibid, at p. 225

<sup>219</sup> The Paris Declaration on Aid Effectiveness, agreed to in March 2005, establishes commitments for donor and partner countries to support more effective aid in a context of development cooperation. It intends to reform the delivery and management of aid in order to achieve its effectiveness. The reforms are intended to "increase the impact of aid [...] in reducing poverty and inequality, increasing growth, building capacity and accelerating the achievement of the MDGs". See: Supra note 48, at p. 41. Declaration available on the internet at: <http://www.mfdr.org/sourcebook/1stEdition/2-1Paris.pdf>. Last visited May 2, 2011

<sup>220</sup> Supra note 130, at p. 41

Thus, following the principles described, it is important that the notion of the mutual accountability<sup>221</sup> between the developing and developed states is established and enhanced. As described by A. Sengupta: “It is imperative that whatever conditionality or obligations the developing countries have to take up should be seen by them as being in their own interest and should be monitored mostly by them. In a rights-based approach, this is particularly important to ensure equality of treatment”.<sup>222</sup>

The donors are concerned about the purposes their funds are directed to by recipient countries as aid ineffectiveness impedes the process of development. Using conditionalities, they try to reach the development objectives, but when the imposed conditionalities are not agreed with the recipient countries this goes against the rights-based approach. But if they are agreed between the donor and recipient governments according to the principles mentioned above, if they are grounded on the notion of mutual accountability for the implementation of the development programs in all its stages: planning, implementation and monitoring, it may bring to an effective for the realization of the right to development, and the development at large.<sup>223</sup>

### **3. Linking Right to Development and Human rights based approach: future perspectives**

#### **3.1. Mutual reinforcement: impacting on the future of international development**

As showcased in the Chapter 1 and Chapter 2, the right to development and human rights-based approach are the notions which may have a positive impact on international development if properly developed. Chapter 3 is aiming to show the interdependent and mutually reinforcing nature of these two notions and perspectives for their joint development and impact on the future of international development. The realization of the right to development implies the application of a rights-based approach which means:<sup>224</sup>

- pressure decision-makers to change policies, laws, programmes and budget allocations
- mobilize people to demand changes in policies and resource allocations
- utilize mass media to raise awareness and to report abuses of power and rights violations
- establish and monitor standards, rules and procedures.

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<sup>221</sup> DFID’s new policy on conditionality, for example, mentions both the human rights commitments and the major human rights violations as a basis for justification of the aid suspension, though the latter aspect brings about the most active discussions. The Memorandum of Understanding with Rwanda is one example of a mutual accountability framework. Rwanda has signed four MOUs (with the UK, the Netherlands, Sweden, and Switzerland). The UK MOU includes references to human rights as shared commitment of governments (to meet aid effectiveness principles); as well as references to the government of Rwanda’s human rights and commitments. The methodology for assessing whether the MOU commitments have been met is usually based on annual independent reports rather than self reviews by governments. See: Supra note 67, at p. 17

<sup>222</sup> Supra note 84, A. Sengupta, at. p. 881

<sup>223</sup> Ibid, at. p. 880

<sup>224</sup> Supra note 164, at p. 6

- audit the quality of government services
- monitor and report human rights violations
- establish and support human rights watchdog organizations and functions
- educate the public and decision-makers about human rights
- use courts to claim entitlements and to achieve justice and equality

If all the above-mentioned methods, comprising the notion of the rights-based approach are followed, the realization of the right to development is imminent as this goes in line with Article 3 of the Declaration on the Right to Development<sup>225</sup>, i.e. all the above-mentioned creates the conditions for the realization of the right to development where the state is the main actor and the duty-bearer towards the population under its jurisdiction, as enshrined in Chapter 1.<sup>226</sup> Here is the framework of state regarding the human rights obligations, suggested by Steiner and Alston, which, if followed, would definitely create favourable conditions for the realization of the right to development (Article 3 of the Declaration on Right to Development)<sup>227</sup>, implying also the incorporation of the rights-based approach: a. respect rights of the others, b. create institutional machinery essential to realization of rights, c. protect rights and prevent violations, d. provide goods and services to satisfy rights and e. promote rights.<sup>228</sup> This is to be further converted into the rights-based approach, with the right of the state requiring its application during the implementation of any development agenda in the territory of its jurisdiction in accordance with the national development policies.

As showcased in Chapter 2, the rights-based approach encourages such a development where there is not only a mere satisfaction of people's needs, but also an understanding and claim by the same people of their own rights showcased in the Universal Declaration on Human Rights. As described by A. Nyamu-Musembi and C. Cornwall: "This entails (1) work with duty-holders – generally, the state, but also, increasingly, non-state actors – to strengthen their capacity to respond and be accountable in protecting, respecting and fulfilling human rights, (2) work to build the capacity of citizens to claim their rights, by working alongside them as advocates and by seeking to provide opportunities for people to empower themselves."<sup>229</sup> This means the individuals or the people should be recognized as the active participants of the development process and benefit from the outcome (Article 2 of Declaration on Right to Development),<sup>230</sup> namely, to exercise their right to development. The right to development is real when there is a realization of human rights, entitled the rights-based approach. As described by A. Sengupta: "Development should be carried out in accordance with the international human rights standards, as a participatory, non-discriminatory, accountable and

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<sup>225</sup> Supra note 100, Article 3

<sup>226</sup> Supra note 87, K. Feyter, at p. 64

<sup>227</sup> Supra note 100, Article 3

<sup>228</sup> Supra note 84, A. Sengupta, at p. 856

<sup>229</sup> Supra note 141, at p. 45

<sup>230</sup> Supra note 100, Article 2

transparent process with equity in decision-making and sharing of the fruits of the process.<sup>231</sup> The right to development and rights-based approach are interdependent and mutually reinforcing. If there is no either rights-based approach or right to development, there is no chance for an appropriate international development. The realization of the right to development goes in line with the rights based approach impacting on and resulting in an appropriate international development. The success of the process is dependent on different factors.

Firstly, there can be no justification of violation of some human rights in favour of development. Development should no way be measured by economic goals, such as growth, debt repayment, foreign investment and economic liberalization putting on hold the human rights factor.<sup>232</sup> Therefore, it's important to mention that human rights are indivisible. As stated by M. Bedjaoui: "There is no universality of human rights without the development of all human beings. The development of individuals and peoples, and of all individuals and of all peoples, is the fundamental precondition for the effective realization of such universality".<sup>233</sup> Development is not based on growth with high indicators of economic development. As described by D. Aguirre: "It is possible to achieve human development even with slow rates of growth. Policies that ensure a process of development based on social services, social safety nets, economic access and social integration can be achieved at low levels of economic growth and with little foreign investment. Policy focused on public services, investment in health and education and affirmative action have assured human rights foundation for future economic growth".<sup>234</sup> Nowadays, the industrialization and economic growth are not any more the main cornerstones of development; they should be accompanied by the realization of all human rights, meaning the civil and political, as well as economic, social and cultural rights. As stated by Nowak: "Countries are no longer considered 'highly developed' simply because they have positive macro-economic statistics, but because of the number of people that have access to efficient education and health care, work, food, housing, social security, democratic governance, independent courts and a critical civil society and are able to live in safety and without discrimination, in other words, when poverty has been fought successfully and 'all human rights for all' have been implemented to the greatest extent possible".<sup>235</sup> Development is considered to be on a right way when the whole population is provided with the minimal standards of housing, education, and health. As stated by N.J. Udombana: "Development means that all people are reasonably clothed and fed. It means that in hard times, such as unemployment, minimum assistance is available for those in need. These, in broad terms, are the accepted results of development".<sup>236</sup> In other words, the implementation of the right to development embodies in itself growth with equity. As

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<sup>231</sup> Supra note 84, A. Sengupta, at p. 846

<sup>232</sup> Supra note 101, A. Orford, at p. 141

<sup>233</sup> Ibid

<sup>234</sup> D. Aguirre, *The human right to development in a globalized world*, Ashgate Publishing, 2008, at p. 54

<sup>235</sup> Supra note 20, M. Nowak, p. 45

<sup>236</sup> N.J. Udombana, "The third world and the right to development: Agenda for the next millennium" in *Human Rights Quarterly*, volume 22, Nr.3 (2000), p.753-788, p. 4

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described by the Working Group on Right to Development: "Development has to be grounded in economic policies that foster growth with social justice. The need to build synergies between growth-oriented development strategies and human rights is a response to the growing call by people for more empowerment, more ownership and more sustainability in development efforts. The right to development enriches such strategies through systematically incorporating human rights and the principles of transparency, equality, participation, accountability and non-discrimination into the development processes, at both national and international levels".<sup>237</sup>

Secondly, the responsibility of development should not be left with the developed countries only, and should involve international cooperation. Though, the developed countries remain the ones bearing a bigger burden in the implementation of the right to development which, if properly realized, could positively impact the international development.<sup>238</sup> As stated by President Bush in his March 22, 2002 speech to the U.N. Conference on Financing for Development in Monterrey, Mexico: "We must accept a higher, more difficult, more promising call. Developed nations have a duty not only to share our wealth, but also to encourage sources that produce wealth: economic freedom, political liberty, the rule of law and human rights."<sup>239</sup> Meanwhile, developing countries also should bear the responsibility for the development of their countries with the consideration of local priorities and specialties which may include political, cultural and social ones.<sup>240</sup> N.J. Udombana is right stating: "Development can be neither exported nor imported. It presupposes taking into consideration numerous economic, technical and social parameters and establishing priorities and setting growth rates on the basis of knowledge of needs, conditions and external possibilities. It presupposes the participation of the entire people inspired by a common ideal, and individual and collective creativity in devising the most adequate solutions to problems arising from local conditions, needs and aspirations".<sup>241</sup> With reference to the High Commissioner's for Human rights verbal note of 12 August 2005 on the High Level Task Force on the implementation of the Right to Development and commenting on the preliminary concept note on the High Level Task Force on the implementation on the Right to Development, the Federal German Government stated: "Developing states themselves are in the position to contribute to the realization of the right to development, e.g. through legal reform processes since the Right to Development is concerned with both the process and the outcomes of development. We would not want to lose sight of the fact that even though the international community has the obligation to complementarily support developing states in their development efforts, the primary duty for granting an enabling environment to their people lies with the developing

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<sup>237</sup> Supra note 83

<sup>238</sup> Supra note 110. N.J. Udombana, at, p. 4

<sup>239</sup> United States President George W. Bush. Speech of the President at the United Nations Financing for Development Conference, Monterrey, Mexico (22 March, 2002). Available on the internet at: [http://www.pbs.org/newshour/updates/march02/bush\\_3-22.html](http://www.pbs.org/newshour/updates/march02/bush_3-22.html). Last visited May 24, 2011

<sup>240</sup> Supra note 110, N.J. Udombana, at, p. 34

<sup>241</sup> Ibid

states concerned respectively. We would like to make clear that the Right to Development does not entail any specific legal obligation of individual states vis-à-vis any other particular state but only establishes the obligation of the international community as a whole, eventually presented by groups of states, to support and promote the development efforts of developing countries, particularly by creating an enabling international environment regarding issues such as trade, debts and human rights”.<sup>242</sup>

Therefore, to achieve the realization of the right to development, a triangle-type cooperation between the private actors, the state and the international community should be established. This is how D. Aguirre describes the triangle cooperation in sharing the responsibilities to ensure the implementation of the right to development: “The members of this triangle have legal duties in overlapping areas of human rights law. Three interrelated levels of responsibility are required to ensure the fulfilment of obligations. If the international community fails to ensure a system in which states are capable of regulating domestically-or actively encourages domestic unaccountability-the right to development will not be fulfilled. Likewise, the inability and unwillingness of states to regulate crucial aspects of globalization domestically allows corporations to exploit development inequalities and violate human rights in the process. In the absence of regulation, corporations must be pressured to conform to basic human rights norms”.<sup>243</sup> The corporations invest in the growth of a country where they operate and this may definitely favour to the implementation of the right to development if accompanied by adherence to basic human rights norms.<sup>244</sup> Thus, the failure to act properly at any of the three levels of the triangle cooperation may bring to inequality and exploitation resulting in stagnation and degradation.<sup>245</sup> The fruitful international cooperation between the states which comprises the international community helps certain states to fulfil their obligations. Development is a long process and cannot be realized in isolation. As stated by A. Sengupta: “It may be possible for a state party to implement one or two rights, such as the right to education or to primary health, considered in isolation by making some changes in the legal framework and reallocating the resources available within the country; however, implementing a plan of development with fundamental institutional changes may not be possible for individual nation states without substantial help from the cooperation of the international community. The international cooperation would usually have two, not mutually exclusive dimensions. First, cooperation measures should be conceived and executed internationally in a multilateral process in which all developed countries, multilateral agencies and international institutions could participate by providing facilities to which all qualifying developing countries could have access. Secondly, bilateral facilities or country-specific arrangements would deal with problems requiring measures adapted to particular contexts”.<sup>246</sup>

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<sup>242</sup> Supra note 101, A. Orford, at p. 173

<sup>243</sup> Supra note 108, D. Aguirre, at p. 321

<sup>244</sup> Supra note 127, O. Schutter, at p. 405

<sup>245</sup> Supra note 108, D. Aguirre, at p. 321

<sup>246</sup> Supra note 84, A. Sengupta, at pp. 855, 878

Thirdly, a mechanism should be elaborated against the state members of international organizations where their decisions may violate the human rights of people in other states. As mentioned by A. Orford: “States constitute the decision-making bodies of international organizations, those states that have undertaken international human rights obligations cannot neglect those obligations simply by acting through an international organization. While those obligations usually relate to the human rights of people within the territory or jurisdiction of the state concerned, the right to development does extend the obligation to promote and protect rights to states acting in international fora”.<sup>247</sup> Therefore, the right to development recognizes a responsibility and accountability of the states both within the territory of their jurisdiction and beyond the national borders. As enshrined in Article 4 of the Declaration on Right to Development<sup>248</sup> this entails the issue of global responsibility where both developing and developed states, acting individually and collectively, have the duty to create a system in which human rights can be realized.<sup>249</sup>

Fourthly, the development should have a participatory dimension. If there is no participation and contribution by people into the decision-making of the elaboration of the development policies, there is no appropriate development. If people are considered to be the objects and not the subjects of the development process, this brings to the establishment of the development policies, imposed by few, while Article 2 of the Declaration on Right to Development<sup>250</sup> places each human being in the centre of the development process and nobody has the right to deprive them from their right to participate and contribute to the establishment and elaboration of development policies they had expressed the will to live with.<sup>251</sup>

Fifthly, in nowadays reality of the North-South polarization the developing world faces a number of challenges impeding the realization of their right to development: namely, the application of unfair trade rules and practices by developed countries towards the developing ones, debt burden, a decrease in development assistance and resort to conditionality.<sup>252</sup> Therefore, the timely removal of all these obstacles is necessary for the realization of the right to development and of the international development subsequently.

Sixthly, the issues of political context may very easily impede the implementation of the right to development. The donor nations, the representatives of the North camp, have access to resources and technologies. Depending on their political interests, they may decide which country of the South should receive the development aid in exchange for the satisfaction of a political interest of a donor country.<sup>253</sup> Do the developed states have the right to make their

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<sup>247</sup> Supra note 108, at p. 179

<sup>248</sup> Supra note 100, Article 4

<sup>249</sup> Supra note 108, D. Aguirre, at p. 54

<sup>250</sup> Supra note 100, Article 2

<sup>251</sup> Supra note 106, A. Eide, at p. 101

<sup>252</sup> Supra note 108, J. H. Steiner, at p. 1451

<sup>253</sup> Supra note 110, N.J. Udombana, at p. 31

politically affected choice for the countries to receive development aid? Obviously, no; since this goes against the principle of equality and non-discrimination. This would mean that the people of some developing states get a priority over the others just because they happen to be lucky at that moment appearing in the centre of political interests of the donor country. The gap established between the rich North and poor South is a result of unfair distribution of the world resources and unreasonable trade rules. Therefore, the development aid is not a charity and should not be subjected to political interests. As argued by M. Bedjaoui, “The notion of a right to, rather than a need for, development ties the notion of development out of the realm of charity, and into the realm of obligations: The state seeking its own development is entitled to demand that all the other states, the international community and international economic agents collectively do not take away from it what belongs to it, or do not deprive it of what is or ‘must be’ it’s due in international trade. The claim of such a state goes something like this: ‘Before giving me charity or offering me your aid, give me my due. Perhaps, I shall then have no need in your aid. Perhaps the charity is no more than the screen behind which you expropriate what is due to me. Such charity does not deserve to be so called; it is my own property you are handing back to me in this way and, what is more, not all of it’”.<sup>254</sup> This goes opposite to the above-mentioned statement by the Federal German Government that despite the support from the international community, the developing countries bear the main responsibility for their development process. In this case, the developed North should realize that the existing gap between the North and South, impeding the international development and requiring the development aid provision to the countries of the South, is the result of applicable unfair trade rules and unequal distribution of resources. Therefore, the statement by M. Bedjaoui appears to be right. If the developed countries want to leave the main responsibility for the development to the developing countries, they should, first of all, create and follow fair trade rules, establishing the equal distribution of resources. The whole process, though, will require international cooperation and support from the international community.

Seventhly, the achievement of the level of protection of human rights, and, subsequently, the development, can be most easily and successfully done when both the governments and societies are well-resourced and respectful towards the rule of law. This creates a situation where both the government and the society feel the responsibility and accountability for the protection of human rights.<sup>255</sup> Therefore, as stated by M. Robinson: “The adoption of human rights principles and methods will require all partners in the development process-local, national, regional and international-to accept higher levels of accountability.”<sup>256</sup>

Eighthly, this is the need to enhance the resort to the notions of accountability and good governance by the identified actors of the development process. In its Draft Guidelines for a Human Rights Approach to Poverty Reduction Strategies, the Office of the UN High Commissioner for Human Rights has described the notion of accountability as follows:

<sup>254</sup> Supra note 101, A. Orford, at p. 183

<sup>255</sup> M. Robinson, “What rights can add to good development practice”, in P. Alston, M. Robinson (eds), *Human rights and development: Towards mutual reinforcement*, Oxford University Press, 2005, at pp. 32, 36

<sup>256</sup> Ibid, at p. 39

“Perhaps the most important source of added value in the human rights approach is the emphasis it places on the accountability of policymakers and other actors whose actions have an impact on the rights of people. Rights imply duties, and duties demand accountability.”<sup>257</sup> As for the notion of good governance, the UN Secretary General Kofi Annan considered it to be “perhaps the single most important factor in eradicating poverty and promoting development.”<sup>258</sup> Good governance may create an environment where there are well-functioning and accountable institutions on all the levels; the citizens may use their right of participation in decision-making impacting their own lives.<sup>259</sup> The concept of “rule of law,” derives from the notion of good governance and also encourages an environment where human rights are protected and, therefore, a smooth development process can be guaranteed.<sup>260</sup>

The combination of all the above-mentioned recommendations can serve as good measures for the realization of the right to development accompanied with the rights-based approach to the development cooperation and, thus, contributing to the appropriate international development where there is an economic growth with social justice.<sup>261</sup> An appropriate international development is not an issue of one day, month or a year, but it is achievable if there is an adherence to all the principles and policies within the implementation of the right to development and the rights-based approach and fulfilment of all the above-mentioned recommendations. Only in this case there may be a bright perspective for the implementation of the international development where there is an economic growth and protection and promotion of the indivisible human rights.

## Conclusion

The right to development and rights-based approach appear to be mutually reinforcing notions, with an imminent impact on the future of the international development, if properly developed and realized. The Declaration on the Right to Development puts the individual in the centre of the actions for the realization of the right to development. It emphasizes that individuals and peoples should be treated as subjects, and not as objects in the process of development. They have the right to active participation (Article 2 of the Declaration on Right to Development)<sup>262</sup> not only in the consultation processes for the elaboration of the development policies to be applied in their countries, but also a right to their own contribution to the elaboration of their own development policies in the form of active involvement in the decision-makings. The Declaration on the Right to Development announces that States have the primary

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<sup>257</sup> Supra note 141, at p. 3

<sup>258</sup> UN Secretary General Kofi Annan, Annual Report of the Secretary-General on the Work of the Organization (A/53/1), 27 August 1998, <http://www.un.org/Docs/SG/Report98/ch2.htm>. Last visited May 24, 2011.

<sup>259</sup> I. D. Bunn, “The Right to development: Implications for international economic law”, American University International Law Review 2000. Available on the internet at Westlaw database. Last visited May 2, 2011

<sup>260</sup> Ibid

<sup>261</sup> Supra note 84, A. Sengupta, at p. 848

<sup>262</sup> Supra note 100, Article 2

responsibility for the creation of national and international conditions, favourable to the realization of the right to development, but, meanwhile, they have the duty to co-operate with each other in ensuring development and eliminating obstacles to development (Article 3 of the Declaration on Right to Development).<sup>263</sup> This is the duty of both the developing and developed countries, and of the international community, as a whole.

The right to development can surely be linked to the implementation of MDGs, and Goal 8 in particular, Global Partnership for Development. The right to development implies a combination of human rights as its implementation is interrelated and interdependent on many other rights. Yet, the MDG 8 provides a framework for the realization of the other seven goals, the reflections of identified human rights. Thus, MDG 8, Global Partnership for Development, can become an important tool for the implementation of the right to development and, therefore, the achievement of MDGs.

The evolvement of the right to development and its codification into a Declaration is a huge achievement for humanity, though conversion of the Declaration into a binding instrument would ease the process increasing the level of responsibility by States and the international community as a whole and, thus, strengthening implementation of the right, and development, at large. But, so far, the world continues to be divided into two parts, the developed North and the developing south. The developed North has the power as it controls the majority of the world resources, the trade rules between the developing and developed countries continue being an issue, impeding the economic development of the developing countries and international development, at large. On the other hand, human rights come to the scene to accompany economic development for the implementation of an appropriate international development. As stated by Kofi Annan, the UN Secretary General in his report “Larger Freedom: Towards Development, Security and Human Rights”: “We will not enjoy development without security, we will not enjoy security without development, and we will not enjoy either without respect for human rights.”<sup>264</sup> This is embodied in the rights-based approach to the development cooperation which promotes the indivisibility of human rights, donor adherence to human rights and their incorporation into the development agendas. That is why donor countries should refuse the application of conditionality in their development aid programs, which should have the form of mutual accountability from both of the sides.

The right to development and the rights-based approach go hand in hand and are vitally important for the realization of an appropriate international development. If there is no realization of human rights, there is no background for the implementation of development. Therefore, the rights-based approach comes to the scene to incorporate the human rights into the plans and policies of development. This creates the grounds for the implementation of the right to development, impacting on proper implementation of the international development.

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<sup>263</sup> Ibid, Article 3

<sup>264</sup> Supra note 83



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# *Stabilizing the Dynamics in the Global Socio-Economic System: Categorical Clarification for Exhaustive Transparency and Sustainability*

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## **Alec Schaerer**



*Alec A. Schaerer, Basel/Switzerland, is a former architect and town planner, who ran many international projects in these fields. Now he is a philosopher, methodologist, author and researcher. In his former projects he saw the unnecessary contradictions within the usual ways of thinking. This is why he became interested in the systematic-methodological potential for a holistic perception of situation and contexts - in particular for questions between nature, human thinking and economic processes.*

## **Abstract**

*The severe economic problems of late are tempting more and more officials to intervene, believing their advisers. But their opinions led to the problems in the first place. So the real problem at stake is the theoretical foundation of the official opinions. There are already many approaches to the theoretical difficulties of economics. Yet the core of the issue is not being discussed in a strictly complete way, i.e. one that allows a homogenous grasp of the subject matter and a coherent thought process. It is no accident that the debate remains controversial; it must not be surrendered to traditional specialists. Stretched out between material conditions of existence (handled by economic action) and ideational conditions (determined by the laws of logic), tangible thinking beings must develop an existential pattern (determined by how they mediate between imposed conditions) that should cover the totality of interconnections. Yet today's mainstream in science - not only economics - cannot attain uncompromisingly this goal since the 'thing as such' remains as inaccessible as ever due to the favored alignment with the appearance of things instead of their intrinsic laws of existence. In contrast, honoring the conditions of logic imposed by nature and avoiding self-inflicted limits, a generally applicable approach can be presented that eliminates the habitual drawbacks. It offers not only a secure theoretical foundation for solving the severe problems we have, but also a path for allowing in practice the necessary evolution towards sustainable and conflict-free future structures.*



## Summarizing Introduction

When speaking of difficulties with today's economy, most economists and politicians rely on simple thoughts like growth as a recipe against all evils - although it is clear by now that growth by no means solves all problems and can therefore not be compatible with sustainable development in its strict sense. Therefore, from Daly, Gorz and Senf to Binswanger, Paech and Latouche (to name some authors in this topic) a fairly detailed critique of such hopes has emerged. However, the presented counter-proposals too often do not reach the full depth of the problem between thinking, society and economy. The descriptive nature and explanatory quality of the counter-proposals cannot reach in complete certainty down to the root of mental and social reality in its interaction with nature. Nature is viewed only as what is 'out there', not comprising also the nature of mental conditions for achieving complete intelligibility. This is why the debate cannot lead to entirely satisfactory solutions. It is more and more necessary to address the intellectual flaws at the top level of today's research and decision-making that produce for example socio-economic reality, but also the problematic reliance on technocracy in seeking to achieve meaningful change. The helplessness is rarely ever being admitted, but seeping into political awareness and some politicians try remedies - but for assessing fully beneficial steps they lack secure alternatives, even though these are not unthinkable.

In our present short study we first demonstrate why today's majoritarian way of thinking is ultimately not in a position to make secure judgments about what is really salutary for all forms of economy. The root of the problems is not in 'facts', because the same facts appear in a different light depending on the criteria of consideration; the issues can thus be solved only in uncompromised philosophy of science. Our presentation shows also why the health of any economy resides in quite different criteria than growth. Then we will consider the basics for a way of thinking that allows generally a strictly holistic understanding of phenomena, and thus also of the eco-social process between nature, society and economy, which must escape the presently usual (essentially, but not only, neoclassic) socio-economic theorizing. The way of thinking presented here allows the interconnections to be handled in a strictly sustainable way - among others also a mastery of debt, to which society and the economy are committed on principle in a dependency that is now only being noticed more consciously. The foundation of our new approach draws its certainty in problem solving out of resting solely on laws imposed inherently by nature - not on anything empirical, because nothing empirical can ever offer the complete coverage. This methodological support is carried out systematically in the proposed approach. Clarifying the intrinsic law of the eco-social process between nature, society and economy allows all fundamental concepts of economic theory to be derived as a complete and coherent whole, in a strict completeness that customary approaches cannot offer.

So this article includes a critique of the currently fashionable mode of thinking: handling concepts more or less word-like, emphasizing formal-logical procedures, and not noticing the inherent limits of this mode. So the reader might wonder about alternatives. These are useful

also for reading fruitfully this article itself. To begin with, allow yourself a quietly meditative mood, focus on your intention (subject matter, text, anxiety, or whatever) without introducing anything arbitrary, let the 'mental radio station' go dead on its own while you remain quiet and keep a *sensitively listening mode*. This may require quite some patience, because depending on your previous life you may have some contradictions to dissolve. But upon letting go the contradictions you will notice that you can get your feeling, thinking and willing *all together in one sensitive point*. You can sense that in this mode you open doors in your mind to much more subtle and far-reaching content than before, and that you can unfold any mental aspect (feeling, thinking and willing) according to the necessity in a specific situation. You need not sacrifice anything, you can for instance enact the usual mode if necessary, but additionally you acquire a wide new horizon in the background, where concepts can become really clear.

The core of the proposed approach is in doing without any assumption, belief, dogma, axiom, premise, etc., but in developing a general access to the totality of interconnections by dint of the intrinsic law that organizes the conceptual realm *as a whole* (without which there could never be any basic laws of formal logic) - *before* venturing judgments about anything worldly. Nothing is presupposed - not even matter, or spirit, or the world. The point is in fully becoming aware of one's awareness before applying any judgments.

As a consequence of this starting point, the proposed approach has no problem with strict holism. The approach is not just another theory or metaphilosophy, and not just a pragmatic practice, but a coherent connection of the various efforts in getting to understand. *It can be understood by anybody who truly cares about the subject matter*. It begins in a clarification on the categorial level. By 'categorial' we do not only mean systems such as in Aristotle or Kant, but all fundamental decisions that tint subsequent ways of thinking. Kim & Sosa [1995: 75] characterize the problem as follows: a functional categorial system must (i) feature a strictly complete coverage, and (ii) the categories must be mutually exclusive. Since the essentially descriptive procedures in today's philosophy cannot warrant this, while 'categorial' is expected to mean 'categorial', the idea of categoriality has been abandoned in mainstream philosophy, throwing the baby out with the bathwater. Of course the respective problems as such do not disappear - while there is no objective coercion to operate philosophically only in a mode that happens to be fashionable.

The approach proposed here avoids dubious compromises on principle, but the practice of thinking it through requires some courage for daring to leave away widespread collective beliefs and for opening oneself up to the strict completeness of interconnections. Applying philosophical habits such as basic distinctions in subject-object, theory-practice, fact-value, nature-nurture, etc. is not efficient, because they introduce unnecessary forms of rigidity. It is more fruitful to consider the dynamic continuum of contents implied in the query that one is pursuing, until reaching full insight. This may require some endurance, because it cannot be achieved by forcing some favored content. It is necessary to learn how to think totality, and to do so completely on one's own, albeit in reasonable interaction.

Public administration - now coerced to take action for taking care of produced problems - ought to become capable of thinking through the snarl of implied questions and phenomena beyond the limited scope of traditional approaches. The point of our presentation is to allow precisely this - knowing well that it is not a magic bullet, but at least might encourage needful steps in thinking that have seemed impossible to many people up to now.

## **2. The structure of an ubiquitous problem**

In the context of human history our age is peculiar in that on the one hand none had ever made available so many mental and physical techniques for manipulating things and thoughts, while on the other hand the control of the activities has not led to a widespread relaxation and satisfaction, but features an amazing amount of bias, neglect and alienation. In comparison with the possibilities, people's awareness of life is unusually often marked by uncertainty and unhappiness (Schaerer [2014] has presented the situation in detail). In ancient times, the danger to mankind was in nature, but now man-made crises constitute an even greater danger. Something is dubious in the way of handling cognition altogether. Indeed, the institutions of knowledge manifest - often seduced by illusions of feasibility - a peculiar irrationality: the more a problem concerns the very fundamentals, the less it is being identified and examined in an uncompromised way. We will come back to this topic and realize some reasons for this phenomenon. Profound 'blind spots' are effective and have most of research trailing away in details, missing out on what is ultimately superordinate, because the methodological means do not allow seeing through its own foundation. *This core issue needs to be mastered.*

The currently usual conceptual systems do not allow *complete* self-ascertainment. Instead of addressing the principle of self-reference as such, the afflux of new research questions as a consequence of uncertainty is being celebrated as if the research enterprise were a success. In the application of results, the neglect of strict holism allows activities that induce conflicts on principle. Sometimes conflicts and crises are needed as a self-experience for allowing more complete self-knowledge to emerge, fostering a self-understanding that is no longer addicted secretly to a domination that causes conflicts and crises without being able to understand why. Only at that point a clear self-consciousness is achieved because before that some restlessness is operative, an innermost bondage that is often camouflaged (usually also towards oneself) by self-deception and arbitrariness. Witness for instance the debates at the WEF in Davos.

The issue does not concern only the ruling class - or perhaps it would be more accurate to say that people contribute to psychological dependency on domination when they submit to a dominative system, not trying to see through it. We will consider this problem in an example that concerns us all. Today many people believe that money has a liberating effect, while at the same time in today's monetary system the money is basically designed as a liability by the fact that goods are mortgaged as security - from the highest level (economy and central bank)

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to the smallest (private loans), where borrowers must offer to the lender something along the lines of a pledge (we will return to this subject). Therefore, this type of money cannot really be liberating, but must be used profitably. This coercion to profit imposes a scarcity of money in the sectors that cannot directly be profitable, such as education, nursing, agriculture, and governance, and makes appear wages primarily as a cost factor that the entrepreneur needs to minimize, even though the employees are forced to live on it. The obligation of repaying the loan plus interest engenders a coercion to growth, and the overburdening of social charges on the public purse engenders a coercion to debt.

We can therefore not escape debt because it is a systematically constituent element in the global monetary system. In the prevailing view, the debt should be reduced - since there is no mention of the possibility in principle to understand the problem rather than submitting to it blindly - and this reduction must be achieved by profitable work. But who is to perform this work in accordance with the prevailing view? More and more decision makers boast about job creation as if it would document their social benevolence. But actually they want to eke out a continuity of the system, while on the other hand is not the task of the economy to create jobs, but to produce good products. There is plenty to do and there are enough people who like to perform the work - but what is missing is the money for remunerating them decently since it is forced in today's global system to run after the highest return on investment. Therefore, the means that should allow social self-organization - 'money' - obstructs in the currently staged form precisely what it should facilitate! The effects resulting from ill-considered ideas burden society and the nation states - but the origin of the strain is not clearly being discussed. One merely keeps asking taxpayers to bear the costs - not the architects of the whole system, who are allowed to remain anonymous. Considering how little they care about complete truth, it is obvious that they can be moved towards corrections only by huge crises or massive public pressure. Their faith in the system is understandable, since they still make a profit from the obscurity of the situation. Behind the driving ideology there are one-eyed views of the world, incomplete theories as a result of naive primal assumptions, which can therefore never allow real sustainability.

For becoming clearly aware of the ill-considered hypotheses and their consequences we will envisage an example that currently besets society in a massive way. Also in the wider public - as a result of general concern - the debate on the shared existential security is largely dominated by the problem area of financial crises and debt entanglement. In this context, the question of the *objective value of money* is central. Since the discussion is too superficial, it cannot reach the bottom of the question. In any judgment, the essential point is invariably in the categories (and insofar the fundamental conceptual structure) through which the respective subject is being considered - in this case the principle of the economic value of things. The first to raise clearly the question was Aristotle, and he distinguishes between the use value and the exchange value of things. Subsequently the relationship with things has been influenced effectively by the Romans. This nation of conquerors was interested in things primarily in terms of their availability. Expertise in terms of knowledge about the processes of arising and passing away of things interested the Romans far less. In ancient times even

people were often mere things, as slaves. In those times it was not yet possible to have a profound idea of freedom, or an all-encompassing concept of human identity and potential, and hence also not of human dignity and human rights. The imperious trait has led to the dominance of the idea of ownership over the idea of possession, which is determinative - by emphasizing the caring way of dealing with things - in the peaceful agrarian societies where the use value is more important than the exchange value. While in Europe the somewhat retentive development up to the 16<sup>th</sup> Century made appear the use value as relevant, Adam Smith reckoned, after the advent of mechanistic thinking, that the exchange value of goods is mirrored adequately in their use value, by dint of acquisition through trade. This idea still dominates the majority of theories set up in economics. By emphasizing material availability and arbitrary feasibility, the mechanistic attitude brought the process of trade and commerce to the fore. At the level of production, this attitude entailed the process of industrialization, and then again consumerism as a way of life, where the drive is not in the authentic relationship with things, but in the arbitrary controllability. In place of the ancient economies of supply, the modern economies of trade and profit have arisen loudly (see Kapp [1961], Niehans [1994] or Bürgin [1996] for an overview). As a result, questions of the objective value of money, and of the total amount of money required for adequate circulation, became urgent, since the awareness had shifted away from the use value that ultimately determines the reason for economic processes. The proud hope of control over external matter - not seeking first of all to understand its intrinsic law, its ultimate autonomy in arising and passing away - led to the dominance of engineering ways of thinking, up to the now fashionable manipulation of the personal and social realm ('social engineering', 'state-building'). This example shows how human destiny can easily be shaped by unconsciously or pre-consciously ruling ideas.

The overall result is a helpless meander in hopeless bustle and collective wage slavery - a problematic structure that hardly anyone penetrates clearly. First people were conditioned for centuries by a domineering style towards becoming selfish beings - in fact, selfishness was made into a pillar of economic theory (with *homo economicus*, etc.) - and some governmental powers now feel important in fighting against the self-produced symptoms, up to terrorism, which they themselves too often fight with terrorist means. Now the political power blocks are resorting to ideas of control and domination by dint of economic and especially financial warfare. The side effects are absurdly gigantic. Nevertheless, the vast majority of people do not think about the bigger picture, they eagerly rush from one partial perspective to the next and let themselves drift in obedience to mental habits. As a result, they remain steerable and exploitable ... until they are fed up and maybe want to change something. An interesting point is the ideas - too often mere seductions - by which the powerful let themselves be steered.

It is thus wise to be concerned with the fundamental principles in contemporary ways of thinking because they determine the direction of development of society. At governance level, an awareness of these principles is necessary because that is where the course is continuously being set - after all, one establishes cultural policy, social policy, science policy, economic policy, etc. Hence a solid basis for these decisions is necessary. Of course one can



acquiesce with some pragmatics, shirking the basic questions, believing in the existing institutions and structures - whose performance is often impressive in some detail aspects - trying to preserve and strengthen them. But this procedure would be thoroughly satisfactory only when reaching securely the *ultimate reason* of things. Believing this is impossible is not helpful, and besides it is only a belief. It is true as long as one follows the popular course. But neglects occur at the expense of today's population and future generations, and it is embarrassing for an executive to rely on mere popular beliefs, because in substance the institution then loses its legitimacy. Our civilization would not be the first one to gradually disintegrate due to a lack of depth and circumspection. The ultimate fate of anything that arises is indeed death - change in the sense of parting - but one should not forget that there are basically two types of death, and that they have to do with the principle of *learning*: one can die *voluntarily on the ideational level* by recognizing the essentials of complete reality, by willful abandonment of error and illusion in favor of a broader horizon of insight - or *involuntarily on the material level*, being compelled to experience consequences of the ideational neglect by losing the material basis of existence.

Yet many reactions that should be rational - also in judging scientific theories - happen in fact emotionally. Thomas Kuhn famously has cautioned us about paradigms when they lack thorough rationality, which can lead to fierce clashes. The point is that erroneous hopes and illusions finally must be abandoned. But having to give up deeply cherished ideas corresponds to a partial 'death' in the mental structure. But in general, death is a widely shirked topic. For becoming really relaxed in this point, it is useful to fathom the essential characteristics of life and death. The fundamental distinction is essential between *death as a pure principle* and dying as the *process of instantiating the principle*. The principle of life cannot do without the principle of death; otherwise life would suffocate in its own products. It would have no future because it would have to remain in its past, caught up in its own slag. For achieving a dynamic balance of life products, everything that appears is therefore compelled to *oscillate between becoming and passing away*, going through births and deaths. For a theory to be secure also in this overarching view it must operate in *truly universal* concepts; the traditional notions with their empirical hue cannot reach there. As a principle, death need not at all be uncomfortable. In existential terms, death is the *dynamics of absolute powerlessness*. But this does not mean disorderliness - it is the order in which all contents can find themselves in relating to each other relaxedly, according to their intrinsic characteristics. This order is not only something to be suffered, it can be can be explored in clear consciousness. Death and consciousness are not mutually exclusive (only beliefs lead to this opinion), and even self-awareness is possible in a state of death (Christians may feel reminded of the Calvary). This is not something far-flung. In a thought that is completely adequate to its subject matter, the mind is fully dedicated to it, it has let go of subjective ambitions, it has 'died' away from them for reaching objectivity.

The fact is worth a second thought that no form of life fears *death as a principle* (it is part of its coming and going), but certainly the *processes of painful dying, distressing change*. In terms of suffering it makes a huge difference whether death occurs by *self-fulfillment* (by



completely attained inner balance - as in a correct thought, or in cell biology as 'apoptosis', or culturally as enlightenment, initiation, etc.) or by some *external influence* (destruction of the basic organic equilibrium, in injury, in cell biology as 'necrosis').

These highly relevant profound distinctions are not at all commonplace nowadays, but the neglect is already casting its shadow; the distinctions will be useful in the very long run, while civilization and culture should not remain shortsighted. In section 7 we will come back to this level of questions, more on the practical side. Now we will consider some fundamental distinctions in how the economy is usually being thought, and the induced drawback.

### **3. The source of the ubiquitous problem: dubious fundamental concepts**

Independently of opinions, only things that have a use value have also an exchange value, while many things are existentially crucial - for example, a meal at home - and therefore have a high use value but no exchange value and no market. In this case, opening of a pub for the supply of meals would make lose the charm of the meal at home. As is widely known, the essence of things - their way of being, their intrinsic law - escapes all approaches that operate in external appearances. The benefits of a good - much-discussed in mainstream economics (neoclassics) - are not the same as its use value, because they merely subsume anthropocentric evaluative considerations and some decisions in view of exchange processes. The aggregation (composition) of such decisions - for example in game theory - of a whole population merely conveys an image of the past and a few trends, but even the Kondratiev cycles constitute no law in the true sense. The reduction of the use value to the benefits and exchange value made the question of the objective value of money especially acute because one then loses sight of the inherent measure for the value of money (we ask for patience of those who claim that such a measure is irrelevant anyway, or does not exist; we will come back to the topic). But in the usual world-view, indeed only the man-made criteria of decision-making - the 'preferences' - remain. Also, gold is not a really objective measure, it is merely an idea that was collectively agreed upon, and which was abandoned for good reasons. Today, the national product (as GNP or GDP) is considered almost in unison to be the objective basis. In this perspective, the value of circulating money is equal to the value of traded goods and services, growing and dwindling together with them. But this view embodies a flaw because the value of goods and services is at the same time being measured in terms of money. Formally speaking: 'While  $A$  is a function of  $B$ ,  $B$  is a function of  $A$ '. Mathematics would not get far on this path, but the leading economists - usually extremely proud of their mathematical skills - conjure the entire world economy from their dubious basis as if by magic, like the rabbit out of the hat. Another complicating element is that money and labor are still being handled like tradeable goods, which does not correspond in any way to their essence. Due to the dubious intellectual basis of thought, and simultaneously the global influence of the adopted system, global crises occur by no means randomly, but are a fruit of carelessness - at the expense of the vast majority of people, on many levels - even though the ruling minority of 'specialists' perform their attempts at control under the pretext of providing the optimal allocation of resources.

The academically discussed forms of theoretical understanding of economics have never really reached the root of their subject. Few economists are ready to acknowledge this fact, but it has allowed considerations as by Heinsohn and Steiger [1996] on fundamental relations between ownership, interest and money to kick up some dust for instance in the *Zeitschrift für Sozialökonomie*, with some meaningful criticism. But this debate too has remained within the traditional and somewhat relativistic scheme of thesis and justification / refutation, it did not reach the level of general validity by relying on principle only on pure intrinsic laws. At least Heinsohn and Steiger shed some light on the historical development towards property whose nature allows, by being mortgaged, a mode of money creation, thereby institutionalizing the principle of debt; nevertheless the idea managed to achieve global acceptance. On the basis of anthropological considerations, Graeber [2011] sheds some interesting light on the reasons for this irrational acceptance and the pressurizing that engendered it. But the classic economics textbooks do not reach this level. The financial sector as such and its genesis is still largely negated or even ignored. In the standard equilibrium models the financial sector is not being located properly. For classical economists, the banks have merely an allocation function since they conduct monetary capital from savers to investors. But the fact that banks do not only allocate, but also can create credit seemingly out of nowhere - and hence play a crucial role in developing credit-based speculative bubbles - is still largely being faded out. Only recently the subject is being discussed to some degree in economic theory, for example by Hyman Minsky and Dirk Bezemer, or by economic historian Charles Kindleberger. Yet they discuss uncritically the principle of money creation that is being practiced worldwide, they do not recognize the generality of investing into the debt principle and its stressful effect. Their categorial system is unsuitable for a complete insight because it rests on empirical facts with a partial coverage, it does not rest on the general intrinsic laws which the viewed structures ultimately carry in themselves. Whether an investigation proceeds in a mathematizing way or not is not decisive, because mathematics is merely a formal representation, the terms do not carry *per se* their meaning, they receive it by attribution.

Clarity on the level of the intrinsic laws cannot follow *per se* from descriptions, because it requires the explicit will to think through the laws. One such law is particularly fascinating, namely the law of logic whereby the activity of describing inevitably generates a 'blind spot' - for example, the observer can observe everything except his own activity of describing, or everything can be measured except the principle of measuring, etc. In scientific activity there is astonishingly little awareness of this law of logic, in spite of its immense practical effects and theoretical relevance. Philosophy of science features practically nothing, there is barely any research on this problem complex, only some classic works by logicians such as Gotthard Guenther, Heinz von Foerster, or lately Rudolf Kaehr, and some rather helpless comments by Niklas Luhmann who is addicted enough to description for justifying the 'blind spot' rather than solving the riddle. The drawback of ignoring the law of the 'blind spot' is rarely being recognized adequately. The vast majority still acquiesces with piecemeal. Since the cognitive processes are subject to a law in its strict sense, one can be sure that an awakening jolt will come sooner or later. It would be better to think about the essential problems beforehand.

Where a description is performed without knowing about the fundamental self-limitation that inheres in the principle of describing, the produced 'blind spot' is forgotten and one gets inevitably lost in details. All descriptive sciences manifest this compulsion. In economics, this gesture holds the lead. As demonstrated by its methodological standard works - such as Blaug [1980], Bunge [1998], Lawson [1997], Backhouse [1994], Backhouse *et al.* [1998] - this science features only an application of traditional philosophy of science to economic theory; Hausman [2012] mentions some methodological problems, but still confirms the mainstream. As an alternative, sometimes a free economy is propagated at the suggestion of Silvio Gesell. Although these suggestions take issue in a sore point with the interest on capital, they remain traditional in the question of the value of money in comparison with the value of the goods.

Most proposals for correction set out from the aspect of the overall structure where their authors perceive abuses as particularly offensive - employment and unemployment; the stock market; investment and return; ethics and morals; the commons; development and innovation; institutional structure and governance; performance and remuneration; the monetary system; ecology; production conditions; competition and cooperation; the principle of growth between idea, illusion, necessity and coercion; interest and compound interest; etc. The wide variety of aspects makes the debate peter out in disputes over details - which pleases the representatives of the prevailing (neoclassical) view because the situation absolves them from the challenge and having to worry, despite their enormous conceptual mistakes.

In such situations, it is generally advisable to consult a conceptual foundation that is fully independent of any perspective, for being able to grasp the intrinsic law of the issue at stake in an unambiguous way, thereby allowing a true overview. For achieving this, one has to operate only within the intrinsic law of logic, applying no arbitrary assumption of whatever sort. The principle of this procedure has been exposed in Schaerer [2011] as 'systematic attentiveness'. It then allows the various views of the issue to be related to a common denominator and thus objectively to be reconciled. Nowadays there is a very widespread belief whereby a way of thinking that is independent of any perspective does not and cannot exist - but let us not forget that it is itself merely a belief, no certainty at all. Rejecting the possibility of a strictly integral foundation and conceptual means has no reasonable basis; it is merely an emotional reaction. The sheer possibility of such a perspective-independent foundation displeases indeed many debaters, so they reject it with various arguments - sometimes because it brings to light the weaknesses in their own perspective, which they prefer to hide. But this relates essentially to their subjective assessment and constitutes thus a different problem.

So it comes as no surprise that the aspect of mortgaging and indebtedness in the creation of money is regularly faded out or is even flatly being denied. Nevertheless, the enfeoffment takes place quite concretely and objectively, at all levels of the cash flow. The lowest level is

that of the private and business loans, where commercial banks require security and on this basis they assign a loan, which the borrower must pay back (whether with interests and even compounded interests is a separate problem). The next level is the creation of checkbook money, where the commercial banks carry out internal fiefs; this is extremely lucrative for them, because on a reserve base of about 2% they can draw the remainder up to 100%, use the self-created money and bring it into the circulation. Central banks enfeoff the reserve funds of commercial banks by deposits of commercial banks at the central bank accounts, especially reserve deposits and deposits of the commercial banks from excess liquidity reserves, which they can invest in the central bank. At the top level of the stressful structure, all economies are undisclosedly but concretely enfeoffed as production potentials, because they not only *are capable* of creating new value and property, but *must do so*, because otherwise the growth can not be sustained without which the system collapses as an effect of applying practically the ruling theoretical ideas. This is still the case in the *ex nihilo* creation of money (*fiat money*), which cannot create money blindly into the void, because something must exist concretely (a human society, a national economy) to which it is possible to attribute meaningfully the credit of the created money, but which is therefore being pushed into in the role of the debtor.

Again and again one hears the assertion that money has a liberating effect. But due to the current definition of the value of money it cannot even be a neutral medium of exchange, because the debt implied by the current instauration of money produces a concrete repayment pressure and thus a compulsion to returns of investment that tightens money where it would be socially necessary, thereby inducing senseless stress and strain. When the superordinate sense of money - which is indeed to relieve the act of trading from a dependency on the traded object - is not completely being considered, one must conclude naïvely that income is directly determined by the collateral performance of labor. But then the portion of the population that cannot be directly productive - children, mothers, the elderly, the diseased and disabled, etc., altogether roughly half of the population - has no right of access to life goods. The result of this tunnel vision is the huge compensation machinery that we have - with the work force and appended families who are put at its mercy, with state taxes and hidden taxes, social security systems, pension funds, etc. Yet this machinery cannot operate out of itself without conflicts, but keeps calling for new corrections due to the basic conceptual error, which one hopes to achieve today by ever more money supply. This compensation machinery does not generate any real value; it can only suck on society, justified by a belief in 'services' raising the GNP. The business leaders want to stimulate material production by introducing more cash - but for achieving that motivation, they would first have to clarify what the necessary and sufficient condition is for the process, or in other words whether the causal force of the stimulus resides in the quantity of produced goods or in the money. These conceptions are affected by the categorial foundation through which the phenomena are being considered. As an effect of widely accepted conceptual foundations, the ideas of goods and money are burdened with meanings that do not correspond with certainty to their real nature. Already Marx cautioned for instance against commodity fetishism as an attempt at swamping markets for the sake of financial profit. In these questions we should be completely accurate.

Hence, the present is living under self-generated constraints at the expense of the future. True sustainability cannot be achieved with one-eyed world views. Under the effect of their beliefs and hence definitions, the business leaders are now left with only two options - either to *cancel the accumulated debts* (which drives many supporting institutions such as banks, insurance companies or pension funds, into bankruptcy) or to *increase the money supply* in order to secure liquidity and for avoiding a run on the banks (but this generates - depending on where the money flows or gets into circulation, or ends up somewhere as a bank security for solvency - an inflationary or deflationary development). In both cases, the economy has a *tendency to decline*, because the great need for saving is the flavor of the month, so less can be spent at the State level. Even the little man on the street has thus less and less at disposal, as can clearly be observed. Now the senior management is faced with the temptation to leave the demand function - which is necessary for sustaining the circulation - less and less to the common people, but to replace it with action at the top level, where it can be 'controlled' - not least to the private benefit of these business leaders because they feel they are working hard to find a solution to the problems. Yet they cannot even notice - since a long time not seeing the forest due to so many trees - the fact that their attempts must fail because their considerations ultimately miss the complete view and basic interconnections. This blindness is why efforts arise rarely to approach totality in a systematic and truly fundamental way. The problem still does not yet itch the leaders sufficiently; the failure *on principle* is not yet self-evident.

#### 4. The structure of a solution

Quite generally, the universal aspect of philosophy of science must be distinguished from the aspect of concerning specifically a given science - in this case economics. Let us consider briefly the general level. The hitherto conventional theory in philosophy and science sets out from fundamental assumptions (axiom, definition, premise, etc.). It is acceptable in the sense of something supposed or hypothesized, but not yet believed (belief is the basis for expressing a judgment). But assuming often constitutes the *basis* of a method or system. Then supposing is inevitably *assertive*, it is a way of 'talking' into the overall interconnection of content yet to be explored - as a result of applying assumptions to reality before it has been given a chance to unravel as a whole to awareness. One aspect of this is the use of basic concepts that arise from essentially a descriptive attitude. As a result, all of them adhere to some perspective, are thus tinted empirically, and imply a 'blind spot'. This hampers their usefulness for theoretical clarity, which should be free of any perspectivity, truly universal. Indeed, none of the usual basic concepts - such as space, time, matter, energy, law of nature, force, information, theory, knowledge, cognition, subject, object, etc. - is applicable in a strictly universal way. When applying such concepts, one finally *always* ends up in gaps, contradictions, or undecidabilities - remember for instance Kurt Gödel's famous theorems of undecidability (presented 1931), or the 'Münchhausen trilemma' (any logical account winds up in a dogma, or a circularity, or an infinite regress), or Jacques Derrida's 'différance', or Jean-François Lyotard's *différend*'. For a detailed analysis of the crucial structure see

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Schaerer [2011: 40ff]. It is not useful to believe that complete clarity is unachievable, because then one only posits this belief between oneself and complete reality, inducing first a 'self-fulfilling prophecy' and later a failure.

In spite of fears, adequate mental activity can liberate us from self-generated boundaries - namely when we become aware of the general line of query that we want to pursue, and when we notice that only precisely determinable basic terms allow a thorough understanding in the respective base-line of questioning. They arise as *pairs* of concepts whose meanings are *polar* in themselves, and their logical necessity follows from the content implied in the direction of the query. For example Aristotle pursued generally the understanding of *change*, *process* - and finally found that is only possible through 'form' (that which induces change) and 'matter' (that which allows change). This may sound trivial for some, but it is heuristically very useful. In the same way, a full understanding of 'cognition' requires the basic concepts of 'perceiving' and 'thinking', which is famously the Kantian query perspective. Or understanding the nature of signs calls for 'the signifying' and 'the signified', as initiated by Saussure and explored in poststructuralist theorizing. For each query perspective, a highly specific pair of concepts is suited because precisely these allow the thorough understanding of phenomena in exactly that query perspective. The polar pairs are purely theoretical concepts, nowadays often called 'analytical concepts'. The reality of the observable phenomenon itself is determined by the two aspects that seem to arise *combined* within it, but thinking needs to *distinguish* them clearly for becoming capable of *understanding the phenomenon as a whole*.

Our new approach reveals the generally valid and conceptually precise correspondence between any general query content and the categorial means required for intelligibility. This correspondence in *pairs of concepts with strictly polar content* turns out to be a *law in the purely logical realm* and the *basis for the laws of formal logic*. Since this type of concepts - in fact: categories in the query perspective - is universally applicable in their perspective, they are applicable *also to themselves*. Self-reference yields a *complete coverage of the respective query perspective*. Insofar, perspectivity and universality can be bridged in a totally precise and generally valid way. This self-reference is not feasibly by means of traditional concepts due to their empirical stain; hence many thinkers find it difficult to admit the possibility at all.

But the conceptual result of the self-reference is heuristically very useful for achieving a *complete* understanding ('intelligibility') because it allows not only a grasp of the phenomenon but also of the conceptual process in the cognizing entity. It is warranted by the universal applicability within the query perspective. The point is that such polar concepts are applicable *also to themselves in a meaningful way* - for example in the Aristotelian query, contemplating the 'form of form', the 'matter of form', the 'form of matter' and 'matter of matter' as *aspects of meaning* in conceiving the total of phenomenon-cum-thinker. In this case, the four resulting concepts are the 'intrinsic law of the considered structure', 'force in the considered structure', 'equilibrability in the considered structure', and 'the basic equilibrium



that generally allows structures to emerge', respectively. They apply as much to the phenomenon as to the process of thinking through the phenomenon. By dint of nothing but its implied content, every query perspective calls for its specific pair and subsequently tetrad of conjugated concepts. The law of polarization in content constitutes the matrix out of which the basic laws of formal logic can be deduced, depending on the logical interest that one pursues. In this approach, as much the universal coverage is warranted (by pursuing a universal query perspective) as the mutual exclusion of the categorially operative concepts (by strict polarity in meaning). Each query perspective calls forth its pair and tetrad, while the lawfulness in all query perspectives is held together on the theoretical level by the logical law, and on the practical level by the fact that one merely *queries* and does *not impose any alien content*. The systemic result is a *heuristics* - not an overdeterminacy, as produced in the traditional procedure, wanting predication before the overall situation allows it in an adequate way. Our categorial system fulfills the criteria according to Kim & Sosa (section 1): the general query perspectives exclude each other, while the resulting categories cover totality in a precise way. For a detailed presentation of the new approach see Schaerer [2011].

Concerning inherent contradictions and their consequences in relating to reality as a whole, a crucial point needs to be mentioned: the role of the structural principle of language. The relation between thinking and language is not as clear as today's mainstream would have it. The 'linguistic turn' looked triumphal some decades ago, but is rapidly losing its gloss by having neglected this difference. Saussure proposed a useful distinction between language as a system ('*langue*') and the use of language as an alive process ('*parole*'). Spoken '*parole*' is always beyond structural '*langue*'. But for fully clarifying the issue, language as a principle must be considered in a more extensive way than what is possible in approaches that focus on a medium, being centered too much on signs and thus neglecting the core: the signified content as such. When dwelling on results of thinking (signs, symbols, propositions, etc.) the adequacy of an expression (often this is referred to as 'truth') can be compared against reality only within the medium, in a procedure that thus requires additional elements since reality does not respond directly. But then investigations have no anchor in overall reality, they can only float on the web of man-made, intersubjectively agreed opinions (beliefs). This path can offer no warranty against collective error, while it neglects the structural difference between language and thinking (which is gradually surfacing in contemporary research). Consider the following basic regularity. Within language any contradiction can be *expressed verbally*, from 'straight is curved' and '3+5=9' to antinomies like 'I am lying', up to voluntary deception - while it is impossible to *think* such structures *in one single coherent thought*. Whoever adopts fundamental beliefs that entail some paradox is compelled for accommodating it coherently - to remain within the corresponding *set of elements* (signs) that are *intrinsically interrelated* according to the causal prejudice. But 'interrelation between a set of signs' is the intrinsic law of being a *language system* (Saussure: '*langue*'), not mere noise. Clinging to beliefs produces thus a dependency on '*langue*' for keeping together the assumption's effect. Without '*langue*' everything would fall to pieces for this psyche - but it cannot remain only within it, because '*langue*' contains only the past. Life is pointless when restricted to immutability; this is why live '*parole*' is always beyond structural '*langue*'. Languages -

mediating bodies - are corpses of disunity, but which allow on the other hand some time to be gained for solving problems caused by basic inconsistencies. Language offers a surrogate for perception, allowing what is not physically present to be dealt with – albeit at the peril of falling for endless 'justifications'. Beyond Saussure, Peirce later added the 'interpretant' in his triadic system, but here we consider what is generally imposed by structural laws, not the pragmatic dynamics that finally depend on additional choices by the agents.

Many people worry about paradoxes, but this is only because they don't worry enough about precision in thinking: they mix up thoughts. In the example "I am lying now", this is not one coherent thought, but believing so makes many people think that it is a paradox. Yet the paradox dissolves when you realize clearly that there are *two* thoughts, *two* agencies, which are connected in a linguistic setup : 'I<sub>1</sub> am saying' (that) 'I<sub>2</sub> am speaking'. Wanting to speak the truth and wanting to tell a lie are not compatible ideas. By connecting them one produces a dependency on the structural principle of language when relating to reality as a whole. On the other hand, all logical paradoxes can be disentangled by clear thought, just as all jokes lose their charm when you explain them (which shows how often we flirt with dubious ideas).

The connection between problematic suppositions and a subsequent addiction to forms of language is of course not limited to individuals, but can also take hold of schools of thought, philosophical or scientific positions, styles of writers or politicians, etc. On the other hand, witness how many people think somebody is important just because he wrote so many books, etc. The structural dependency on language due to incoherent assumptions explains why many prefer to talk about problems rather than effectively solve them. This is rarely a result of bad intentions, but reveals the implied mind frame. Precisely because such minds cannot reconcile all aspects, their mode of being is in language rather than in a fully unified state, a silence of fundamentally having understood (the silence of despair is at the other extreme). Awareness of the link between language and thinking allows new light to be shed on many ideas - for example, the maxim of 'publish or perish', or the role of mainstream thinking increasingly getting lost in details and '-isms'. Horkheimer & Adorno [2002] offer a good example of what can result in cultural broadness from following dubious basic ideas.

The relevance of these considerations can be perceived also in activities of institutions such as the LSE (London School of Economics) or the WEF (World Economic Forum) that shape much of the debate on the eco-social complex. These two institutions are very different, but manifest the same symptom: a need to develop an ever more complex notional structure as a consequence of inherently conflict-laden basic assumptions. Both institutions are full of good intentions; in recent years its participants are increasingly manifesting a real desire to solve practical problems caused by implementing the traditional ideational mind frame. This can be perceived in the topics they address. Nevertheless, as a result of the implicit categorial framework in which they operate, they essentially develop new buzzwords rather than sound fundamental principles for a radically new start - therefore mainly useful for demonstrating where problems are, but not so much for developing any ultimately fruitful ideational means. Much of the critique they put forth - especially since the originally supported call for

deregulation called for new forms of regulation - is itself not much better, for the same reason: problematic basic assumptions (somewhat different, but not decisively cathartic).

Wherever totally reliable knowledge is necessary - for instance in responsible economics and policy-making - seeking the 'optimal basic assumption' can never become helpful because the principle of presupposing undermines on principle any approach. Well-meaning thinkers have always sought to avoid prejudices, but only systematic theorizing on an unbiased path can find the ultimately causal element in the problem structure, opening a door to decisive insights and viable solutions. Seamless analytical clarity allows setting up theories that are fully suitable for all phenomena, and which allow therefore a more and more unconstrained integration into the totality of the natural matrix. The somewhat empirically tinted terms, in which thinking nowadays usually takes place, can on principle never be entirely purposeful, because in the end they inevitably produce limits in understanding. The presently dominant economic science also thinks in such empirically stained concepts, and too often is proud of it. The inevitability of *experiencing* the produced drawback will therefore certainly arise one day. But this can be known in advance.

## **5. A liberating ideational structure on the level of economics**

Most economists keep repeating that economic activity is a free human choice and eludes thus all laws of nature. Nevertheless there is an objective law that determines strictly all forms of economy, purely in terms of value. For becoming aware of this one has to notice the *root* of economic action, where the strict regularity is in evidence. It is the fact that the *act* of setting all resources into value by means of physical work on nature ('land' in the broad sense) is the *necessary and sufficient condition for sustaining the totality of the eco-social process*. Since that act constitutes a necessary and sufficient condition, the correlation is a *law*, a strictly general regularity. The material result of the act ('primary product') allows - by providing all that is necessary for food, shelter, machinery, monetary system, etc. - to produce all goods ('secondary production') and to allow management, distribution, consumption and disposal. It constitutes therefore objectively the *fundamental form of capital* ('that which allows all future action'), *prior to any subjective assessment* (in monetary or other terms) and to activities such as saving or investing. The point is in being conceptually precise, free of empirical biases (conventional approaches to capital theory as in Birner [1990] cannot foster this clarity).

If there were no division of labor, *all people* would have to participate in the primal act - and a division of labor is possible only because the capable people are *fully supported* in their organizational work, on the ideational level by the 'primal act' and on the material level by the 'primary product'. This is why the fundamental performance 'behind' the division of labor is relevant to *the whole* of society (and not only according to physiocratic conceptions of value) as the *compelling real value*; all value judgments of people (especially those according to the 'theory of subjective economic value') - as in possession / ownership, interest, capital, labor,

etc. - constitute only a layer of *imaginary value*, fantasized additionally. The value added by dint of such imaginary values is always and inescapably *dependent on the real value*.

This regularity in the eco-social process should not be unknown in philosophy because its essential feature was contemplated already by JG Fichte (see, eg, Fichte [1921: 273-287]), but apparently its relevance is still not recognized. When submitting it to economists, most find it absurd to place at the origin of a theory an activity that seems comparatively insignificant to them. The reason is that they do not perceive the *root on principle* of economic activity, but only the many results, the tradable objects. They do not realize the origin. But objects never disclose in an observable way the laws of the process by which they arise, since the process always *follows* the laws. Laws and forces determine completely the objects, but they are never directly observable (one can perceive only effects), and they can be approached only in pure complete thinking. Perhaps more and deeper crises are necessary for undertaking a thorough way of thinking until a broader awareness acknowledges the law, situating it clearly on the theoretical level. In practice, for specialists in econometrics it is no problem to measure the primary production worldwide.

The fundamental basis, the population, constitutes the maximum value of physical labor, and it would have to be performed if there was no division of labor. A division of labor is only possible by dint of organizational labor and organizational value, which at the same time can come into existence only where it is carried by physical labor and physical value. This dialectical relationship is dynamic and can thus be understood completely only *as a process*. In business economics, a distinction in elementary factors is often made between dispositive labor (planning / managerial positions) and executive labor (workmen), but it remains unclear in details because this distinction does not match the overall dynamics of human action for ensuring existence. The distinction we propose between physical labor and organizational labor corresponds to the same intention, but is conceptually completely appropriate, because it is rooted in the distinction between the movement of matter and the movement of thought for moving matter, and therefore reaches in a precise way into all of one's own actions, including the mental realm. Action in practice always is composed of both aspects, but any thorough understanding requires the conceptual differentiation. Even the most esoteric writer must still move some matter, even if it's just a pencil, and even the crudest wood chopping is successful only with some intelligence. This distinction between physical labor and organizational labor introduces no empirical concepts, but purely analytical terms, a polar pair of concepts as the purely logical necessity for a precise understanding of human labor in its complete spectrum. Both together are necessary for a full understanding of the phenomena.

In the analytical and theoretical sense, another distinction is relevant too, namely between population and the needed natural basis. Now a *quotient* can be determined: the natural basis divided by the population, the *per capita* basis. It is the average amount of resources (primary product) that is attributable to one single person. This real value is necessary for supporting on average one person; thereby the value is determined that the product of the indemnified

person will have, because this quantity is actually necessary for indemnifying her. This can be called the 'unit of account' and used as such, because it is generally the dimension that allows counting off the money saved in values of physical labor by values of organizational labor.

This does not mean that we are rehashing some Marxism or Physiocracy. The Physiocrats believed nature itself is the supplier of value, while we accept - against labor theory of value (reduction to working time and physiological consumption) and with modernity - human labor as the agency that imparts economic value. That does not preclude, in a discussion of change, labor and performance, resorting to categories that allow the processes of nature itself to be included (in fact completely consistently, without the theoretical gaps of today's mainstream science). In economic theory, this goal has also been pursued, but carelessly copying from a physics that can only describe inanimate objects and must remain - as a logical consequence - captivated in its 'either-or' descriptions at the quantum level. Many still believe this 'either-or' situation is a feature of reality - thinking of matter as consisting of parts with mediating waves - not noticing that there is a problem of categoriality in approaching the overall context, even though in quantum physics one is increasingly noticing that the idea of particles is not really meaningful. The structuration in theory that follows from the intrinsic law of the economic process merely means that the Physiocrats - in spite of their dubious classification of nature - had a certain sense of the real dependency of the economic process that was still present in Adam Smith but gradually disappeared, starting with David Ricardo, and is entirely forgotten in neo-classicism and neo-liberalism and their side branches. These in turn share a feature with Marxist economic theory that we deem naive and misleading: both nurture the belief - or at least do not prevent it by theoretical clarity - that the crucial economic basis for society is control over the means of production by means of power - through political class struggle, or monetary capital, or by manipulation of the legislation, etc. This belief seduces power-hungry people, and so opens the door to abuse. The belief also reveals a blindness to the production dimension in the mental realm. Upon understanding the conceptual capacity in its potential of originality and scope - first in the possibility of setting up adequate theoretical structures, but also in devising constructive solutions on the directly material level - any desire for social leveling and an artificial egalitarianism, through seemingly general needs or an allocation of rations eliminates, itself. In contrast to such schematizations - as expressed for example by proponents of a new world order since Woodrow Wilson's 14 points - choosing the intrinsic law of the economic process as a basis for thinking allows all forms of social division of labor to be derived and subdifferentiated, in appreciation of the creativity at all levels.

As was demonstrated above, a *law of nature* is imposed by having to set resources into value for the purpose of securing our existence. But as materially living beings we also have the *power* to do whatever is necessary. The natural order includes both sides, and the complex can be formulated in terms of laws. This in no way limits the freedom, because a pure law can never operate absolutely on its own; in order to have an effect, a *force* must be connected with the law. Also the notions of 'law' and 'force' are analytical, purely theoretical concepts.



Any phenomenon appears as a combination of the two, if it is to be understood from the viewpoint of modification or process. In the whole universe there is the order of the universe, including the forces that make things arise and fall apart in accordance with their intrinsic laws. Our being incarnated forces us to conform to the basic law of economics. But in this state we have in our material structure the forces for doing what is necessary, and ideationally the ability to deliberate the relationship. Adequate mental activity can gradually liberate us from purely physical coercion as soon as we become aware of our fundamental query perspective and when we develop the appropriate analytical concepts in it, in order to clarify the empirical questions.

Let us not forget that concepts are the only 'things' with the fascinating feature of being simultaneously the *result* of mental action - being formed through experience - and the *means for steering* mental action - any intention is guided by content and hence something (at least potentially) conceptual. There is a *self-referential dynamism* in the psychic setup that is not adequately addressed in most ways of theorizing. Hegel opened a door, had his difficulties, and was often misunderstood. The key to overcoming habitual limits is first in allowing one's mental activity to become something one *experiences* by becoming *aware of the idea to which one lends one's will in thinking*, and later in allowing *the principle of non-limit* to become the lodestar towards totality. In the eco-social process, even the simplest bartering requires the basic ideas that are relevant to economics - even if those ideas are not always conscious. For example the general idea of *parity* in exchanging goods is the core of the idea of money, far before the idea is institutionalized in some general carrier of value. A secure socio-economic overview requires relating general ideas systematically to reality as a whole - in a theory that covers therefore not only the things thought of, but also the activity of thinking about them. The presently fashionable, seemingly objective theoretical view 'from outside' on the psyche - especially as in rational choice theory, game theory, etc. - can on principle not encompass *all* of the economically relevant interconnections.

## 6. The objective value of money

As mentioned, the fact that human beings are constrained to set resources into value, for being able to start an economy, constitutes a law imposed by nature. It is reflected in the fact that the compelled act is a necessary *and* sufficient condition for the realization of the process. The ascertainment is totally precise. Insight into this intrinsic law allows the objective value of money to be recognized. Its is in the fact that the total amount of resources brought forward ('primary product') in one period of time (for instance, one year) *corresponds* - in terms of value - *exactly* to the amount of money that is circulating in this period. This is because exactly this activity or precisely this primary product bears *the entire economic process*, both materially and in terms of value (the considered aspect - things or values - determines the result of the consideration). Interestingly, in this ratio the number of monetary units (\$, £, €, etc.) is irrelevant because only the numbers vary, but not the reality of the constant physical relationship. The portion relating on average to each person merely has a different numerical value, but remains a constant material value. This factual context



provides a conceptual bridge between the value of the existential basis and the value of the medium of exchange. The law is valid in a strict sense only for humanity as a whole, because differences between countries (and hence their national economies) in the distribution of natural resources and manpower differ a bit from the arithmetic average. The balance of values that can be achieved by trade is secondary, so trade should not be allowed to act the big shot in the theoretical structure.

This set of facts constitutes a clear basis for the precise and strictly general differentiation of all fundamental concepts of economic theory. Real satisfaction of needs does not require growth, but a comprehensive ascertainment of the deficiencies and needs in mental clarity. Today's standard basic concepts of economic theory - land, labor, capital, balance, exchange, utility, market, price, etc. - reflect *aspects* of a structure that is the subject of economic theory and should be covered systematically without conceptual gaps, in complete coherence. Since this can not be accomplished in a strictly complete way by means of the usual terms, due to their empirical stain, the real meaning of the aspects and concepts of economic theory can be measured fully only in the context of a conceptual complex such as the one proposed here, offering a really sound foundation. But let us not forget the important attempts in the fruitful direction such as Nicholas Georgescu-Roegen's approach [1971], emphasizing the importance of distinguishing between biotic (alive) and abiotic (mineral) resources - often neglected in spite of crucial differences: abiotic resources are *non-renewable* and subject to *irreversible* degradation, while biotic resources are renewable, but subject to *life cycles*. Nevertheless, by choosing a physicalist style of thinking, his approach still remains self-limited insofar as it does not allow and include a complete clarification of the *completely* immaterial realm, and hence the human potential in dealing with it. The Western hemisphere owes its rapid and often violent rise to an extensive use of *abiotic* resources. They nourish the thermo-industrial revolution by allowing exponential growth, which biotic resources, needing renewals, cannot offer. The habit - widespread especially among mainstream economists - of *not* distinguishing adequately between the two types of resource, talking only vaguely about 'natural resources', maintains the illusion that exponential growth can *generally* be sustained, even though the technically induced entropic degradation, as well as the transfer of lithosphere material into the biosphere, are obviously limited. The unclear conceptualization has been pushed into wide acceptance by influential agents, pleased by a rosy picture of eternal economic growth, while Georgescu-Roegen was pushed into near-oblivion by representatives of the 'official' view.

In our proposal, the derivation of the basic concepts of economic theory is carried out generally on the conceptual basis of *change* / process, which implies *work* (physics), *labor* (economics), *natural conditions* (land, in the broadest sense), the *act of primal production*, and primary *product* (corresponding to capital in the complete sense: 'what allows all future action'), *constancy of material value* (and hence monetary value), *unit of account* (primary product per person), *conceptual polarity* between physical labor and organizational labor, polarity between the individual and society, the market and its equilibria (with utility as an aspect), the *social institutions* for regulating the economic process without generating conflict

(through free associations of affected people), banking and credit, forms of *money* through the *types of use* of money, investment and profit; this structure allows a securely sustainable self-administration. - In a detailed presentation, Schaerer [2011: 459-535] offers a precise account of the required conceptual instrumentation, including detailed illustrations [2011: 539-551] of the conceptual evolvement; see also, albeit slightly less systematic, [www.gemeinsinn.net](http://www.gemeinsinn.net) with the book *Das neue Geld*.

The intrinsic law of the economic process applies to all forms of economy, whether with or without money, growing or recessive, capitalist or socialist, subsistence or high-tech, with or without basic income, etc.. In today's global constellation, it does not matter how far the industrialization or the rule of monetary capital is being driven, because inalienably the need remains to acquire the actually supporting basis of energy-matter. Hence, for achieving a fully correct theory, the dependency should be taken conceptually into consideration in a precise way - which is by far not the case, while since a long time the market is launching itself out of intuitive hunches at raw materials that are recognized as valuable by dint of their importance - partly for systemic reasons (eg, oil, water), partly for mythical reasons (eg, precious metals). The dependency on resources produced a sector of naked power in the economy (Glencore, etc.). This grabbing of resources by the market can unfortunately not have a corrective effect - in opposition to the belief of market gurus - but only increase the distortion, because the stock market as a management tool organizes itself in the economic process in the aim of monetary profit. The stock market cannot achieve any meaningful overall correction since stock market participants do not pursue the objective of an overall dynamic equilibrium. This social process does not fundamentally have to do with greed - and should therefore not be addressed in a moralizing way, even though it drives greedy people to the forefront of decision-making and exposes all agents to greed as seduction. Also, corrective movements in the money supply by central banks without considering fully the real value can produce no real systemic cure. The popular argument of the creation of jobs is equally misguided. The task of the economy in the sense of entrepreneurship is not to create jobs. The task is to manufacture products that meet the needs. In an economy that is being thought from totality towards its aspects, the question of jobs never becomes acute, because it is continuously and 'automatically' becoming solvable by thinking in adequate concepts. To wit, when the sustainedness of the whole economic process is at the center of consciousness, and serves as the systematic basis in the conceptual system of the theory, all people are 'automatically' included adequately. This eliminates, for example, the currently ruling narrow-minded idea that an activity can only be presumed to be labor when it produces directly economically exploitable things in pre-production, industry, distribution, trade, scheduling, and production of cultural values. It is no coincidence that pressure is growing for example towards recognizing the economic value of housework, or an increasing need of sponsorship in order to maintain important social and cultural functions that otherwise would simply disappear. The currently fashionable idea of extending services into just about everything, making anything into a tradeable commodity, offers no guarantee of covering the whole of the economic process. It only subjects human activities to the rule of monetarism with its needless coercions. In real economy, the distorting effect of the usual notion of

economically relevant labor and of economic value results in us all increasingly performing forced labor for nothing more than the maintenance of the system that extorts this from us through our need of income as payment for a direct performance, while we became accustomed to award an income only to those who obey the system constraints - and while we must apparently endure this coercion until finally getting the point. One massive burden that is produced by the tunnel vision, and is manifest also via taxation, is the huge administrative machinery mentioned in section 3 for taking into account the quota of the population that can not directly be profit-making in the presently anticipated exploitative sense. When thinking in terms of the real value, and using the 'unit of account' mentioned in section 5, the economic reality of all parts of the population can adequately become explicit, so additional burdens (often by way of taxes) can be dispensed with. Another and even heavier burden is constituted by the distortion in the global monetary system, produced by rooting it in supposed debt, thus subjugating the portion of the population exterior to the system itself, that has positioned itself as a profit-making machine for private enterprise. Pending a complete clarification of the nature of real versus imaginary value, the 'siphoning off' of profits will remain operative, which now paralyzes the system, while its representatives present themselves on top of that as saviors with the 'argument' of job creation, which is - upon precise systematic examination - either a self-deception (where unclear thinking is at work) or a screen of smoke (where clear thinking and therefore dishonesty is at work). Many problems in the economic fabric have their roots in a one-eyed vision of the structural relationships and corresponding disturbed implementations at all levels of the economic system.

## 7. Bridging the gap between theory and practice

Achieving an all-out recovery of socio-cultural reality through the economy would thus require efforts on several levels simultaneously. On the one hand there is the *strategic* level where one has to find one's bearing in *laws imposed by nature* - including the intrinsic laws that determine the basic laws of pure logic - in order to develop really efficient theoretical frameworks. On the other hand there is the *tactical* level, where one should take into account the *particular characteristics and limitations of existing structures*, for identifying appropriate materials movements. But one cannot expect to achieve a really good tactic without having developed at first a good strategy. This dependency is very clear, and if now we are stuck on the socio-economic level, this is due to not thinking before. But we can still learn! Therefore these two levels need to be cultivated *simultaneously, in parallel* - albeit in a very precise intellectual order. At the strategic level, economic and financial systems should be allowed to compete and communicate in a relaxed mode, while some serious basic academic efforts are necessary in the theoretical realm for ensuring in a systematic way the complete coverage of the subject matter and the perfect coherence of the conceptual system. In terms of cognition it would have to be an uncompromising perspective that includes explicitly the intrinsic law of primary production. At the tactical level, the wider public should be allowed to participate in devising practical systems that they favor. This facilitates their reaching a clear insight into the fundamental conceptual relationships and unfolding an

increasingly conflict-free practice. Unconstrained contemplation and discussion under the auspices of a truly uncompromising theoretical perspective can warrant trouble-free performance.

If real safety is to follow from this overall structure, it must rest on *pure principles* - not on something empirical, as many believe nowadays, because even the most comprehensive empirical data never can offer a systematic completeness of coverage. Whoever wants to have everything empirical, must also experience his failure empirically for coming to his senses, and will inadvertently produce a plurality of theories, inevitably getting lost in minor details. The existing sciences show this already - physics in its stride from the part to the atom to the particle without really getting to the bottom; linguistics stepping from the sentence to the word, the morpheme and sememe without being able to conceive language in a complete way, or economic theory treading from value as such to the value of commodities to the valuating decision of the agent, without being able to solve thoroughly the value problem - and always hoping that it is sufficient to aggregate the elements, mathematically applying an integral, in order to arrive at a meaningful idea of the whole. It would be an ideational auto-mutilation if whatever self-limitation would be accepted as 'normal' in the sense of a consensus, especially the basically descriptive mode of the current mainstream with its inevitable production of 'blind spots'. The inevitability of drawbacks is not milderred decisively by the choice of using verbal, scientific or mathematizing methods, or if hermeneutics are being endeavored for an interpretation. Also, logical contortions as with polycontextuality and kenogrammatics do not release us from the crucial point, because they only move it into new dimensions until it is no longer detectable in the chosen conceptual and experimental perspective. Such procedures have more to do with self-deception - the fact of believing that a view is more justified than it is in reality - than with solvability on principle. Majoritarian opinions do not matter, since the precision of scientific ways of thinking is not determined by democratic means, and collective error is always possible where beliefs are allowed to rule. Some thinkers are now noticing limits that follow from the usual mental habits, but this is not yet a guarantee of a conclusive sustainable methodology. The debate in philosophy of science still features major gaps. On the other hand, the problem is not new, because the will to really understand has always been dealing with the intrinsic law of the subject matter, the originality of the facts to be understood - even if in the course of the history of philosophy the names have changed (*eidōs*, *ousia*, *essence*, etc.) and the paths towards understanding have often varied. The efficiency of the research process can be significantly enhanced when one is aware of the basic orientation.

In the processuality between nature, society and economy, one can realize that setting out on laws imposed by nature makes it unnecessary to try to iron out errors of a faulty theoretical foundation by means of ethics and morals - e.g. in the field of economics as 'business ethics'. As should be known, this can never succeed anyway, as many want to dictate to others what to do, but nobody likes to obey others, especially when mere opinions are at stake. Only too easily the discussion degenerates into blame. And even when the moral decision is delegated to the moral philosopher, the problem still is finally an epistemological one, and the final goal

should be to allow anybody an access to this level. In this sense we make headway when even profound philosophical texts are written in a way that allows anybody to understand the ideas.

At the most material level of practice, society should not be harassed once more by the implementation of ideas generated abstractly, for instance as a ready-to-use economic system, of whatever sort. It is better to increase the quality in the examination of problems so that corrections can be settled as soon as possible. That was the meaning of scientific publications, where the solidification of paradigms has cumbersome effects; now, due to the sheer amount of material published worldwide, some sort of data infarction is becoming effective. Less and less one can be sure of not missing something really important. Now, the direct confrontation with the respective issue is taking effect again, which should have been facilitated by the published clarifications. This new overall shape should be considered.

With respect to the concept of practice, it is useful to clarify fundamentally that structures of pure law are never their own materialization, while any translation of laws into ideas - as in some conceptualization or other of an economy - is already a materializing practice, namely in concepts activated on the mental level. One is always implementing intrinsic laws - even when one is not aware of doing so, or when one is operating in a combination where not only the intrinsic laws of things come into play, but also beliefs in intrinsic laws for example at the epistemological or ontological level. The discursively declared elements do not always include all of what is also implied. When you think for example clearly of a person, but forgot her name, you are operating mentally in the intrinsic law of just that person, the personality as you know her on the purely ideational level, without needing to remember her worldly name. A real disembarassment is in sight only when all support in beliefs and prejudices can be dispensed of, in favor of uncompromised openness to the subject matter (some gentle mental groping then allows you to remember for instance the person's name).

The tensions between complete reality and today's usual limited understanding will of course become manifest, and which of the different processes will arise, is for us to choose. If today's majority of decision makers persist in the mainstream opinion, they cannot avoid, due to reasons of principle - and as the development clearly shows - sooner or later generating a *state bankruptcy*. Interestingly, however, a bankruptcy of the existing global monetary system is never to be worried about, although it is in private hands and constitutes, as it were, a state for itself. The reason for this immunity is that the existing system benefits of any conflict and disaster because loans for reconstruction are then always necessary, while the fate of all goods is to decay anyway. The different nature of ideas and materiality is more important than many realize, while the principle of debt, jealously kept secret by the financiers, guarantees at the very end the desperation of their clientele - but she does not yet know that. All the more the currently most visible representatives of this system, the banks, must give themselves a very splendid gloss for being able to seduce. All this should give the state leadership something to think about in terms of intellectual and institutional structure. If the



leadership does not want to deal with the core issues, once more 'the man in the street' is compelled - by the peril of being ruined - to address them and get organized.

A state bankruptcy is still only a disaster if the people lose their belongings, as is the case in today's type of organization. Since most decision-makers are involved in this organization, and hence benefit from the misfortune of others, they have hardly any interest in changing the situation. They feel justified in it because the usual way of thinking offers them no reasonable alternative. For precisely this reason the intrinsic law of obligation to primary production was outlined above, for facilitating non-ideological forms of thought (in-depth considerations are surely required for further steps). If experts would minister this intrinsic law of the economic process, society could proceed relatively efficiently. Otherwise, the state bankruptcy will be *actualized*. It is known that in the euro area, such a moment is to be feared in Greece, Spain, Portugal, Italy, etc., and specialists are of the opinion that the series will continue. Now the U.S. is faced with the problem too. Concerning the ways of handling this danger, one should not lose sight of who may have an interest - considering the situation geopolitically - in a development that makes some nation states (and not others) go bankrupt. Not infrequently, interests in raw material resources play an important role in the sacrificed countries, which then can be taken over by institutional means. Understanding the law of real value can avoid the destructiveness of acting out of an incomplete basis of decisions.

The situation is, however, rarely discussed in an appropriate way. When it is thought in complete transparency, the tangle can be resolved smoothly. Even if a state bankruptcy arises, it can run off lightly if a broad awareness of the positive ways of thinking is already effective. Such is more and more likely, because handling goods, money and values will sooner or later awaken the awareness for the basic interrelations. Distractions cannot be effective forever. In a state bankruptcy, the facilities, services and goods are still available; the question is how to balance them against each other. The outlined real value of money reveals the foundation that allows a transformation of the situation without real conflicts; where conflicts arise, they are due to illusory ideas.

There are thus different paths on which the transition can be approached. The important point is the clarity in the basic concepts, because this is ultimately relevant. These need to be developed and cultivated without compromise. This is both a theoretical and a practical effort - theoretically as clear ways of handling laws imposed by nature, and practically as clarity in thinking and dealing with others through activities, goods and services that can always be made conflict-free, thereby promoting constructive alertness for the conceptual relationships.

## **8. An integral practical implementation**

Aside from a sincere basic debate in the academic realm, an access to solutions for the current economic problems can be found in *complete local economies* that are supported by a minimum of about 1000 people. This social dimension is already sufficient for bringing to bear a reasonable division of labor for simple things, and a local market can already flourish.

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Projects that are designed to operate on mere barter, or in pure self-sufficiency, siphon off too much creative energy of participants into mere survival and are therefore at best precursors of meaningful solutions. Since not all people like to think in a purely theoretical way, in external practice the interconnections must also become explorable. Complete local economies with their division of labor provide the minimum field for investigating the effectiveness of the law of having to achieve primal production for allowing further economic steps. In the local economies, the principle of banking should be maintained; it needs to be appreciated as the appropriate instance for establishing balance sheets of circulating money. Today's commercial bank is only useful for itself and its direct beneficiaries; with increasing transparency it will therefore become unnecessary, and then all banks are branches of the respective Central Bank. Just like all people need to know, for their satisfactory social inclusion, what is at stake in medicine or in physics, they should also be clear what is at stake in the economy, as much on the object side (goods and their processes) as on the symbolic side (money and its processes).

An interesting point is the understanding between local economies. The most expedient cooperation between them can come about through the groups of people who are all affected materially by the same type of problem, which organize themselves out of their joint objective interest by developing non-coercive mutual agreements, and thereby gradually - in the same way as networked works councils, professional committees or regional councils - give rise to a social fabric of associative character. For leading more to cooperation than to rivalry, the motivation for involvement should stem from concrete factual concerns and duties rather than abstractly prescribed topics. In this network between local economies, questions such as the following ones can adequately be developed and cultivated:

- explorations of the intrinsic connection between physical labor and organizational labor;
- issues of alienation from the sense of our activities, which is built into the division of labor, but where questions become manifest only when partial aspects bully the whole system;
- adequacy of the forms of cooperation at the level of the associative federation;
- establishing a functioning local money system; as is well known, such systems can generally be compatible with a larger or even global system, and can therefore be coupled to these;
- questions concerning the means for the center for social coordination (actually taxes would become unnecessary because primal production sustains the whole social structure);
- contributions to the design of a global monetary system without systemic weaknesses; etc.

Let us be clear at this point that we are no longer at the mere beginning of a development. In addition to sound critiques from Marx to today, meanwhile numerous attempts at more or less local or otherwise specific forms of alternative economy have emerged, from the LETS systems or the proposals by Bernard Lietaer in the monetary area, through a variety of local economies mainly for self-preservation, up to designs on a larger scale such as the proposal of Richard Douthwaite. In the United States there is 'parecon' (participatory economics), and the loud voice of the Occupy Movement, but not many large systems. Relating more

specifically to Germany, there is for instance the effort of Schweisfurth Foundation for a viable form of social business (Gottwald & Sprinkart [2011]), or 'Monetative' as an attempt at a secure new monetary order ([www.monetative.de](http://www.monetative.de)), but in which the value of money is unfortunately still determined in the traditional way, or there are the more radical and less professional proposals of the 'Wissensmanufaktur' ('knowledge factory', [www.wissensmanufaktur.net](http://www.wissensmanufaktur.net)), active in a journalistic style through articles and videos of lectures.

Complete local economies are particularly interesting, first because within their context the principle of primary production can be experienced as closely as ever possible, and second because the personal experience of participants in their economy can be related to their own local economy in feedbacks for transforming it, stabilizing and developing it further, in the sense of an unfolding autopoietic system. In this way, a large number of possible solutions to the basic economic problem can emerge. In every such design, a sense of its uniqueness and individuality is naturally being developed. None of them can lay claim to have found the one and only general solution, but in the debate between these designs, gradually the blind spots - which are leading us to the limit of the sufferable - can be overcome and the bearing can be explored more deeply. The associative network is suitable - by dint of its *modus operandi* - for contributing to a better understanding rather than breeding constraints. The point is in mediating constructively in a continuous dialogue between all process partners. The *means* of control is unlike the exploitation and exclusion with 'hire-and-fire' under the compulsion to profit; instead it is a relaxed rearrangement of labor between sectors and regions according to objective needs. This is possible in the totality of the socio-economic process in referring to the mentioned sustainment by the original act and primary production, which is calculable by means of the 'unit of account' that is obtained from the quotient of the primary product per population (*per capita* real value). As mentioned, Schaerer [2011: 459-551] offers a detailed account of the required conceptual instrumentation, including illustrations of the conceptual steps. In a debate at the associative level, the necessary universality in the basic concepts can become fruitful for the development of an informal but fact-oriented global understanding towards the design of a consensual social and cultural togetherness, from the least to the greatest, such as the United States with the Dollar and the European Union with the Euro.

The point is in the *quest for meaning*, which in all living beings is inevitably stretched out between the level of their intrinsic laws and that of materiality, mediated by their specific mode of being - for humans as individual and social beings this takes place between *handling thought* (cultural life, self-realization, freedom, legislative, republican), *handling agreement* (mature participation, equality, law and political life, adjudicative, democratic-parliamentary) and *handling commodities* (sociality, fraternity, economy, executive, network of fact-oriented associative groupings).

Where sensitive intelligence and precise dialogue management in transparency is able to prevail over powerful demeanor, this development process can even be pleasurable. For putting it into motion, a careful discussion of the basic issues is necessary. Whether they appear to be

extremely complex, or rather clear in overview, depends largely on the type of categoriality through which they are being considered. At this level, some residual obstacles need to be disposed of by means of an integral approach in leaving away all prejudices, also in terms of fundamental assumptions. Then the mental space can open up to procedures according to its real potential. Then the debate can get rid of unnecessary tensions and become fruitful in a refreshing way.

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### **The EU vis-a-vis the Nagorno Karabakh Conflict**

The Nagorno Karabakh (NK) conflict can be regarded as one of the bloodiest in the South Caucasus. The situation is fragile and tense. The prospects for the solution seem impervious. The dispute is coined as “frozen”. Yet, what another conflict in the region, the conflict over Abkhazia and South Ossetia, evidenced is that these frozen conflicts can change their statuses rather promptly. The lesson the 2008 war between Georgia and Russia provides is to seek to solve the conflict in NK peacefully and without use of force. It urges to prevent the escalation of another casualty in the region. In this context the renewed and intense interest of the political scientists and analysts over the region becomes more than understandable.

To the point two remarkably profound and detailed studies are suggested: “EU and Nagorno Karabakh: Rhetoric versus Reality?” and “Europe’s Next Avoidable War: Nagorno Karabakh”. These studies which will reveal the history and politics of the conflict, the regional and international powers engaged in it, will provide geopolitical implications as well as conflict resolution scenarios.

#### ***Arpine Martirosyan: EU and Nagorno-Karabakh: Rhetoric versus Reality?***

*LAP Lambert Academic Publishing, Saarbrücken, Germany, April 2011, 80 pages, € 49,00, ISBN 10-3-8443-3328-2*

A clear-cut and comprehensive understanding of the Nagorno Karabakh conflict and the EU involvement in it can be formed with the book by Arpine Martirosyan titled “EU and Nagorno Karabakh, Rhetoric versus Reality?”

The study can be divided into two parts. In the first section the author discusses what conflict prevention is, analyzes the EU’ position toward the phenomenon as well as the policies the EU launches in this regard.

The next chapter comes down to the NK conflict per se. Here the author presents the history of NK and the conflict as well as the parties involved. The strength of the section lies in the fact that the author provides a two level historical aspect of the conflict: the ancient and modern. Concerning the former, the author argues that the region made a “part of wider Karabakh, or Artsakh in Armenian”. As for the latter, Martirosyan claims that the hostility

began far ahead of the 1988 events of Sumgait, citing the 1905 and 1918 massacres in Baku, committed by Azerbaijan over the Armenians.

Afterwards, the book investigates the EU's involvement in NK. Among the principle motives triggering the EU's engagement with the South Caucasus, energy interests as well as the potential of the region to form the EU's borders are highlighted. Referring to the scope of the policies and the role the Union holds in the issue, Martirosyan argues that the EU is willing to be more policy taker. She concludes that the Union's achievements in the conflict management or, at least, in affecting the conflict positively, have not been tangible. Hence, the book calls for a more active EU role in the region, recommending the EU to include NK in its regional initiatives. Additionally, the study recommends the EU to apply to its principle of conditionality as it could serve as a viable political and economic leverage over the parties.

Thus, the book can be considered as an advisable and worthwhile reading for those who are interested in NK, EU's position in the conflict as well as in conflict preventions and resolutions per se.

***Michael Kambeck, Sargis Ghazaryan: Europe's Next Avoidable War***

*Palgrave Macmillan, Hampshire, UK, March 2013, 296 p., £60.00, ISBN 10-978-0-230-30066-8*

The next book reviewed, "Europe's Next Avoidable War", which is edited by Michael Kambeck and Sargis Ghazaryan, both respectively former director and deputy director of the Brussels-based "European Friends of Armenia" (EuFoA), presents a combination of well-researched and conscientiously-written essays. While there are numerous books on the NK conflict, this one stands out from the set in that not only does it comprehensively present the conflict, but also, and perhaps more importantly, aims to come up with innovative solutions which would contribute to the conflict settlement.

To accomplish the mission proficient and competent experts from the field seek to address two interrelated issues. Firstly, the papers provide interdisciplinary and multifaceted examination of the conflict, its origins, historical and political developments and negotiations. Additionally, the articles explain the current situation and go on to chart the regional and international actors involved, as well as reveal their interests. Furthermore, they critically mark successes, failures, challenges and the dilemmas. Secondly, the contributors look to denote feasible ways and scenarios for the conflict resolution. In this context the authors call for more intense international mediation, particularly underlining the significance of an active EU role, deployment of the Union's technologies and strategies. Moreover, the papers highlight the compliance with the ceasefire, warn against the use of force, and acknowledge the importance of trust building between the parties, as well as advocate democratization enhancement both in Armenia and Azerbaijan.



Thus, the value of the book is in that it meticulously analyzes and deconstructs the many issues engaged in the Nagorno Karabakh conflict, highlights the economic factor in it, calls for democratic reforms, provides policy implications and resolution scenarios while remaining optimistic towards the future political developments. The book is also unique in that it comprises an essay written by a Western eyewitness: Caroline Cox vividly pictures the events leading to the NK war. One more asset of the book is the discussion of the informal meetings conducted in Armenia, Azerbaijan and NK. The results reveal the locals position and perceptions towards the conflict and its solution potentials. The brief conclusion of the meetings is that the parties have “extreme distrust” to each other. Yet, in the same token, the volume provides an internationally conducted comparative poll in Armenia and NK. The findings of the research highlight people’s desire for peace. To the point, coherent to the title of the book, “Europe’s Next Avoidable War”, Michael Kambeck notes: “This potential war [a new war over NK] in the most actually eastern part of Europe is clearly avoidable. And since it can be avoided, it should be”. This is how the volume finishes. Yet, as seen, this is the central idea of the whole study, a perspective evolving round in all of the essays.

In the end it is to be mentioned that the volume is a noteworthy input to the field. It is commendable for it provides the reader with comprehensive information and knowledge regarding the NK conflict as well as provides multiple worthwhile recommendations and strategies. It is difficult to find much fault with the conclusions, hence, it remains to hope for the viability of the implied scenarios and be optimistic regarding the settlement of the dispute.

*Ofelya Sargsyan*

## **Caribbean Region**

### **The Cuban Revolution**

***Joaquín Roy: The Cuban Revolution (1959 – 2009) – Relations with Spain, the European Union, and the United States***

*Palgrave Macmillan, New York City, November, 2009, 220 pages, 100.33 \$, ISBN 978-0230619265*

Joaquín Roy, director of the University of Miami’s European Union Center of Excellence and specialist in Cuban foreign relations, attempts with this book not only to provide an in depth summary of the complex relationships that Cuba has maintained since the Castro revolution in 1959, but also to take a deep look at the historical antecedents of these contemporary issues. For the most part, he succeeds, giving an extremely detailed account of contemporary and historical touchstones in the field of Cuban foreign relations, such as the beginnings of the US embargo and, more recently, the controversies over the Spanish aid packages offered in the wake of hurricanes Ike and Gustav.

However, his look at the pre-revolution bases for current problems seems almost like an afterthought, hardly stretching beyond the first chapter. In that chapter, Roy takes his (obviously sharp) analytical eye at the socio-historical underpinnings of Cuba's then-and-current relationship with the US and Spain, focusing on the island nation's privileged status throughout history and Spain's post-colonial crisis of confidence. Even this, though, is strangely incomplete, leaving out the socio-historical facts of Spain's relationship with the European Union, which themselves inevitably color the two-tiered approach to a European presence in Cuba. So, while Roy's analysis of specific actions and actors on the international stage was highly detailed, it would have been nice to look at modern Cuban interactions with the US and Europe (both Spain and the EU at large) through the lens of its historical and cultural contexts and/or modern interactions *within* the EU (which, admittedly, Roy covers factually and adequately in the latter half of the book) through their own respective historical and cultural contexts. An exploration of the latter would invariably involve Germany and France and their own respective (and lengthy) histories within the continent. However, to give Roy the benefit of the doubt, perhaps these topics were cut out to preserve the remarkable brevity and readability of this work.

However, with regards to its readability, the book does become very dry and academic at times, very rarely engaging the reader. This is, of course, forgivable, but it seems important to note due to the book's presence as an introductory text (or perhaps an anniversary text, as its publication follows hot on the heels of the golden jubilee of the revolution), devoting mere pages to topics that Roy has, in other instances, surveyed at book length – the most notable example being the exploration of the Helms-Burton doctrine, about which Roy wrote 2000's Cuba, the U.S. and the Helms-Burton Doctrine: International Reactions.

In this book, Roy attempts to remain (or, rather, appear as) unbiased, hardly judging Cuba for its political system, though it is clear from the outset he takes a very neo-liberal attitude, regarding eventual democratization and the opening of the markets in Cuba as not only inevitable, but desirable (i.e. as opposed to a reform of Castro's Cuba, with more protections of human rights, but still with a centralized socialist economy). This brings up another important point, which, though it seems small, shows Roy's clear bias: namely, that he repeatedly calls Cuba a Marxist-Leninist state. This is, of course, problematic, for while the revolution itself was obviously an attempt to bring about a Marxist-Leninist state, Castro soon turned to the seductive evil of Stalinism and the entrenched bureaucrat class. The distinction between the two systems was explored most notably by Milovan Djilas, in his landmark work *The New Class*. While this is, indeed, a small detail, to say the least, it does point to a bias (perhaps even an unintended one).

The book's overview-type style and neo-liberal bias seem to point towards an audience of contemporary politicians, politically-minded folk, and perhaps even some academicians, all hoping to gain some quick insight into a perennially thorny issue, but with the caveat that

none of these are of the more radical persuasions. Those looking for a Losurdo-esque apology for Castro or an outwardly hawkish text best look elsewhere, as the overall message can be summed up in the following quote: “The loss produced by a return to a state of mutual isolation would not generate any benefits for anybody.” In other words, keep communication lines open and don’t rock the boat. Still, for those looking for a fairly mainstream and rigorous yet brief history of Cuba should look no further than Roy’s book; should one still hunger for more, the bibliography and notes are, themselves, hardly vestigial.

*James M. Kopf*

## **Africa**

### **Africa in Global Politics**

***Olayiwola Abegunrin: Africa in Global Politics in the Twenty-First Century: A Pan-African Perspective***

*Palgrave Macmillan, New York, USA, 2009, 263 pages, 60.04 €, ISBN 978-0230618909*

Olayiwola Abegunrin is a Professor of International Relations and African Studies at Howard University. His portrait of 21<sup>st</sup> Century politics in South Africa is written through an academic, rather than political perspective. He writes for African political leaders, impelling them to unify along common goals. He also writes for a student audience, clearly describing the different organizations as well as political leaders at play in 21<sup>st</sup> Century African politics.

Abegunrin’s thesis is clear. South Africa, and possibly Nigeria if it stabilizes, could become to Africa what Japan has been to the Pacific Basin, the dynamo that energizes and drives those economically underdeveloped countries to become economically viable. The purpose of the book is to paint an optimistic future of a unified, stable, and prosperous Africa. He aims to show how Nigeria and South Africa could lead the procession towards a new Africa—rich with its own identity and economically independent from the West.

Abegunrin does highlight potential roadblocks to this ideal future, but only with a following disclaimer about the promising future. In fact, every single chapter conclusion ends with a definitive statement of hope. This is perhaps the weakness of the book, although the author’s confidence and zest is alluring. This book’s strength lies in its organization. It clearly creates a historical timeline between countries and demonstrates a cause and effect portrait of African Politics. For example, Abegunrin stressed the Sharpeville massacre of 1960 as the critical point when Nigeria became involved with South Africa and spearheaded economic and political sanctions against the apartheid government. He marks this as the beginning of an African consciousness, though he does note the falling out between South Africa and Nigeria after South Africa rose to liberation in 1994 and Nigeria fell to human rights violations.

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This book has a clear goal—to motivate concerted action in Africa. Inspired by associations like the European Union, Abegunrin has high hopes for a functional African Union that can insure peace, security, and survival. However, the reality is that this institution cannot even make its member countries pay dues. He calls urgently “unite or die” to African countries and stresses that only Africans can sustainably solve African problems, although international aid is vital in alleviating some of the devastation many Africans face, such as the HIV and AIDS crisis.

The books primarily focus on the “two giants” of Africa—South Africa and Nigeria to lead this Pan-African revolution, founded on horizontal integration (nationally and regionally) and a sense of African cultural and racial identification.

Abegunrin opens the dialogue for how to achieve a stable and developed Africa in the future, which is a topic worth pursuing—especially as violent extremist organizations such as al-Qaida in the Islamic Maghreb, Ansar Dine, and the Movement for Unity and Jihad in West Africa, al-Shabaab in Somalia, and Boko Haram in Nigeria continue to take root and jeopardize human security and threaten to ignite communal violence.

I would recommend this book as an educational introduction to 21<sup>st</sup> century African Politics, but only with a touch of realism that it endearingly lacks.

*Leslie Horwitz*

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