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Editorial

Dear readers,

besides other developments the Eastern Ukraine has obtained in the last months and weeks - the days of the Minsk Agreement - a lot of attention. That does not mean, that the Crimea issue has left a front seat. Regarding the Minsk Agreement II, where the Russian President met with the Ukrainian, on the common request of the French President and the German Chancellor (who had a mandate from the European Union for these negotiations), it has to be stated that unfortunately the pro-Kremlin separatists as well as the Russian government have not kept all clauses of this agreement.

This is easy to extrapolate from the behaviour of these parties right after the conclusion of the Minsk Agreement II, as the Russian Federation delivered a lot of heavy weapons through their border into Eastern Ukraine, and the separatists were fighting as before in an unchanged manner. This is not a civilised manner, but it is not astonishing if one realizes the background of the separatists, and it would have been a miracle if the weapons would have been silent in time. But this agreement is better than nothing, and it had to be attempted.

We have added the Minsk Agreement II in full length. May many readers discuss it!

At the same time I should once more point out that we welcome e.g. our Russian authors in EUFAJ. They are seasoned scientists in their respective fields, and scientific exchanges between Russia and e.g. the EU have been not very numerous in the last years. It should be clear how Russian university authors think, count and write. The same is true for our numerous authors from former Soviet republics surrounding now Russia. It should also be taken into account in Russia what they express. And in Russia we have, by the way, quite a lot - and prominent - readers. Also and even more in a time when Boris Nemtsov has been shot down. Just to mention here that international observers have been appalled by the way and the tendency of the state-governed media in Russia, even before his funeral.

With best regards,



Hans-Jürgen Zahorka

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European Foreign Policy: Its Nature, Issues, Scope and Potential

Ofelya Sargsyan



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List of Abbreviations

AA	Association Agreement
AFET	Committee on Foreign Affairs
AFSJ	Area of Freedom, Security and Justice
APF	African Peace Facility
APC	Asia Pacific Community
APEC	Asia-Pacific Economic Cooperation

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ASEAN	Association of Southeast Asian Nations
CAP	Common Agricultural Policy
CCP	Common Commercial Policy
CFSP	Common Foreign Security Policy
CIS	Commonwealth of Independent States
CIVCOM	Committee for Civilian Aspects of Crisis Management
CMPD	Crisis Management and Planning Directorate
COREPER	Committee of Permanent Representatives
CPCC	Civilian Planning and Conduct Capability
CSDP	Common and Security Defence Policy
CU	Custom Union
DCFTA	Deep and Comprehensive Free Trade Agreement
DCI	Development Cooperation Instrument
DEVE	Committee on Development
DROI	Committee on Human Rights
ECB	European Central Bank
EDA	European Defence Agency
EDF	European Development Fund
EEAS	European External Action Service
ENPI	European Neighborhood Policy Instrument
EPC	European Political Cooperation
EU	European Union
EUAM Ukraine	EU Advisory Mission for Civilian Security Sector Reform in Ukraine
EUISS	European Union Institute for Security Studies
EUMC	EU Military Committee
EUMS	EU Military Staff
EUROMED	Euro-Mediterranean Partnership
EUSC	European Union Satellite Centre
GDP	Gross Domestic Product
GNSS	Global Navigation Satellite System
HR	High Representative
ICC	International Criminal Court
ICIJ	International Consortium of Investigative Journalists
IFS	Instrument for Stability
IMF	International Monetary Fund
INTA	Committee on International Trade
MS	Member States
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OSCE	Organization for Security and Co-operation in Europe
PCA	Partnership and Cooperation Agreement
PSC	Political and Security Committee
SCIFA	Strategic Committee on Immigration, Frontiers and Asylum
SEDE	Committee on Security and Defence
SES	Single Economic Space
TACIS	Technical Assistance to the Commonwealth of Independent States
TEU	Treaty on the European Union

TFEU	Treaty on the Functioning of the European Union
TTIP	Transatlantic Trade and Investment Partnership
UfM	Union for the Mediterranean
UN	United Nation
USA	United States of America
WTO	World Trade Organization

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On the current and already completed EU missions and operations

Introduction

Since 1945 Europe has changed into a region where political barriers have been abolished, economic potential has increased, social concerns have been revised, cultural discrepancies have been acknowledged and accepted, diversification increased and inclusion has become the norm.

Today the EU is the world's biggest internal market and the biggest target for Foreign Direct Investments (FDI) to which businesses worldwide want to accede. The EU has promoted innovation, the right for choice, democracy and free trade both inside and beyond its territories. It has brought forward innovative approaches of doing political, economic and social relations - ones which are more peaceful as well as efficient than anything that its individual Member States (MS) could provide when acting separately. Furthermore, the Union has supported policies which have been beneficial not only for its MS but also for the rest of the world. It is a unique example of soft power in the world, one that highlights the efficacy of free trade and of reducing barriers to the free movement of people, money, capital and services inducing compromise, higher living standards and increased protection and seeks to promote its principles and values in a peaceful, civilian and diplomatic manner

While initially the European integration was about reforming Western Europe after the Second World War and the removal of the historical causes of conflict in the region, **certain events caused to redefine the Community's policy set up**. Among such triggers have been **economic concerns, regional security problems**, such as those in the Balkans and the Middle East, **nationalist pressures in Russia, the influx of refugees, threat of nuclear weapons, new technology development implications, environmental issues** as well as **globalization**. The Union turned its attention to foreign and security policies. Today it enables the EU to deploy joint influence, involve smaller MS into determining international debates, encourage sharing resources and burden, and promote democracy and cooperation as well as inclusive consensus.

Unfortunately, not always are the EU's foreign policy achievement well-known. Among them the **official development assistance** (ODA) can be mentioned. The EU is its biggest donor. Other soft power policies of the EU are reflected in its **support and observation of elections** in dozens of countries. The Union has also undertaken **dozens of police and military peacekeeping missions** including those in Afghanistan, Bosnia, the Central African Republic, Chad, Georgia, Macedonia, Kosovo, Palestine, Ukraine, etc. Moreover, the EU also **stimulated the creation of the International Criminal Court** in 2002 and has since then been the court's largest funder and supporter. It has also **supported the development of arms trade treaty under the UN framework** which determines the standards for the import, export and transfer of arms. Furthermore, the EU is an **example of solving problems in a shared manner**. It is a distinctive global actor which deploys inclusive and soft power tools to meet its policy objectives.

Worthwhile is also that also **ordinary Europeans are supportive of the EU foreign policy-makings**, as such

- The 1999-2009 Eurobarometer polls revealed that around 75% were for a common EU defense and security policy
- 65% of its citizens considered the EU essential in addressing global challenges such as climate change and international terrorism.

The EU foreign policy is

- **multifaceted** (it encompasses **Common Foreign Security Policy (CFSP)**, **Common and Security Defence Policy (CSDP)**, **external action** and **external dimension of internal policies**),
- **multi-method** (it combines intergovernmental and Community approaches) and
- **multilevel** (it comprises the national, the European and international levels).

The EU foreign policy as such is defined in the two EU treaties (or Lisbon Treaty): Treaty on the European Union (TEU) and Treaty on the Functioning of the European Union (TFEU). The **TEU determines** the scope of the **CFSP and CSDP**, which can be coined as being **intergovernmental**. The **TFEU** in its turn defines the Union's "**external action**" and "**external dimension of internal policies**" which are considered as "**Community policy**".

Chapter 1: Aspects of the EU foreign policy

The EU foreign policy stresses **four key aspects**:

1. human rights, democracy and rule of law,
2. conflict prevention, crisis management and peace-building,
3. non-proliferation and control of arms exports,
4. the fight against terrorism.

Chapter 1.1. Human Rights, Democracy, Rule of law

A pivotal EU foreign policy is the promotion of human rights, democracy and rule of law. Moreover, Art. 21 of the TEU states that EU should not only support the norms but also identifies the principles as the cornerstones for the establishment of the EU per se.

- **The CFSP ensures a large spectrum for promoting democracy, human rights and rule of law**, with most of its actions being devoted to these principles. Additionally, in the framework of it the Council ratified "EU human rights' guidelines" for the death penalty, torture and other cruel, inhuman or degrading treatment or punishment, rights of the child, children and armed conflict, the violence against and discrimination of women and girls, the protection of human rights defenders in third countries and the promotion of human rights defenders in third countries, and the promotion of international humanitarian law.
- **Another tool for the EU to promote its values are the agreements with third countries**, such as the Partnership and Cooperation Agreements, Association Agreements as well as geographic financial tools in relation to these agreements, with these documents incorporating political conditionalities to be met by the third countries, among them also the respect for rule of law and human rights.
- **One more platform is via the European Instrument for Democracy and Human Rights (EIDHR)** which finances the "EU Election Observation Missions" and "Election Expert Missions", the annual allocation being around 50 million Euros. Between 2014 and 2015 the EDIHR will allot €1.3 billion to non-governmental organizations which promote human rights, democracy and the rule of law.
- Additionally, **certain EU internal policies with an external dimension also contribute to the improvement of human rights and democracy**. One example is the fight against the trafficking of human beings.

Chapter 1.2. Conflict Prevention, Crisis Management and Peace-building

The EU seeks to address various interacted phases of a conflict: prevention, crisis management, peacemaking and peacekeeping, post-conflict stabilization and peacebuilding.

- **The EU High Representative, the EU Special Representatives and senior EEAS (European External Action Service, the EU diplomatic service) officials are often engaged in mediations** and provide EU contributions to international mediation cases, e.g. crises in Georgia, Ukraine, Iran, the Middle East, the Western Balkans, etc.
- **The EU also undertakes military and civilian crisis management operations** via the CSDP by deploying soldiers, police officers and judges from EU MS. The CSDP missions can realize various tasks, such as joint demilitarization, humanitarian and rescue

operations, military assistance, conflict prevention, peacekeeping as well as crisis management.

- Other tools for the EU are **the Instrument for Stability (IfS) and African Peace Facility (APF)**. The EU's IfS is a diplomatic tool paired to such geographically oriented instruments as the European Development Fund (EDF), European Neighborhood Policy Instrument (ENPI) and Development Cooperation Instrument (DCI). It ensures financial assistance for interferences when the cooperation and assistance in third countries is unfeasible under certain circumstances. The instrument was engaged for elections and civil society inclusion in the transitional periods in Tunisia, Egypt and Libya. The instrument also addressed e. g. the reintegration of ex-militias in Nigeria, or helped the establishment of a truth-and-reconciliation process in Columbia. Generally taken, **IfS supports global and trans-regional challenges with a security and stability dimension**. As for the APF, it is **a significant tool for fulfilling the Africa-EU Partnership on Peace and Security**. It aims to provide the African Union and other African regional organizations resources to reconcile crises by promoting effective peacemaking and peacekeeping operations.
- Finally, the EU's **mainstream long-term development and cooperation programmes and financial instruments** are to be mentioned which are also used for crisis management and peace-building., these include **association agreements, partnerships and other agreements** as well as the related financial aids.

Chapter 1.3. Non-Proliferation and Control of Arms Export

Since the establishment of the CFSP, the EU has also been engaged with non-proliferation policy. However, the policies often fall short from the inception because of the Member States' widely diverging views about the role of nuclear deterrence. Such questions as the nuclear capabilities and ambitions of Iraq (Weapons of Mass Destruction, WMD), Iran and North Korea, the necessary diplomacy, sanctions and use of force require varying answers within the EU.

Still, it is to be noted that the EU has managed to develop certain bases to this end as well. As such the following tools can be identified:

- A common **EU Strategy against the Proliferation of Weapons of Mass Destruction**.
- The launch of **inclusion of non-proliferation clauses as essential elements of bilateral agreements between the EU and its partners**.
- The **Strategy to Combat Illicit Accumulation and Trafficking of Small Arms and Light Weapons**.

Chapter 1.4. Fight against Terrorism

The EU is sometimes criticized for its limited reach with regard to the fight against terrorism. One of the causes for such an approach can be the reluctance of the MS to use too much development money to pursue security-related goals, and to allocate more or too many competences to the EU in the sensible field of internal policy.

Yet, due to the interlinked nature of the external and internal security both within the EU and within the third countries, the EU has set fight against terrorism as another priority dimension for its foreign policy, and this especially after 9/11 events. As such

- the **Council Working Party on Terrorism** was created,
- **Europol and Eurojust** were strengthened
- **The position of Counter-Terrorism Coordinator** was established.
- In 2005 the EU adopted a **Counter-Terrorism Strategy** which is composed of four dimensions: prevention, protection, pursue and response.
- The **EU ratified new legislations** including a common definition of terrorism, a list of terrorist organizations, an EU-wide arrest warrant, rules for joint operations between national police forces as well as legislations against money laundering and asset seizure.
- **Counter terrorism has become incorporated among all the EU relations with third countries.**
- In this context, the EU has a permanent internal discussion about necessary activities in law enforcement, which reduces possible **privacy data protection** (e.g. the transmission of flight data to third countries)
- The EU has **supported the 2005 UN Convention for the Suppression of Acts of Nuclear Terrorism and the 2006 UN Global Counter-Terrorism Strategy**, contributed to the sanctions regime against Al-Qaeda and other terrorist organizations, encouraged third countries to ratify and fulfill the existing anti-terrorism related UN Conventions as well as supported international initiatives.

Chapter 2. The EU Foreign Policy Dimensions

The EU foreign policy should not be considered as being identical with the

- a) European foreign policy, since the EU does not incorporate all the European states.
- b) The EU Foreign Policy is also not equal to the CFSP and CSDP as it has also other external action dimensions.
- c) The Union's foreign policy should not also be narrowed to be taken as the sum of the national foreign policies of the MS. As a matter of fact, the Member States preserve their own national foreign policies. The EU's foreign policy comprises the national foreign policies of the member states in case they are framed in interaction with the EU.

When outlining the EU's foreign policy the following dimensions are to be identified:

1. **Common Foreign Security Policy (CFSP) and Common and Security Defence Policy (CSDP)**
2. **EU's external action**
3. **EU's external dimension of internal policies.**

Chapter 2.1. CFSP and CSDP

Legal fundamentals for CFSP: Its development, structure and bodies of the CFSP

The Rome Treaties did not mention foreign policy and the Community was long focused on its domestic economic policy. It was only at the 1969 Hague Summit that the leaders considered foreign policy aspects, and in 1970 the European Political Cooperation (EPC) was launched – a platform in the scope of which the foreign ministers gathered and discussed policy positions. Yet, it remained a loose and voluntary arrangement outside the Community. Under the 1993 **Maastricht Treaty** the Community ratified the Common Foreign and Security Policy (CFSP) which called for safeguarding common values, fundamental interests, preservation of peace and international security as well as promotion of international cooperation.

The CFSP was revised by the **Treaty of Amsterdam** which, among other changes, launched the **limited majority voting on foreign policy issues, the rotation of countries holding the presidency of the EU**. Additionally, the **Policy Planning and Early Warning Unit** was established to anticipate foreign crises, the office of **High Representative (HR)** was created. Yet; the intention to call the HR just **Union Minister for Foreign Affairs** was dropped with the rejection of the Constitutional Treaty.

The **Lisbon Treaty** has brought further reforms. It **merged the HR position with that of Commissioner of External Relations, Chair of the Foreign Affairs Council in the Council of Ministers and director of European External Action Service (EEAS)**. The HR is responsible for the relations with the European Parliament. HR has to constantly consult and inform the EP and make sure that its views are considered, and is also to ensure the implementation of the CFSP decisions, ratified by the Council and the European Council. Additionally, the HR is to represent the EU in the international platforms in the CFSP-related issues. HR shall also assist the Council and the Commission in providing consistency between the different areas of the EU's external action.

As for the **EEAS and the EU Delegations**, these **are additional sources in the EU that engage various foreign policy actors and instruments so as to guarantee a coherent and effective foreign policy**. A crucial part of the EEAS is the network of the EU Delegations. There are about 140 EU Delegations which represent the EU in non-member states and international organizations.

The Delegations are under the auspices of the HR and are to collaborate with MSs' diplomatic and consular missions, exchange information, implement joint tasks, and contribute to the formation of the common EU approach.

Regarding the instrumental set up, the Lisbon Treaty brought more flexibility for the implementation of the **CFSP**, by introducing **four types of decisions**:

- **on the strategic objectives and interests of the EU,**
- **on common positions,**
- **on joint actions**
- **on the fulfilling provisions for common positions and actions.**

A key characteristics of the CFSP is that it is intergovernmental its policy spheres being subject to "high politics".

The **key actor in the CFSP** is the **European Council**. It identifies the strategic interests and objectives of the Union with regards to the external action. Thus, it sets the political dimension and the priorities of the CFSP. The President of the European Council manages the works, facilitates consensus and ensures policy continuity. What is important is that **the decisions are adopted on the basis of consensus**.

The **central preparatory body for the European Council is the Committee of Permanent Representatives (COREPER)**. It works on two platforms. The first platform, COREPER II, comprises of the MS Permanent Representatives (ambassador level) to the EU, a representative from the Commission, a representative from the EEAS and the chairman of the Political and Security Committee (PSC). The second format, COREPER I, includes member states' Deputy Permanent Representatives. This committee is to prepare other arrangements of the Council.

The **next key preparatory body in the Council for the CFSP/CSDP is the PSC**. It comprises one ambassador from each member state, a representative of the Commission, a representative of the EU Military Committee (EUMC) and a representative of the Committee for Civilian Aspects of Crisis Management (CIVCOM).

Additionally, the **President of the European Commission is a member of the European Council. The High Representative is also present in the European Council** activities and can present the CFSP proposals.

Along with the **European External Action Service, HR is to ensure the management, implementation and representation of the CFSP decisions**. The High Representative and the Foreign Affairs Council are supported by the **PSC**.

The next significant stakeholder is the **Council of Ministers**. It is responsible for developing political consensus and direction as well as mechanisms for implementing the EU policies. **The decisions here are also taken on unanimous basis.**

While the European Parliament has a limited formal role in the foreign policy, it has also sought to push the formation of an EU “Foreign Minister” and a “European diplomatic service”. It has also been supportive for the launch of the CFSP.

The **Parliament informally cooperates with the EEAS, the EU Presidency, the Council Secretariat and the Commission**. Additionally, in compliance with Article 36 of the TEU, the **High Representative regularly consults the Parliament** on the key issues of the CFSP. Furthermore, the EP exercises its power through the budgetary procedure, i.e. **the EP must endorse the annual budget of the CFSP**. The **EP also communicates with the EEAS, monitors its actions** and presents feedback regarding structural issues. Most of the Parliament’s work is performed in specialized committees, namely in the Committee on Foreign Affairs (AFET) and its two committees (on Security and Defence (SEDE) and on Human Rights (DROI), the Committee on International Trade (INTA) and Committee on Development (DEVE).

The scope of the CFSP policy-making

The key areas of CFSP are the Eastern neighbours, the Western Balkans, the Mediterranean, the Middle East and Africa. Its scope and reach has largely increased in the last two decades. However, at the same time the CFSP undergoes a continuous challenge in forming and maintaining consensus among the 28 sovereign MSs. i.e. MSs still have differing perspectives, preference and priorities. As such, the following cases can be recalled - the divisions within the Union over the 2003 invasion of Iraq, or, another fact is that five EU member countries have not yet recognized the independence of Kosovo.

However, **there are a number of priority areas where the CFSP has been successful** — mediation on Kosovo, democracy and human rights promotion in the Western Balkans, reaction to Arab uprising, leading the negotiations on the Iran’s nuclear policy, contribution to the anti-piracy activities off the coast of Somalia, promotion of human rights and supporting the international Criminal Court. Thus, it can be said that **CFSP is moving towards more and more operational foreign policy.**

Legal fundamentals of CSDP: Its Development, structure, bodies and scope

In 1992 in Petersberg the EU foreign and defense ministers ratified a declaration, stating that military forces from member states could be deployed: the **Petersberg tasks**, i.e. humanitarian, rescue, peace keeping and other crisis management cases. The provisions were incorporated into

the Amsterdam Treaty. **In 1999 the European Security and Defence Policy** was launched which is an integral part of the CFSP. Afterwards, under the 2008 Lisbon Treaty the ESDP was renamed as Common Security and Defence Policy (CSDP). **Though CSDP has military and defence elements, its activities more often involve civilian activities** such as police and judicial training and security sector reform. The activities are more focused on peacekeeping, conflict prevention, crisis management, post conflict stabilization and humanitarian missions rather than traditional military actions.

Additionally, the EU has aimed to increase and coordinate the MS military capacity. **The EU has formed a series of military forces which are ad hoc troops** from the existing national forces of the MS. To make the CSDP policies operational, **the EU has also established permanent crisis infrastructures** which are separated into the military and civilian structures. In this context, the **EU Military Staff (EUMS) provides expertise** for the CSDP; especially in the military crisis management operation. The next platform for the CSDP is the **Civilian Planning and Conduct Capability (CPCC)** which is **due for the planning, deployment, conduct and review of civilian CSDP crisis management missions**. Furthermore, **Joint Situation Center for intelligence analysis and threat assessment** is to be mentioned. Additionally, the **Crisis Management and Planning Directorate (CMPD)** is to be highlighted. It is **responsible for the political-strategic planning and coordination of the CSDP civilian missions and military operation actions**.

Yet, it is to be mentioned that the **CSDP does not seek to counterbalance the NATO but rather seeks to be a complementary option**. The presence of the CSDP enables the Union to act in cases where its intervention is more efficient or where the NATO or the UN decide not to get involved. The **actors involved in the CSDP** are mainly those engaged with the CFSP - **the European Council and the Council of Ministers** are the key players while the **HR's** role is significant in ensuring consensus and implementing policies. The **PSC** supports the CSDP actions by monitoring and providing strategic analyses.

By early 2013, 8 EU military operations, 18 civilian missions and one combined civilian-military operation, had been undertaken. The development of the CSDP operations and missions have been widely different and uneven both in terms of timeframe and geographically.



Source: EEAS, <http://www.eeas.europa.eu/csdp/missions-and-operations/>

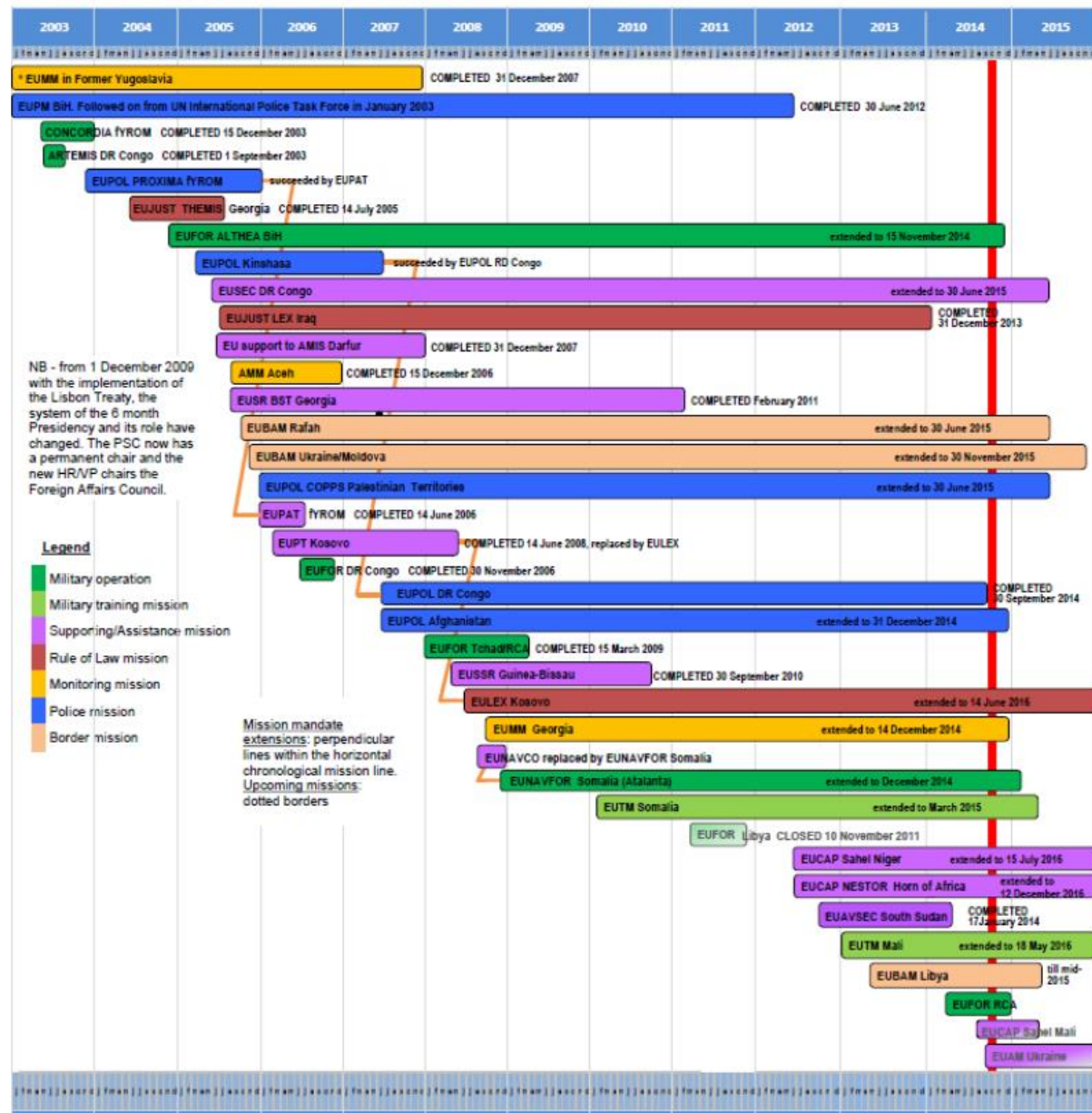
Table 1: Ongoing Missions. As of October 2014, there are 17 active CSDP and EU missions.

ONGOING MISSIONS	Africa	Balkans/ Caucasus/ East Europe	Asia	Middle East
Military Operations	→ EUNAVFOR Somalia (Atalanta) → EUFOR RCA	→ EUFOR Althea		
Military Training Missions	→ EUTM Mali → EUTM Somalia			
Supporting Missions (security sector)	→ EUCAP Nestor Horn of Africa → EUCAP Sahel Niger → EUSEC DRC → EUCAP Sahel Mali	→ EUAM Ukraine		
Other supporting Missions				
Monitoring Missions		→ EUMM Georgia		
Rule of Law Missions		→ EULEX Kosovo		
Police Missions				→ EUPOL Afghanistan → EUPOL COPPS Palestinian territories
Border Missions	→ EUBAM Libya	→ EUBAM Ukraine-Moldova		→ EUBAM Rafah

Table 2: Completed Missions. As of October 2014, there are 20 completed CSDP and EU missions.

COMPLETED MISSIONS	Africa	Balkans/ Caucasus/ East Europe	Asia	Middle East
Military Operations	→ Artemis DRC → EUFOR DRC → EUFOR Tchad/RCA → EUFOR Libya	→ Concordia fYROM		
Military Training Missions				
Supporting Missions (security sector)	→ EUSR Guinea Bissau → EUNAVCO Somalia → EUAVSEC South Sudan			
Other supporting Missions	→ Amis Sudan (AU)	→ EUSR BST Georgia (border) → EUPAT fYROM (police) → EUPAT Kosovo (rule of law)		
Monitoring Missions		→ EUMM Former Yugoslavia	→ AMM Aceh	
Rule of Law Missions		→ EUJUST Themis (Georgia)		→ EUJUST LEX Iraq
Police Missions	→ EUPOL DRC	→ EUPM BiH → EUPOL Proxima (fYROM) → EUPOL Kinshasa		
Border Missions				

Table 3: Chart of CSDP and EU missions to date. October 2014



Source: Eurobarometer

CSDP Agencies

The EU has also established 3 agencies to contribute and promote the development of the policy:

1. To begin with the **European Defence Agency (EDA)** can be mentioned. It is the body to apply to for European defence cooperation. It seeks to assist the **European Council** and

the Member States to improve the Union's defence capabilities via various cooperative platforms. Founded in 2004, the EDA and its MS have managed to initiate various significant projects, such as boosting Pooling & Sharing of capabilities in areas such as Counter-IED, maritime surveillance, cyber defence, Air-to-Air Refuelling, helicopter availability, etc.. Meanwhile the EDA does research and technology projects, works on initiatives in support of the European defence industry, and advances an innovative dual-use approach.

2. The next institution, the **European Union Institute for Security Studies (EUISS)**, is the Union's agency dealing with the analysis of foreign, security and defence policy issues. Founded in 2002, the Institute **seeks to promote a common security culture for the EU, contribute to its development and increase the strategic debate inside and outside Europe.** Furthermore, it also provides analyses and fora for developing EU policies. In carrying out the mission, it also acts as an interface between the European experts and decision-makers at all levels.
3. As for the **European Union Satellite Centre (EUSC)**, it was established in 1992 and was incorporated into the European Union as an agency in 2002. The Centre **aims to support the policy-making of the European Union CSDP, including European Union crisis management operations,** by producing products resulting from the analysis of satellite imagery and collateral data. The speed of change and enlargement in scope of actions in CSDP is remarkable.

As seen, the CSDP has managed to be enlarged and this as a result of the acknowledgement that the relationship between the CSDP, their national foreign policies and actions of other organizations are a positive-sum game.

Chapter 2.2. Community Policies of External Action

In contrast to the intergovernmental characteristics of CFSP and CSDP, other external policies are formulated and covered by the EU's institutions on supranational level. The EU's **external action includes its**

- **external trade policy,**
- **development cooperation and humanitarian aid,**
- **economic and financial cooperation with third countries and international agreements**
- **sanctions**
- **management operations of the UN, NATO, the African Union, APC, ASEAN, CIS, APEC and other international organizations.**

For the issues subject to these areas the European Commission acts as the policy initiator and the key negotiator with third countries. Yet, the external agreements or funding proposals are to be endorsed by the Council of Ministers and by the European Parliament.

Trade

With about one-sixth of the world trade in goods and more than one fifth of world trade in services **the EU is the largest trade bloc**. Its market as well as the position in the world has increased due to its enlargements. Today, the Union the largest trade partner for the USA China, Russia, Brazil, India but also for various regional unions – ACP, APEC, CIS, Mediterranean Dialogue countries, the Western Balkan countries, Gulf Cooperation Council countries.

The EU uses its **Common Commercial Policy (CCP) on three dimensions**

1. **its own unilateral trade policies,**
2. **multilateral agreements**
3. **bilateral agreements.**

Worthwhile is that **the warrant for the EU's position in the international arena has been the CCP**. Through its prism the, EU defines its position with the rest of the world as well as sets conditionalities towards third countries. The EU's trade and foreign policies are linked for various reasons. To begin with, because the **CCP** is an element of the EU's external action, **it is to follow EU's principles** - democracy, rule of law, human rights, fundamental freedoms, solidarity. Additionally, the **trade policy presents key tools for overall EU foreign policy in the form of sanctions, embargoes as well as support measures**. Additionally, the **EU's trade and agricultural policies can reduce foreign and development policy objectives, among them also poverty reduction**.

Agricultural trade is a means to meet demand, address shortages, enhance prosperity for farmers, processors, consumers and the rural economy per se. As such, the international aspects of agriculture policy have an important role in pursuing the fundamental objectives of the Common Agricultural Policy (CAP), which emphasizes agricultural productivity, a fair standard of living for farmers, ensuring reasonable prices for consumers, promoting stability in markets and stabilizing imports and exports as well as food security. To the point, **the key EU agricultural policies can have a significant influence on the international agricultural policy**. Among them are:

- the 2020 strategy which promotes the formation sustainable and inclusive growth in the EU,
- the common commercial policy, particularly the ratification of tariff and trade agreements,
- ensuring coherence with policy towards developing countries, especially, improving food security and rural prosperity,
- contributing to the global sustainability of the farming sphere.

The 2013 **agricultural trade statistics demonstrates a remarkable growth i.e. about 19 billion Euros net trade** stemmed from higher exports (+4%) on reduced imports (-2%). For the same

year the EU agricultural amounted about 118 billion Euros with the final products being the highest share of the overall EU exports in terms of value (almost 65%) increasing by 2.

Another significant aspect to note, which touches not only the economics of the Union but also is connected with its security strategy and civilian policies, is **Galileo - the European global satellite-based navigation system** whereas up to now, only American GPS and Russian Glonass signals have been available as global navigation satellite system (GNSS). Yet, Galileo is a new and reliable option which is exclusively under civilian management. Galileo not only makes EU independent from the American GPS and Russian Glonass, but it is also an entirely integrated constituent in the international global navigation satellite structure which will **enable more precise and consistent positioning. Moreover, it generates a wide set of business opportunities for equipment producers, application developers and providers.**

Taxation of EU Savings Policy

While the paper aims to address EU foreign policy-related issues and elements, as already noted some EU internal policies have also external impact. To this group **the Union's policy on the taxation of savings can by no means be downgraded. It can contribute to the overall economic stance of the EU MS, but also has implications for the third countries that have relations with the EU.**

To ensure the sound operation of the Single Market and address tax avoidance case, the EU ratified the Savings Tax Directive in June 2003 and the EU MS were supposed to harmonize their legislations with it. The document was put into force in July, 2005 and applies to the interests paid to individuals resident in an EU Member State other than the one where the interest is paid. In March 2014 the EU Council of Ministers revised the Directive to address the existent gaps and strengthen preventing tax evasion policies.

The revised Directive prevents individuals from bypassing the Directive by engaging an interposed legal person or arrangements located in an EU and/or non-EU member state. The Directive also increases the product framework, by incorporating financial products that have similar nature as to debt claims but are not legally classified as such. Besides, in addition to all relevant income from both EU and non-EU investment funds identified in the old Directive, the new one also adds the income acquired from actions for collective investment in transferable securities. The revised Directive will be in force by January 2016.

Regarding this policy, November 2014 scandal engaging European Commission president Jean-Claude Juncker is to be noted. According to the leaked documents acquired by the International Consortium of Investigative Journalists (ICIJ), because of certain private rulings some companies used to pay mere small fractions of a percentage level in tax on the earnings that they recorded in

Luxembourg and this at a time when Juncker was himself was the prime minister of Luxembourg, i.e. from 1995-2013. Yet, Juncker announced that “No one has ever been able to make a convincing and thorough case to me that Luxembourg is a tax haven. Luxembourg employs tax rules that are in full accordance with European law.” And whereas Britain’s Ukip, France’s Front National, and Italy’s 5 Star movement called for a motion of censure, it was easily declined by 461 votes, with 101 voting in favour and 88 abstaining,

Thus, bringing all the aspects together, it can be seen that the **trade and overall business policies undertaken by the EU can have a notable impact on the economies and political structures, societies and welfare stance of multilateral platforms and certain third counties.** To the point, the EU has established trade, association or cooperation agreements with almost all the countries in the world.

Saving taxpayers' money by a common foreign and defense policy

One of the reasons to establish the EU Single Market in the 1980s were the significant savings per year the EU could realize when the Single Market had been introduced. Exactly the same principle leads many in the European Parliament, in the EU Commission, in the European Movement and a lot now to the conclusion that the EU could save a great deal of money - all from the taxpayers - by streamlining their maximally 28 embassies in third countries to one single embassy. This could save a lot of real estate costs, maintenance costs, hardware expenses and personnel costs, although the services of embassies should not decrease. In this context, there is talked at present about single visa counters e.g. for the Schengen area. There are excellent experience with a common Nordic embassy in Germany, and with French-German and British-German tests in the past. A common EU embassy of the Member States, and of the EU Delegations, cost for sure less than up to 28 different embassies plus the EU Delegation. There is not yet an official calculation about the savings potential, but cautious estimates indicate an amount of up to 40 billion euros during the first five years (including the sales of embassies' real estate), all to the profit of EU Member States.

The possible purchase of military material and functions could serve the same objective. Here, the figures may be a lot higher than in "classical" EU Foreign Policy. Also in the time of a possible examination of savings in military expenses, the question is now if e.g. mine sweeper units cannot be operated by certain states, relieving others from these operations, or air patrol functions by others. These discussions are more advanced than the foreign policy savings by common embassies.

After all, this will be a subject for the near future for EU foreign and defense policy, and once a first serious scientific work, or a government-level report on this issue will have been published it can be expected that these possible savings will be a subject to increase rapidly in the discussions.

Development Cooperation and Humanitarian Aid

The humanitarian aid and development assistance are key in the Union's external policy. The EU is the biggest contributor of the official development assistance (ODA) i.e. **54% of the ODA's total budget derives from the EU MSs.** With its development policy, the EU aims to reduce poverty, meanwhile promoting such issues as respect for human rights, basic freedoms, peace, democracy, good governance, gender equality, rule of law, solidarity as well as justice.

The EU development policy is set on the following principles:

- 1. coherence of the EU policies,**
- 2. coordination between EU and member states action**
- 3. complementarity between policies and programs of the Union and MSs.**

The key focus for the EU's development assistance has been on the ACP, yet, the Union provides assistance also to Latin America.

As for the **humanitarian aid**, to this end **the EU provides emergence assistance, relief and protection for people in the third countries** who are victims of natural or man-made disasters. The policy is managed by the Humanitarian Aid and Civil Protection Directorate – General of the Commission. **Annually 1,1 billion euros are allotted** to the humanitarian aid. **The humanitarian aid policy of the Union is driven on four principles:**

- 1. humanity,**
- 2. neutrality,**
- 3. impartiality**
- 4. independence.**

Thus, **while in the case of the development cooperating conditionality determines the EU's policy, in the case of the humanitarian aid the Union is guided by humanitarian imperative.**

Neighborhood Policy and Enlargement

EU's foreign policy towards its neighborhood includes the Western Balkans, the eastern neighborhood, the Mediterranean and the Middle East. Since 2004 the EU's relations with the former Soviet Union countries, the Mediterranean countries and the Middle East countries are based on the European Neighborhood Policy. **The ENP can be taken as a type of Europeanization. It combines elements of integration and stabilization patterns,** a model in the realm of which the EU seeks to transpose its governance system into its neighborhood as well as ensure there stability, promising the perspective of the internal market. Furthermore, the ENP calls for shared values, implying that the democratic transformations can further strengthen the ENP's role in the Europeanization process of the partnering countries and on their way of becoming 'like the EU'.

The ENP mainly provides a bilateral relation between the EU and each partner country. However, it is complemented by regional and multilateral cooperation initiatives which are as follows:

- **Eastern Partnership** - Launched in 2009, the Eastern Partnership is a joint initiative between the EU, EU countries and **the eastern European partner countries - Armenia, Azerbaijan, Georgia, Belarus, Moldova and Ukraine. It enables the targeted countries, if interested in the EU, to move closer towards the EU by increasing political, economic and cultural links with the EU without a membership perspective.** As such, on the 27th of June, 2014, Georgia, Moldova and Ukraine signed Association Agreements with the EU, including Deep and Comprehensive Free Trade Area with the Union.
- **Euro-Mediterranean Partnership (EUROMED)** (formerly known as the Barcelona Process) - Along with the 28 EU member states, **the 15 Southern Mediterranean, African and Middle Eastern countries** (Albania, Algeria, Bosnia and Herzegovina, Egypt, Israel, Jordan, Lebanon, Mauritania, Monaco, Montenegro, Morocco, Palestine, Syria (suspended), Tunisia and Turkey) are members of the Union for the Mediterranean (UfM). It covers such spheres as economy, environment, energy, health, migration and culture and **seeks to promote and seeks to form a common area of peace, stability, and shared prosperity in the Euro-Mediterranean region. Its basic objective is to establish a deep Euro-Mediterranean Free Trade Area**, with non-barrier access to trade and investment between both the EU and Southern Mediterranean states and between the Southern Mediterranean states per se.

As for the Western Balkans and Turkey, while these states are also engaged with the EU in the framework of the UfM, the EU has developed its foreign policy towards them within the framework of their potential membership.

The enlargement policy is the EU's strongest foreign policy tool in its immediate neighborhood which has enabled the EU to ensure stability and peace on the continent. **The policy opens up a large opportunity for the EU to transform its neighboring countries** that seek Union membership. **It imposes on the targeted countries certain conditionalities – the so-called Copenhagen criteria** - which imply harmonization of economic, political and *acquis communautaire* systems of the countries to the systems and structures to the standards, principles and norms practiced in the EU MSs. On the way the EU also provides assistance to the countries both in financial and administrative-legislative terms. As such, the Union's 2004 and 2007 enlargement towards the Central and Eastern European countries has resulted in democratization and stabilization in these countries, presenting the Union in the world as an efficient actor that supplied added value which was complementary in its policies and presented no threat to the targeted countries own interests.

- **Black Sea Synergy** – Established in 2008, this platform supports regional by encouraging cooperation between the Union and **the countries surrounding the Black Sea**. It offers a forum for tackling common problems while encouraging political and economic reform. **It aims to encourage democratic and economic reforms, promote stability and promote development, simplify practical projects in areas of common interest, enable opportunities and challenges via coordinated and joint actions as well as contribute to the peaceful resolution of the conflicts in the region.**

Sanctions

Article 215 of the TFEU, Articles 60 and 301 of the TEU as well as the Council Decisions set the legal ground for partial or complete break or decrease of the EU's economic and financial ties with one or more third countries, individuals or entities in cases when these restrictive measures are meant to meet the CFSP objective. Certain restrictive measures are also executed by the UN Security Council adopted resolutions under Chapter VII of the UN Charter. These restrictive measures, also known as sanctions, form a fundamental constituent of the CFSP. Being of preventive, non-punitive essence, they enable the EU to quickly react to certain challenging political events and developments. Sanctions are deployed in a complex manner, along with political dialogue, complementary actions and other tools. It is the Union's objective to ensure that sanctions have minimum negative impact on those who are not related to the case, especially the local civilian population. **Besides, when deploying the sanctions, the EU seeks to be in line with human rights and basic freedoms, as well as find an efficient way-out in compliance with the EU legislation.** Both the autonomous EU sanctions and the EU complementary measures to the UN deployed ones are regularly monitored to observe their adequacy against the developments influencing the targeted objectives and the efficacy of the sanctions.

As of 02.09.2014 the EU undertaken sanctions in force were against Al-Qaeda, Belarus, Bosnia and Herzegovina, Burma, Central African Republic, China, Democratic Republic of Congo, Cote D'Ivoire, Egypt, Eritrea, Republic of Guinea, Guinea-Bissau, Haiti, Iran, Iraq, Ivory Coast, Democratic Peoples's Republic of Korea; North Korea, Lebanon, Liberia, Libya, Moldova, Myanmar, Russian Federation, Serbia and Montenegro, Somalia, South Sudan, Syria, Terrorist Groups (foreign Terrorist organizations), Tunisia, Ukraine, USA and Zimbabwe.

Currently, with the Ukraine crisis and the Russia's involvement in conflict at stake, **the EU-imposed sanctions against Russia are especially crucial** to be observed. The EU has enacted sanctions against Russia in answer to the latter's illegal annexation of the Crimea and causing destabilization of a sovereign state. Seeking to de-escalate the crisis in Ukraine, the EU calls the sides for a constructive dialogue, recognition of territorial integrity of Ukraine as well as

establishment of a sustainable democratic system in Ukraine. Meantime, the EU provides economic and political support to reform Ukraine. Among the EU executed sanctions are

- **Diplomatic measures** – Russia was suspended from the G8. Moreover, negotiations over the country's joining the OECD and the International Energy Agency were also halted. Besides, the EU-Russia Summit for visa issues and a revised agreement were also canceled.
- **Restrictive measures**- this includes asset freezes of 28 entities and visa bans to 132 persons

Restrictions for Crimea and Sevastopol – since the EU does not recognize the Crimea and Sevastopol annexation to Russia, the Union prohibits imports from them unless they have a certificate stating the country of origin to be Ukraine. Furthermore, the EU has also imposed trade investment restrictions for the following areas infrastructure projects in transport, telecommunications and energy as well as deployment of oil gas and minerals. Measures targeting sectoral cooperation and exchanges with Russia ("Economic" sanctions)

Economic Measures - the EU has imposed sanctions on Russia's financial, defense, and energy sectors. The restriction prohibit buying or selling debts, equity, or other financial tools produced by five Russian state-owned banks with a maturity of over 90 days, puts an embargo on future EU arms exports and imports from Russia, forbids the sale of "dual-use" goods and technology to Russian military end-users; banded the sale of some oil exploration equipment and technology, for such exploitation as Arctic, deep water or shale oil exploration. **As a result of the sanctions and lower oil prices, Russia can lose annually about \$140. The decline of the hydrocarbons' prices undermine the economy of the country and the sanctions damage the investment potential and limit domestic demand.** Russia's currency, **ruble, depreciated for about 27% against the dollar in 2014.** Also, the Russian Central Bank estimates that the economy can experience zero growth in 2015. Under such circumstances on 29 November 2014, Russia asked the EU to waive the sanctions with the promise that it would also lift its food embargo i.e. in response to the EU's sanctions Russia in its turn imposed ban on most EU food imports amounted to around \$ 9 billion annually. Yet, the EU rejected such a roadmap with Jean-Claude Juncker, the new president of the European Commission, announcing that "One has to maintain those sanctions as long as, on the ground, we do not see Russian gestures aimed at pacifying the region".

The EU-Ukraine relations

The key instruments the EU practices in its relations to the Ukraine are of soft power nature, i.e. they are of political, diplomatic, financial and economic dimensions. The EU started to act in Ukraine already from 1992 within the framework of the Technical Assistance to the Commonwealth of Independent States (TACIS). In 1994 the EU signed Partnership and Cooperation Agreement (PCA) with Ukraine. The document was put into force in 1998, identifying the frame of the relations. TACIS continued to budget the EU programmes in the country until 2007, when, as mentioned above, it was replaced by the ENPI.

Currently, the EU promotes its standards and strengthens the economic ties with the country through the Association Agreement (AA) signed in March 2014. It includes Deep and Comprehensive Free Trade Agreement (DCFTA) which facilitates EU markets for Ukraine but also implies that the Ukraine is to approximate its legislation and standards to the EU level. The EU has waived tariffs from most of the Ukraine imports since November 2014. Moreover, already in March 2014, the European Commission allotted 11.1 billion Euros aid package to the country. The EU also aims to provide the country 1.565 billion Euros as grant aid for the 2014-2020 period to promote the country's reform process. Furthermore, the EU will form a High Level Investment Forum/Task Force, contribute to the modernization of the country's natural gas passage infrastructure, seek to reverse the transit of the pipelines via Slovakia in order Ukraine to get gas from the West: The Union will also intensify the Visa Liberalization Action Plan and increase its technical assistance on a wide set of policy spectrums.

In line with these, upon the request from Ukraine the EU foreign ministers have decided to launch on 1 December 2014 the EU Advisory Mission for Civilian Security Sector Reform in Ukraine (EUAM Ukraine) – an unarmed, non-executive civilian mission. The mission was created in July 2014 and is run by Kálmán Mizsei. Its preliminary agenda identifies a two-year operation and €13.1 million funding for the first year. The mission aims to assist Ukraine to reform its civilian security sector, among them the police and civilian security services, public prosecution and courts, by providing a reform development tools, a platform for planning actions as well as a monitoring system.

In this regard, the EU HR Federica Mogherini stated: “EU experts will work for efficient, trusted civilian security institutions under democratic control. Like the Association Agreement, the Status of Mission Agreement is a further sign of our joint efforts for a genuine reform process for Ukraine. The respect for human rights, the fight against corruption and gender issues will feature on the mission's agenda across its different fields of action.” Furthermore, the EUAM will seek to be coherent other EU undertakings, as well as with the OSCE and other international partners.

As the head of the EUAM Mizsei highlights, now Ukraine is to take the opportunity to exercise reforms, and the EUAM, is “a tool Ukraine could use to reach this goal.”

EU and its key partners

EU-Russia

On the one hand **Russia is the EU's third biggest trading partner**. Its supplies of oil and gas comprise a significant part of the country's exports to Europe. On the other hand, the EU-Russia relations are quite complicated. The relationship between the two is based on the **1997 Partnership and Cooperation Agreement which, since 2003, has been extended by Common Spaces that cover four policy spheres:**

- 1. economy and the environment**
- 2. freedom, security and justice**
- 3. external security**
- 4. research and education, including cultural aspects**

While launched in 2008 and elaborated through Partnership for Modernization, the negotiations on revising the EU-Russia treaty has proceeded very slowly. Moreover, in 2004, when the EU launched the European Neighborhood Policy, Russia was invited to participate in it, but it refused to be treated as just another third country. Hence, as an alternative to the ENP, the EU and Russia agreed to focus cooperation on the formation of the four common spaces, identified above. Yet,

these Common Spaces leave a number of questions to be addressed - since Russia refused to align its systems and infrastructures to those of the EU which is a prerequisite for the EU in its partnership with third countries for abolishing visa or trade barriers and for overall deepening cooperation fields and activities. **Moreover, along the time the once asymmetrical relations between the two have evolved into a much more symmetrical ones. In this vein, the EU and Russia have started to see in each other competitors in the areas that Russia calls its Near Abroad and the EU as its European Neighborhood. Moreover, the Russian-led Eurasian Union¹ and the EU have opposite political and economic values and structures.**

A vivid example is the Ukraine conflict, presented above. And as it was seen, Russia's role in the Ukrainian crisis has seriously affected and deteriorated its relations with the EU.

EU- USA

To begin with it is worth recalling that the European integration process was launched mostly due to the US foreign policy via its post-Soviet World War Marshall Plan. **Since the 1990s the EU and the USA have started institutionalizing their relations** by ratifying a large range of agreements – the 1990 Transatlantic Declaration, the 1995 New Transatlantic Agenda, the 1998 Transatlantic Economic Partnership as well as the 2007-established Transatlantic Economic Council. As a matter of fact, the agreements have opened up a various platforms for cooperation, including climate change, financial market regulation, biotechnology, fight against terrorism, education, etc. **In 2013 the two have started negotiations on the Transatlantic Trade and Investment Partnership (TTIP) which seeks to establish a free trade area between the EU and USA,** increase the scope of transatlantic cooperation, promote investments, sustainable development and growth. It intends to **address economic crisis-related problems as well as counterbalance of China and other rising economies.** Yet, it is to be noted that the US tends to deal with the EU directly mostly in the cases where the latter has a full competence, such as trade, otherwise, the US opts for bilateral relations

On the one hand, the EU and USA have a wide set of common values - democracy, rule of law, human rights and freedoms, free market economy, etc. Moreover, **the EU and USA, to a large**

¹The Eurasian Union is a project that Russia seeks to enforce. Regarding it, then Prime Minister Vladimir Putin's interview, given to Izvestia on October 4, 2011, can be noted. He announced that from January 1, 2012 the project "Common Economic Space of Russia, Belarus and Kazakhstan" would be launched, adding that "the establishment of the Customs Union and Common Economic Space provides the basis for the formation of the perspective of the Eurasian Economic Union....We will not stop on it and set an ambitious goal: to establish a higher level of integration - the Eurasian Union". To meet the objective in 2010 the Custom Union (CU) of Russia, Belarus and Kazakhstan was launched which evolved into the Single Economic Space (SES), set up on January 1, 2012, and the final stage of the integration, the operation of the Eurasian Economic Union, is envisaged from 2015. It can be correlated with Russia's competitive disposition with the EU, regarding the post-Soviet Union countries. Additionally, the initiative can be Russia's attempt to counterbalance the EU's appeal and influence, an attempt to maintain what Russia perceives as its "sphere of influence in the 'common neighborhood' in Europe".

extent, together manage the international economy. The economies of the two, are, besides, quite interdependent and jointly amount to 30 % of the world trade and half of the world GDP. Furthermore, the two also share similar problems – consequences of the economic crisis, energy import dependence, competition with the emerging economies, decline in natural resources, fight against international terrorism and crime, conflict resolution as well as promoting democratization of countries. On the other hand, while the common challenges serve as the ground for intensive EU-US cooperation, there are also notable **discrepancies between the parties**, including different positions on addressing climate change, energy security, genetically modified foods or hormone beefs as well as the relation between the state and the market. There are also differences in international structures that they pursue. As such, while the EU is for multilateralism and use of soft power, the USA is less reluctant to unilateralism and use of force. Moreover, while the EU MSs, with only a few exceptions, have ratified almost all international treaties, the USA has not endorsed more than half of them, including treaties abolishing death penalty, the ICC, the Kyoto Protocol the Comprehensive Nuclear Test Ban, biological diversity, economic social and cultural rights, civil and political rights, elimination of discrimination against women, child rights and refugee status.

EU-China

The EU and China have a relationship of Strategic Partnership. In 2006 the two agreed to upgrade the relations and ratified Partnership and Cooperation Agreement which was to replace the 1985 Trade and Cooperation Agreement. However, in 2013 the negotiations on the PCA were not finalized. Yet, the **EU and China are strongly tied both economically and institutionally. The EU is China's biggest trading partner and most favored destination of overseas direct investment, while China is the EU's largest source of imports and the EU's second largest trading partner.** More than 50 sectoral dialogues and agreements are in force, covering areas from environment and energy to human rights and international security. **The interaction has been further upgraded via the establishment of a High Level Economic and Trade Dialogue, a High Level Strategic Dialogue and a High Level People-to-People Dialogue.**

Despite the largely developed ties, **there are also tensions in the relations.** As such China saw the EU's **unwillingness to provide China market economy status under WTO rules.** Another point for China's uneasiness with the EU is **EU's arms embargo on the country** after the 1989 Tiananmen massacre. There are also **conflicting approaches in issues related to the climate change.** There are also discrepancies in the foreign policy arena. **The sides disagree on how to address authoritarian regimes.** While China has close diplomatic relations with North Korea, Iran, Sudan or Zimbabwe, the EU condemns China's disregard for the human rights situation and political regimes in these countries. The relations are also complicated, taken into account the

conceptual and understanding gaps i.e. **different perceptions of the notion of sovereignty, human rights, democracy, global governance and multilateralism.**

The EU and multilateral organizations

EU-UN

One of the vivid indicators of the fact that the EU is committed to effective multilateralism is that the **UN and its Charter are given a wide attention in the EU Treaties**, hence, also policies and actions. **The EU also plays a notable role in sustaining the UN not only politically but also financially.** Since 2011 the EU enjoys the so-called enhanced observer status at the UN General Assembly, which means that the EU has same rights to speak, make proposals and amendments or circulate document like full UN member states and its only distance from the full member states is the inability to vote. The EU is a UN proponent via its financial and rhetorical support. On the other hand, it is to be noted that the EU does not contribute a tangible UN multilateralism. Moreover, the intersection of the EU and the UN multilateralism is dysfunctional.

The EU and International Financial Institutions

Until recently the EU's focus towards the international financial institutions, such as the IMF and the World Bank, have been marginal. While in the World Trade Organization (WTO) the EU speaks with one voice and in the UN it tries to combine its undertakings, in the international financial institutions the Union has much less role. **A unified European representation is not even on the agenda.** The problems can be both the institutional set up at the EU/EMU and the IMF/World Bank.

The EU is not directly represented in the Executive Board of the IMF. The European Central Bank (ECB) has only an observer status for the issues with relevance to it. The internal coordination with regard to the IMF is rather weak and there is generally no coordinated position on such issues as the IMF country programmes, rescue packages for third countries or the far-reaching conditionality that the IMF imposes.

The EU's participation in the World Bank is quite similar to that in the IMF. While the EU MS combined are the largest contributor to the World Bank and they make up more than 30% of the voting weight, the **EU itself is, nevertheless, not represented in the Board of Directors.** Furthermore, whereas **the ECB enjoys observer status at the IMF it lacks one at the World Bank.**

The general conclusion that can be drawn to this end is that the fact that the EU is not able to push its weight in these financial institutions has quite serious implications for the effectiveness of the

EU foreign policy. Hence, **while the EU keeps developing its structural foreign policy towards third countries and regions, it should also take into account the far-reaching structural impact of the financial international institutions.**

The EU and the G7/8 and G20

One of the main characteristics of the recent developments in the global governance is the growing importance of informal and non-binding decisions. The best-known among them is the so-called **Gx system**. **The EU's role in them seems to be substantial and efficient as the Union is capable to contribute to substantive knowledge, financial resources and the special relations that some of its member states have with third countries in the Gx processes.** Moreover, the EU has a strong implementation data in its G20 commitments. Thus, **the Union takes the G20 as a useful venue for promoting its agenda and, from 2008 on, also for tackling away the financial crisis.**

Chapter 2.3. External Dimension of Internal Policies

Some of the internal policies of the EU, such as energy, environment and climate change, migration and asylum policy, have external relevance.

Energy

Energy security is one of the problematic aspects in the EU. The Union faces **a number of challenges in this sphere**. To begin with is the **EU's dependence on imports** is to be stated. Besides, most of the **energy producers are in unstable environments**, e.g. the Middles East, are **countries with whom the EU has complicated relations**, e.g. Russia or are **countries with totally different political structures**. Another challenge is **linked to the necessity for the transition from fossil fuel-based production to a low-carbon energy**, because of the environment and climate change concerns.

The EU energy policy is guided by three objectives:

- **sustainability,**
- **security of supply**
- **and competitiveness.**

To meet its goals in these areas, the EU is updating its energy strategy with new targets for 2030. The starting point for this is the assessment of the former EU climate and energy packages, at the center of which were the 20-20-20 targets for 2020. Although the EU mostly comply with its objectives, the Union's energy policy is generally not considered to be successful. To meet its

goals for emissions, electricity supply and gas security of supply, well-structured European markets could ensure better results at lower costs than uncoordinated national approaches.

In other areas – such as energy efficiency and supporting innovation – markets alone might not be enough. The **EU should, thus, review its targets for 2030**. The proposed 40 percent decarbonisation objective is in line with a stronger emission allowance market, but the objective for renewables should be identified in terms of innovations rather than deployment, and the energy-efficiency objective should be defined in terms of encouraged energy and cost savings, and not in terms not the amount of energy, consumed in a certain period.

Regarding the energy policy, Prime Minister of Poland, Donald Tusk is to be mentioned who has called for **an EU energy Union**. He said that his country would produce proposals to the EU on how to raise energy security, and this also including through common energy acquisitions. Noteworthy is that especially the conflict in Ukraine gave way for pushing the idea of a European Energy Union which would make the Union not dependent on Russia in the terms of energy.

Environment and Climate Change

The EU is usually considered as a leader in global environmental governance. The Union has indeed undertaken a leading role in various environmental infrastructures, aimed at protecting biodiversity, regulating GMOs as well as trans-boundary movements of waste.

The European environmental leadership is practiced on three dimensions based on bilateral agreements with third countries, it has also illustrated the EU's capacity to act as a structural power as well as serves the EU's economic self-interest.

It is also to note that **climate change is an important foreign policy aspect** for the Union not only for the environmental concerns but also **for security concerns: a) important climate change policies can lead to an increased level of energy security in the EU, b) the result of climate change, e.g. desertification, can cause conflicts over the scarce natural resources, e.g. water.**

Freedom, Security and Justice

The deployment of the Schengen zone brought to the Union the prerequisite to strengthen cooperation since the **opening of the national borders caused sensitive border-related issues, such as migration, asylum and organized crime.**

The cooperation has widened and has been structured as separate and alone internal measures of the MSs would not have led to an effective solution to the raised problems. Hence, the **EU is quite**

active in external dimension of the various aspects covered by the Area of Freedom, Security and Justice (AFSJ) which is to its citizens with an area “of freedom, security and justice without internal frontiers.

Moreover, the existence of Schengen has emphasized the necessity to control migration and fight against the organized criminal groups also well beyond the Schengen area, because in case these groups enter the EU, they can commit various criminal activities, such as trafficking.

The EU’s reaction in solving the immigration and asylum challenges includes the ratification of a number of remote-control policies. Yet, the EU has not so far been successful in fulfilling the policy in a full scope. One of the factors is that the EU is not able to put appropriate leverage on the third countries, for example on the readmission agreements. Another problem is related to the low degree of vertical consistency in the EU’s external AFSJ policies.

The challenge for the EU is to find a balance between the increasing concerns that immigration will lead to labor market stabilization, while also not putting a second Berlin Wall. This having said, it is, yet, to be acknowledged that the overall EU’s role in asylum policy has been rather positive. The EU has reached a noticeable level of integration and has acquired certain capacities. While the asylum policy is not fully harmonized in all the 28 MS, **the minimum standards for the refugees are ensured across the EU. Furthermore, the Commission has secured the asylum policy under internationally accepted principles, i.e. the Geneva Convention**, thus, providing the Union with capabilities as a global refugee actor.

One more remarkable step was the establishment of Frontex. The European Council on Justice and Home Affairs has been engaged in consolidating cooperation in the fields of migration, asylum and security since 1999. With regard to the border management this resulted in the establishment of the External Border Practitioners Common Unit which consists of members of the Strategic Committee on Immigration, Frontiers and Asylum (SCIFA) and heads of national border control services. The Unit coordinated national projects of Ad-Hoc Centers on Border Control which were to administer EU border management related projects. There were six ad-hoc centres:

- **Risk Analysis Centre (Helsinki, Finland)**
- **Centre for Land Borders (Berlin, Germany)**
- **Air Borders Centre (Rome, Italy)**
- **Western Sea Borders Centre (Madrid, Spain)**
- **Ad-hoc Training Centre for Training (Traiskirchen, Austria)**
- **Centre of Excellence (Dover, United Kingdom)**
- **Eastern Sea Borders Centre (Piraeus, Greece)**

Eventually, two years after the establishment of these centers, the European Council decided to go a step further. In 2004, **by the Council Regulation (EC) 2007/2004** the European Agency for the

Management of Operational Cooperation at the External Borders of the Member States of the European Union (**Frontex**) **was established.**

One of the most challenging operations of Frontex is Triton which is a Frontex coordinated joint operation, requested by the Italian authorities. It started its activity from 1 November 2014 in the Central Mediterranean to support Italy. However, it does not replace or substitute the Italian responsibilities to monitor and survey the Schengen external borders in full compliance with the EU and international requirements, and that particularly in searching and rescuing at sea. This implies that in concord with the Frontex operation, Italy is to continue to contribute to the management of the external borders.

When talking about the distribution of the refugees between the MS the below table is to be represented.

	Total (number, rounded figures)	Minors (%)					Aged 18 and over (%)			Age unknown (%)
		All minors	Accompanied	Unaccompanied	0-13	14-17	18-34	35-64	65 and over	
EU-28	434 450	27	97	3	21	6	51	20	1	0
Belgium	21 030	29	98	2	22	7	49	21	1	0
Bulgaria	7 145	32	97	3	24	8	51	17	1	0
Czech Republic	695	19	100	0	17	2	42	37	1	0
Denmark	7 170	29	95	5	20	8	48	22	1	0
Germany	126 705	35	98	2	28	6	45	19	1	0
Estonia	95	16	95	5	11	5	63	26	0	0
Ireland	920	27	98	2	23	4	49	22	1	0
Greece	8 225	13	96	4	7	6	69	18	0	0
Spain	4 485	12	100	0	9	3	64	23	1	0
France	66 265	22	99	1	19	3	52	25	1	0
Croatia	1075	13	95	5	7	6	73	14	0	0
Italy	26 620	8	97	3	5	3	80	12	0	0
Cyprus	1 255	22	96	4	15	7	58	19	1	1
Latvia	195	15	97	3	10	5	54	31	0	0
Lithuania	400	15	100	0	13	3	61	24	1	0
Luxembourg	1 070	24	96	4	16	7	52	23	0	0
Hungary	18 895	7	98	2	4	3	80	13	0	0
Malta	2 245	24	85	15	5	19	67	8	0	0
Netherlands	17 160	36	98	2	27	9	42	20	1	0
Austria	17 500	33	95	5	24	9	49	17	1	0
Poland	15 240	50	98	2	45	4	33	17	1	0
Portugal	500	29	89	11	12	17	53	18	0	0
Romania	1 495	26	99	1	21	6	48	24	1	0
Slovenia	270	24	89	11	11	13	56	20	0	0
Slovakia	440	17	99	1	14	3	63	20	0	0
Finland	3 210	23	95	5	17	6	55	21	1	0
Sweden	54 270	31	93	7	21	10	44	24	2	0
United Kingdom	29 875	19	96	4	13	6	55	22	1	3
Iceland	125	20	100	0	16	4	52	28	0	0
Liechtenstein	55	18	100	0	18	0	55	27	0	0
Norway	11 930	23	91	9	14	9	60	17	1	0
Switzerland	21 305	25	98	2	20	4	57	17	0	0

Number of (non-EU) asylum applicants in the EU and EFTA Member States 2013 (1), Source: Eurostat.

Conclusion

While the development and evolution of the EU foreign policy is significant, there are still fields which need to be addressed, among them are the issues with regard to the Balkans and the former Soviet Union countries, above all Russia.

There are concerns regarding the security which the Union cannot solve in isolation, the spheres being of pivotal importance and requiring a complex approach. Moreover, the EU lacks a structured policy-making, still struggling to speak with one voice. Another aspect for the EU to

pay attention is the prevention of the proliferation of the WMDs. To this end whereas the European Commission is engaged with the EU non-proliferation policy the EU is not acknowledged as an international actor.

Yet, while the CFSP/CFSDP's political intergovernmental structure, military multilevel force, limited effectiveness of its missions, security but also development policies can be criticized, its future development and deeper integration potential cannot be denied. The matter also with its up-and-downs, stop-and-goes, two-steps-ahead-one-step-backs, the Union has so far shown that its integration process is irreversible and is attractive both for the MSs and the third countries, the evidence being the intensive developments, changes and progress the EU has undergone since its inception. Hence, one can conclude that the structural setbacks but also political and military failures the CFSP has omitted may serve as a lesson calling for more unified and integration-oriented policies

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South Stream - as Gazprom Abandons the Project and Announces a New Gas Pipeline to Turkey

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Gazprom abandons project, proposes new pipeline to Turkey

On the 1st of December 2014, the Russian President, Vladimir Putin, made a significant announcement: the South Stream gas pipeline project has been abandoned, and Gazprom is proposing a pipeline to Turkey as a replacement. The in-depth report that follows provides background information on the South Stream project, and highlights the difficulties faced by the project long before the decision was taken to abandon it. The report then considers the merits of

the proposed alternative – a pipeline to Turkey – before concluding with an analysis of the winners and losers from the decision to abandon South Stream.

The South Stream project

The South Stream pipeline was planned for the delivery of Russian gas under the Black Sea, through Turkish territorial waters, to Bulgaria. From Bulgaria, the pipeline would have passed through Serbia, Hungary, and Slovenia, before reaching Tarvisio in Italy. Additional spurs were planned from Hungary to the Baumgarten gas hub in Austria, and from Serbia to Croatia and Bosnia-Herzegovina.

During 2011, Russia signed intergovernmental agreements with governments from each of the partner countries, while Gazprom formed 50-50 joint ventures with local energy companies in each of the South Stream partner countries. For the offshore section, Gazprom held a 41 percent shareholding in a consortium shared with ENI, EDF, and Wintershall. The offshore section was projected to consist of four 15.75 bcm per year strings, giving a total capacity of 63 bcm per year.

Crucially, the Russian onshore section of South Stream required the construction of significant new pipeline capacity. Two lines were planned to connect the Russkaya compressor station near the town of Anapa, in Russia's Krasnodar region (where South Stream was planned to enter the Black Sea) with the existing Russian gas pipeline network. Collectively, the new pipelines on Russian territory were referred to by Gazprom as the 'Southern Corridor'.

The 880 km-long 'Western Route' was planned to connect the Pisarevka compressor station in Russia's Voronezh region with the Russkaya compressor station via the Shakhtinskaya compressor station in Russia's Rostov region, and the Korenovskaya and Kazachya compressor stations in Russia's Krasnodar region.

The second, 1626 km-long 'Eastern Route' was planned to connect the Pochinki compressor station in Russia's Nizhnyi Novgorod region with the Korenovskaya compressor station, where it would run in parallel to the Western line to the Russkaya compressor station.

These details are highly significant. Firstly, the Pisarevka compressor station is on the Russian-Ukrainian border, and serves the 'Soyuz' gas export pipeline. It is therefore clear that the Western Route was intended to divert gas exports away from Ukraine to South Stream. Secondly, new gas production in Russia's Yamal region is delivered to European Russia via the Bovanenkovo-Ukhta and Ukhta-Gryazovets pipelines. From Gryazovets, gas is currently delivered westwards to Torzhok (and further on to Europe via Belarus) and northwards to Vyborg, where it is fed into the Nord Stream pipeline. Between 2007 and 2012, Gazprom built the 36 bcm capacity Gryazovets – Pochinki pipeline. Therefore, the Eastern Route is designed to bring gas from new production in

Russia's Yamal region down to Russkaya for export via South Stream. This information may seem excessively detailed but I assure you, dear reader, that it will become significant later, when we discuss Gazprom's proposed alternative to South Stream.

Delays and problems with partners

The South Stream project ran into difficulties long before President Putin's announcement on the 1st of December 2014. In December 2011, then Prime Minister Putin issued instructions to Gazprom that construction should begin before the end of 2012. Final Investment Decisions (FIDs) were taken for each of the sections in late 2012, and a symbolic first welding took place at the Russkaya compressor station in Anapa. So far, so good.

In mid-2013, Gazprom announced that offshore construction would begin in Q2 2014, and that the project would be launched before the end of 2015. Bulgaria and Serbia were planned to be the first onshore sections constructed. Symbolic 'first welding' ceremonies took place in October and November 2013, before the environmental impact assessment (EIA) reports had been filed and even before construction contracts had been awarded. The EIA reports for Serbia and Bulgaria were filed in February 2014, while the construction contracts for the Bulgarian and Serbian sections were awarded in May and June 2014, respectively.



About EGF

The European Geopolitical Forum (EGF) was established in early 2010 by several independently minded practitioners of European geopolitics, who saw a certain vacuum in the information flow leading into the European geopolitical discussion.

EGF is dedicated, therefore, towards the promotion of an objective pan-European geopolitical debate incorporating the views of wider-European opinion shapers rather than simply those from the mainstream European Union (EU) member states. EGF seeks to elaborate upon European decision makers' and other relevant stakeholders' appreciation of European geopolitics by encouraging and effectively

expanding the information flow from east to west, from south to north.

In order to achieve these objectives, the European Geopolitical Forum was established as an independent internet-based resource, a web-portal which aims to serve as a knowledge hub on pan-European geopolitics.

EGF's strength is in its unique ability to gather a wide range of affiliated experts, the majority of whom originate from the countries in the EU's external neighbourhood, to examine and debate core issues in the wider-European geopolitical context. Exchange of positions and interactivity between east and west, south and north, is at the heart of the EGF project. Website for further information: www.gpf-europe.com.

Gazprom did not only experience delays in Bulgaria and Serbia. In December 2013, Gazprom announced that technical design documentation for the Hungarian section would be completed by Q2 2014. In April-May 2014, Gazprom announced that the preparation of the documentation remained ongoing. Finally, in late September 2014, Gazprom announced:

A bidding procedure is underway in Hungary for selecting a contractor to carry out design and survey activities, spatial planning and environmental impact assessment for South Stream's Hungarian section towards Baumgarten in Austria. The designer will be selected before the end of October 2014.

The design documentation for the Hungarian section was not completed before the project was abandoned on the 1st of December.

Likewise, project documentation for the Slovenian section, the final sections in Italy and Austria, and the spurs to Croatia and Bosnia & Herzegovina was not completed before the project was abandoned.

Regarding the offshore section, the South Stream consortium signed contracts for steel pipes in February 2014 – half were to be supplied by Russian companies and half by EUROPIPE, a German company.

The following month, a €2bn contract was signed with an Italian company, Saipem, for offshore construction between Q3 2014 and Q3 2015. Saipem has experience in underwater pipeline construction in the Black Sea, having laid the offshore section of the Blue Stream pipeline just over a decade ago. On the 1st of July 2014, the Russian Ministry of Construction, Housing and Utilities granted the construction permit for the onshore construction of South Stream in Russia and offshore construction in Russia's exclusive economic zone of the Black Sea. Just over three weeks later, the Turkish government approved the EIA report for the laying of South Stream in Turkey's exclusive economic zone. The laying of pipes was due to begin in Russian waters in late 2014, in Turkish waters in Q1 2015, and the first offshore line was scheduled for commissioning in late 2015.

Third party access and ownership unbundling: South Stream and the EU Third Energy Package

EU gas market legislation proved to be an even bigger headache for Gazprom than delays and problems with its partner countries.

Given that the South Stream pipeline was designed for the delivery of Russian gas to Europe by a single company (Gazprom), the participants in the project did not envisage other gas suppliers using the pipeline. However, under the terms of EU gas market legislation provisions on third party access, Gazprom and its partners in each of the transit countries would have been obliged to reserve an (unspecified) percentage of the pipeline's capacity for use by other (third party) energy

companies. The aim of this legislative provision is to allow market entry for companies that do not own pipelines, and to prevent the monopolistic dominance of gas markets by companies that do own pipelines.

Gazprom is currently waiting for a European Commission ruling on the onshore sections of Nord Stream with regard to the same issue – if Gazprom cannot use the onshore sections at full capacity, then the offshore section of Nord Stream will continue to operate below capacity, as it has done since the launch of its two lines in 2011 and 2012. The issue of third party access with regard to Nord Stream provided a clear example of potential complications with South Stream.

At an EU-Russia Summit in December 2012, the Russian Energy Minister, Alexander Novak, proposed that South Stream be designated as a project of national significance and therefore exempted from EU gas market legislative provisions regarding third party access. However, in September 2013, the EU omitted South Stream from its list of Projects of Common Interest.

In addition to the concerns over third party access, the European Commission also expressed concerns that, although Gazprom's 50 percent shareholding in each of South Stream's onshore sections (51 percent in non-EU member Serbia) did not technically violate EU gas market legislative provisions on ownership unbundling (which prohibit gas producers from exercising majority control over gas transportation and gas sales subsidiaries), the combination of Gazprom's 50 percent shareholdings and role as major gas supplier to the region would give it effective control over the management of the pipeline.

Intergovernmental (dis)agreements

The European Commission expressed its dissatisfaction with these issues in December 2013, when it called upon the South Stream partner states to renegotiate their intergovernmental agreements with Russia. On the 5th of December, Marlene Holzner, a spokesperson for the EU Energy Commissioner, stated:

We have looked into the inter-governmental agreements [IGAs] that were made between the member states through which South Stream would flow and Russia, and we have seen that on a number of very important core issues of our energy market, these core principles are not reflected in the IGA and that is why we have advised those member states to renegotiate these IGAs.

While the European Commission is unable to prevent the construction of South Stream, it can take action once the pipeline is in operation, if it is in contravention of EU energy market legislation. According to Holzner, if at that point Gazprom refused to renegotiate the terms and conditions of South Stream, then the European Commission would first advise the participant EU member states

not to apply the IGAs. Then, “if they go ahead we may have to start infringement procedures” against that EU member state.

On the 12th of December, the EU Energy Commissioner, Gunther Oettinger, met with Energy Ministers from the six EU participants in the South Stream project (Bulgaria, Hungary, Greece, Slovenia, Croatia, and Austria). At that meeting, it was agreed that Oettinger would hold negotiations with Gazprom in January 2014, on behalf of the EU and the six EU member states.

In response, the Russian government reiterated its unwillingness to renegotiate its intergovernmental agreements on South Stream. However, at the meeting between Oettinger and the Russian Energy Minister, Alexander Novak, in Moscow on the 17th of January, the two sides agreed to create a joint working group to address the legal and technical aspects of South Stream. Amid rising international tensions, the work of the group was suspended in March 2014.

Construction contracts: another contentious issue

A final contentious issue was the awarding of construction contracts in Bulgaria and Serbia. In Bulgaria, the contract was awarded to Stroytransgaz, whose major shareholder, Gennady Timchenko, currently faces US sanctions. In Serbia, the construction contract was awarded to Centrgaz, a 99.99 percent Gazprom-owned subsidiary. In both cases, the European Commission expressed its concern that the contracts had been awarded without a competitive tender. In early June, the President of the European Commission, Jose Manuel Barroso, announced that infringement procedures had been launched against Bulgaria. Several days later, the Bulgarian Prime Minister, Plamen Oresharski, announced that the construction of South Stream in Bulgaria would be suspended until EU concerns were satisfied. Then, on the 21st of July, Serbian sources reported that the European Commission had recommended that Serbia halt work on South Stream until the legal status of the pipeline had been clarified:

Not a single intergovernmental agreement on South Stream, signed by Russia, complies with EU law. Our position is uniform both for EU member states and for third countries, such as Serbia. It is in the best long-term interest of Serbia, as a candidate EU member, to comply with EU law with regard the South Stream pipeline.

Why was South Stream abandoned now?

Clearly, the South Stream project had been struggling for some time. In particular, pressure from the European Commission regarding third party access, ownership unbundling, and the allegedly non-competitive awarding of construction contracts was a cause for concern for Gazprom. So why did Gazprom (and the Russian government) abandon the project in the beginning of December?

The first reason is scheduling. Despite the delays, it appeared that Gazprom was ready to begin offshore construction. Once that began, there would have been no going back. A final, definite decision had to be made, and the decision was to take a step back and abandon the project.

The second reason is financial. Although financial data on the project is lacking, Gazprom itself has issued statements confirming that the cost of pipes for the first line amounted to 1bn Euros, while the contract for the laying of the first offshore line was worth approximately 2bn Euros. Therefore, had all four lines been implemented, the offshore section would have cost a minimum of 12bn Euros. The combined cost of South Stream's onshore and offshore sections had been estimated at 16-17bn Euros, although recent Russian reports suggest that the cost of the offshore section could have reached 14bn Euros while the cost of the onshore (European) section had climbed from 6.6bn to 9.5bn Euros, giving a combined total of almost 25bn Euros (\$31bn). Indeed, Russian sources quoted an unnamed Gazprom official who estimated the cost of South Stream's offshore and European sections as costing a combined 23.5bn Euros.

In addition, Gazprom had been preparing to invest huge sums, reportedly up to 12.5bn Euros, in its own 'Southern Corridor' to bring gas from central Russia to Russia's Black Sea coast – the starting point of South Stream. If connecting new gas production on the Yamal Peninsula with central Russia via the Bovanenkovo-Pochinki pipeline is included in the overall cost of the South Stream project, the tally is even higher. These costs across multiple sections have led to recent reports referring to South Stream as the '\$50bn pipeline'.

Although these costs are merely unverified estimates, they illustrate the huge level of investment required by Gazprom to make the project a reality. Given the stagnation of European gas demand, the decline in international oil prices, and Russia's own parlous economic situation, it may well be the case that both Gazprom and Russian political leadership decided that the project was simply too much of a financial gamble.

The project may have been deemed especially risky given the stagnation in European gas demand and uncertainties over the functioning of South Stream's European onshore sections in relation to EU gas market legislation.

A third and final factor to be noted is the change in government in Bulgaria, and recent Bulgarian opposition to the project. Indeed, President Putin specifically mentioned the opposition of Bulgaria's new government to the pipeline as a factor in deciding to abandon the project. President Putin suggested that Bulgaria 'was not behaving like a sovereign state' and should seek compensation from the European Commission for lost potential transit revenues.

Plan B: Turkey

The decision to abandon the South Stream project does not mean that Gazprom will not build a pipeline across the Black Sea. In making the announcement to abandon South Stream, both President Putin and the Gazprom CEO, Alexei Miller, announced a new pipeline from Russia to Turkey, which will aim to deliver extra gas to Turkey and supply South-Eastern Europe via Greece.

Turkey is Gazprom's second-largest European customer (aside from former Soviet Union countries), and has imported approximately 26-27 bcm of Russian gas every year since 2011. For comparison, Gazprom Export reported exports of 161.5 bcm to Europe in 2013, including 40.2 bcm to its largest customer, Germany, 25.3 bcm to its third-largest customer, Italy, 12.5 bcm to its fourth-largest customer, the UK, and 9.5 bcm to its fifth-largest customer, Poland.

Russia and Turkey are already connected by the 16 bcm per year capacity Blue Stream pipeline, launched in 2003. Since 2011, Gazprom has exported approximately 14 bcm per year to Turkey via Blue Stream. The remaining 13 bcm per year of Russia's gas exports to Turkey are delivered via Ukraine.

Gazprom has already announced that the new pipeline to Turkey will have the same projected capacity as South Stream – 63 bcm per year. Gazprom envisages that approximately 14 bcm per year will be deliveries to Turkey re-routed from Ukraine. This will leave 49 bcm per year of capacity for delivering gas to Europe. According to Gazprom, the deliveries to Europe will be made from a proposed gas hub on the Turkey-Greece border.

President Putin also suggested that Turkey would receive a discount on its Russian gas imports, effective from January 2015: "We are ready to further reduce gas prices along with the implementation of our joint large-scale projects".

The rationale behind Plan B

The decision to re-route the pipeline to Turkey, rather than cancel the project entirely, raises some interesting questions about Gazprom's gas export strategy. In particular, given that one of the main reasons for cancelling South Stream was financial, why does Gazprom want to continue with the project at all?

Simply put, we must remember that Gazprom has already started work on South Stream's Russian sections, and that to abandon the project entirely would be a huge waste of resources. Although work had barely begun on South Stream's European onshore sections, the symbolic first welding at Anapa took place in December 2012, while work on the Russkaya compressor station itself began in December 2013.

Regarding the ‘Western Route’, on the 25th of April 2014, the Gazprom CEO, Alexei Miller, announced that 576 km of the 881 km-long pipeline had been laid and welded. Miller added that foundations had been laid and compressor units were being installed at the Russkaya, Korenovskaya, and Kazachya compressor stations, while the foundations at Shakhtinskaya were being laid. Miller also announced that the construction of new interconnectors at the Pisarevka compressor station had been completed, and that the reconstruction of three compressor stations in the region (Pisarevka, Bubnovka, and Yekaterinovka) had begun.

Furthermore, as noted earlier, Gazprom has already ordered the pipes for the offshore section. On the 13th of November, Gazprom announced that it had received 300,000 tonnes of steel pipes since May 2014, and that the pipes were being welded in the Bulgarian port of Burgas, in preparation for laying. For comparison, EUROPIPE estimate that their order for 450,000 tonnes is equivalent to two-thirds of the offshore length of one line of South Stream (600km of 931km). Therefore, the 300,000 tonnes already received equate to approximately 400km of pipeline. This is slightly longer than the length of the offshore section of Blue Stream (380km).

To summarise, Gazprom has already built the connection between the northern end of its Southern Corridor and the main distribution point for gas production from Yamal (the Gryazovets-Pochinki pipeline). The development of the Southern Corridor is more than 50 percent complete. Gazprom has also already taken delivery of enough steel pipe to build one 15.75 bcm line from Russia to Turkey along the route of Blue Stream, and has signed contracts with companies for the laying of the offshore lines.

Under these conditions, it is clear that re-routing South Stream to Turkey, rather than abandoning the project altogether, means that the money already invested is not wasted, even if some will accuse the Russian gas giant of throwing good money after bad.

I would suggest that Gazprom’s announcement that it intends to build the link to Turkey at the same capacity as South Stream is not realistic. Rather, if the link to Turkey is implemented, we are more likely to see two lines of 15.75 bcm rather than four. There are good reasons to support this prediction. Firstly, it will save Gazprom from having to develop the ‘Eastern Route’ of its Southern Corridor. Secondly, Gazprom will be able to reduce its offshore construction costs, and cancel its contracts for steel pipes for the third and fourth lines.

Finally, Gazprom’s plans to deliver almost 50 bcm to Europe across the Turkish-Greek border are not realistic. If the aim is to re-route deliveries from Ukraine to the Turkish route, then it is worth noting that Greece and Bulgaria between them purchased 5 bcm from Gazprom in 2013, while Serbia and Macedonia purchased a combined 1.2 bcm. This would still leave huge volumes that Gazprom would hope to sell onwards to European countries further north, and this plan would be restricted by a lack of cross-border connections in South-Eastern Europe.

If the 'Blue Stream II' alternative is implemented in two lines instead of four, approximately 14 bcm of the 32 bcm capacity could be used for re-routing deliveries to Turkey from the current Ukrainian route. This would still leave 18 bcm for sale in South-Eastern Europe, of which the geographically-proximate countries of Greece, Bulgaria, Serbia, and Macedonia could absorb just 6.2 bcm. What of the remaining 12 bcm? Where could it be delivered? That question remains unanswered.

Turkey: Emergence of a new regional gas hub?

The plan to replace South Stream with a new pipeline across the Black Sea to Turkey, while retaining the aim of delivering large amounts of gas to European consumers, must be seen in the context of other regional developments. In particular, Turkey will host the Trans-Anatolian Pipeline (TANAP), which will be a link between the Shah Deniz II gas field project in Azerbaijan and the Turkish-Greek border, where gas will be delivered into the Trans-Adriatic Pipeline (TAP). TAP will then deliver gas from Turkey to Italy via Greece, Albania, and an offshore section under the Adriatic Sea. Gas is already being delivered from Azerbaijan to Turkey via Georgia, using the South Caucasus Pipeline, which came online in 2006.

TANAP is planned to have an initial capacity of 16 bcm per year, with 6 bcm to be delivered to the Turkish market, and 10 bcm delivered onwards towards Europe. Accordingly, TAP is proposed to have an initial capacity of 10 bcm per year. In September 2013, nine European energy companies signed 25-year gas sales agreements for the purchase of gas from Shah Deniz II. Of the 10 bcm total contracted volume, 1 bcm will be delivered to customers in Greece and Bulgaria, while 9 bcm will be delivered onwards to Italy.

In terms of timescale, the shareholders of TAP (SOCAR, Statoil, BP, Fluxys, Enagás and Axpo) expect that the construction of TAP will begin in 2016 and take two years. In September 2014, the TANAP shareholders (SOCAR, Botaş, and TPAO) announced that construction would begin in April 2015, and could be completed by 2018.

The question for Gazprom is that, in light of the additional volumes reaching South-Eastern Europe via TANAP and TAP, will the proposed volumes from Gazprom's Turkish pipeline be necessary? The extra volumes that Gazprom hopes to export to Turkey alone will have to compete with new volumes from Shah Deniz II, as will Gazprom's expected exports to Greece.

Regarding the additional volumes that Gazprom hopes to export to Europe via Turkey, it is far from clear how those volumes could be delivered – spare capacity in South-East Europe for cross-border deliveries of gas from South to North simply does not exist. Furthermore, Gazprom cannot promote the building of such capacity, as this would be a replication of the now-abandoned South Stream.

Conclusions

Gazprom abandoned South Stream partially due to the cost of the project, but mainly because of pressure from the European Commission over the operation of South Stream's onshore European sections. In particular, Gazprom faced pressure to ensure third party access to South Stream's onshore sections, and possibly even to reduce its shareholding in those onshore sections to ensure that it held only minority stakes.

In response, Gazprom has proposed the construction of a new pipeline across the Black Sea to Turkey, which is essentially an expansion of the existing Blue Stream pipeline. Gazprom's proposed plan is to deliver gas to Europe from the Turkish-Greek border, at volumes similar to those planned for South Stream.

However, without the construction of South Stream's onshore European sections, there is a lack of cross-border interconnection capacity to deliver gas from South to North in South-Eastern Europe. Furthermore, it is far from clear that the markets of South-East Europe can absorb large amounts of Russian gas delivered via Turkey and Greece. This is especially the case given the plans for TANAP and TAP to bring gas from Azerbaijan to South-Eastern Europe.

Interestingly, it seems that the only options for Gazprom to ensure the onward export of gas from Turkey to Europe would be either by constructing an LNG terminal in Turkey (currently unlikely), or by trying to gain access to TAP under EU gas market legislative provisions for third party access. Yet even if Gazprom is able to participate successfully in capacity auctions to secure 25-30 percent of the capacity of TAP, this would only grant Gazprom the capacity to deliver 2.5 – 3 bcm per year to Southern Italy from the Turkish-Greek border. So even in the best-case scenario, this would be insufficient.

To conclude, it is entirely unrealistic to expect Gazprom to follow through with its plans to build 63 bcm per year of gas export capacity to Turkey via the Black Sea. It is more likely that Gazprom will scale back the project by cancelling the construction of the Eastern Route of its Southern Corridor in Russia and by building just two of the proposed four lines across the Black Sea, giving a capacity of 32 bcm.

In this scenario, we may assume that 14 bcm of that capacity will be used for deliveries to the Turkish market re-routed from Ukraine. Yet even under these conditions, it seems that Gazprom will find it very difficult to market the other 18 bcm of gas per year in South-Eastern Europe from a hub on the Turkish-Greek border, in light of competition from TAP and the current lack of regional cross-border connections.

Therefore, we expect further announcements from Gazprom in the coming months, as this project remains uncertain at best, and likely to undergo further changes.

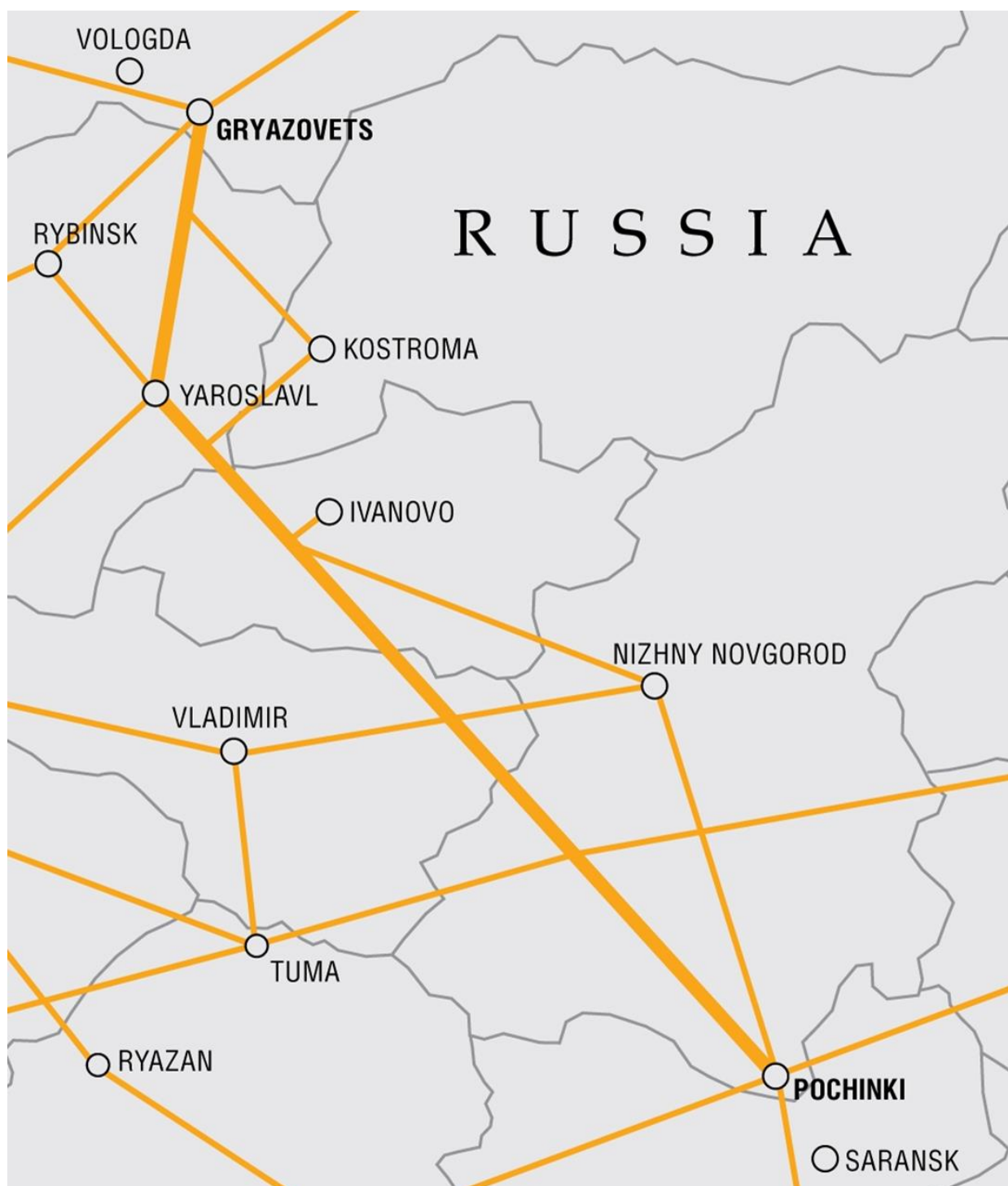
Appendix: Maps

Fig.1. Gas deliveries from new production at Yamal (Bovanenkovo) to Gryazovets



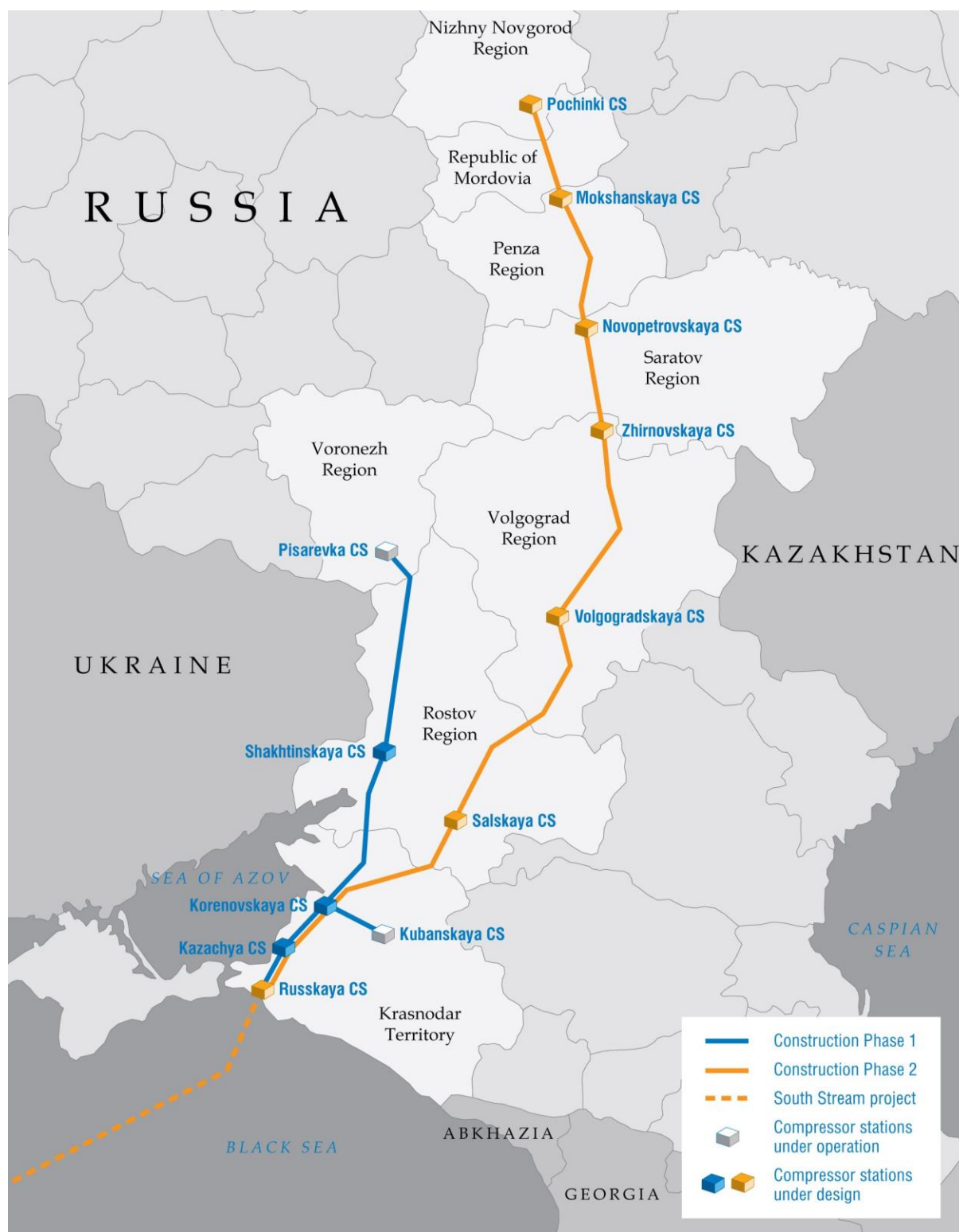
Russian source: Gazprom.com

Fig.2. New gas pipeline connecting Gryazovets and Pochinki



Russian source: Gazprom.com

Fig.3. Gazprom's Southern Corridor in Russia – Western and Eastern Routes



Russian source: Gazprom.com

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Fig. 4. Blue Stream and the proposed offshore section of South Stream



Russian source: Gazprom.com

Fig. 5. The planned route of South Stream, prior to its cancellation



Russian source: Gazprom.com

Mystery of Property and the Transition Problems in Post-Soviet Space (Example of Georgia)

David Paitchadze



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The issue of democratic, i.e. political transformation of Georgia has been the subject of active discussions and political debates over the last twenty years. The participants of the discussion have mainly been journalists, politicians and the so called representatives of the non-governmental sector. This issue has also been given attention to outside of Georgia too. The Western scientists mainly confine themselves to the description of events and their evaluation.² The result brings us to the conclusion that political transformation in Georgia has not occurred. In this context a special importance can be attached to the doubt expressed by Thomas Carothers already in 2002 that the post-Soviet countries have been in the transitory stage from the totalitarian system to the democratic state arrangement. He reproached the Western givers and the creators of modernization

² Lincoln A. Mitchell, *Uncertain Democracy, US Foreign Policy and Georgia’s Rose Revolution*, Philadelphia: University of Pennsylvania Press, 2009 p. 6-9; Johan Engvall, *Against the Grain, How Georgia Fought Corruption and What it Means*, Central Asia-Caucasus Institute & Silk Road Studies Program, (Silk Road Papers, September 2012) Washington, D,C/Stockholm, P.P. 32-55; www.silkroadstudies.org/new/docs/silkroadpapers/1209Engvall.pdf; Brian Grodsky, *Co-operation or Empowerment? The Fate of Pro-Democracy NGO’s after the Rose Revolution*, in: *Europa-Asia Studies*, 64 (November 2012) 9, Glasgow, P.P. 1684-1708; Jonathan Wheatley, *Civil Society in Caucasus: Myth and Reality*, in: *Caucasus Analytical Digest*, Zürich, (22. 1. 2010) 12, p.p. 2-6; Orysia Lutsevych, *How to finish a Revolution: Civil Society and Democracy in Georgia, Moldova and Ukraine*, London: Chatham House, January 2013 (Chatham House Briefing Paper Nr.1/2013)

policy that they did not take into proper consideration historically established political, social and cultural conditions and the forms of dependence of the given countries.³

Thus, I think inclusion of historical science in the discussion is timely and necessary.

Michael Foucault was also considering the issue of formation of the society and state in the historical context. In his opinion the state is not a phenomenon in itself; it is a historically established result of power relationship and development of society. In his “Governmentality” he offers a rather interesting analysis: on the basis of comparison of Machiavelli’s *Il Principe*” and Guillaume de la Perriere – „*Le Miroir Politique*“, he stresses two forms of sovereignty – “sovereignty over territory” and “sovereignty over population”, where he considers “sovereignty over population” as the basis of the state’s liberal arrangement and the precondition for the formation of “Governmentality”. As the formation of social systems and the issue of state arrangement are considered the main characteristics of civilization, their difference should also be deemed the differentiating sign of civilizations. Thus, the issue of democratic transformation means much more for Georgia than the issue of political modernization, this is, at the same time, the matter of “civilizational” identity.

So the issue is multi-faceted and generally requires an interdisciplinary approach. I think, that the question should be put towards a comparative study of the development of the societies, as the historically formed “civilizational” phenomena and their perception in the Western and Eastern European contexts.

The case of Georgia is an interesting for comparison reasons because as a former Russian province, later part of the USSR and, ultimately, as a country which pretended to be successful in transformation for recent decades, helps to understand the processes taking place in the Caucasus and the post-Soviet space and to find possible causal explanation

The collapse of the Soviet Union has provoked several minds to engage in various speculations. Fukuyama's approval of the final victory of liberalism and the end of history clearly indicates the errors of the "Sovietology" and the fact that the western intellectuals were not willing to changes. Samuel Huntington said: The intra-cultural debate about the political ideas of the West is being replaced by an intercultural debate about culture and religion.⁴ The collapse of the Soviet Union and the latest events in Ukraine testify that although the conflict between the liberal-democratic West and Marxism-Leninism is closed, the confrontation between liberal democracy and the autocratic centralism is still ongoing. The empirical observation of the events in the post-Soviet space make it clear that the causes of such a conflict are not necessarily found in confessional diversity. The confrontation is natural and occurs as a result of incompatibility between different forms and cultures of power.

It has been universally acknowledged, that society and state, in modern perception, are a purely European phenomenon⁵ that originate from the European feudalism. While discussing European

³ Thomas Carothers, *The End of the Transition Paradigm*, *Journal of Democracy*, JHU Press 13 (2002) 1, p.p. 5-21.

⁴ Samuel P. Huntington, *Kampf der Kulturen, die Neugestaltung der Weltpolitik im 21. Jahrhundert*, Siedler, München, 1998, S. 72.

⁵ Wolfgang Reinhard, *Geschichte der Staatgewalt. Eine vergleichende Verfassungsgeschichte Europas von den Anfängen bis zur Gegenwart*, Oskar Beck, München, 1999, p. 14-22

feudalism we must imagine a much more all-encompassing phenomenon, than “fief system” or “feudal tenure”. The carried out study has shown, that the coexistence and interdependence between “feudal land tenure” and the “allodial i.e. full ownership system”⁶ must be considered the main characteristic of European feudalism, especially at its early stage. The so-called “allodial freedom” was considered in Europe from the very beginning as the basis of effective restriction of central power and “fief system”,⁷ the foundation for municipal self-governance and individualism. Yet the encyclopedists of the “pre-March” considered “allodial freedom” as the precondition for emerging of the third estate.⁸ It is noteworthy, that the European state arrangement recognizes coexistence of the central Power and the individual from the very beginning, which is perfectly reflected in the formula - *primus inter pares*. Such interdependence between “fief reign” institute and free and absolute ownership should have greatly influenced those unwritten feudal relations, which are known in science under the “Western fief” (i.e. feudal) constitution” name.⁹ In other words, the existence of absolute ownership influenced formation of the society, its structural differentiation and hence the culture of the authority in the European space from the very beginning...

The coalesced interdependence between the power and society in the West is understood as a consequence of the strength of society that - in my opinion – is based on the existence of free ownership or possession of property and especially on the means of production. Yet Locke, Rousseau, Kant, etc. emphasized the existence of interdependence between ownership, freedom, bourgeoisie and Republican form of government. On the basis of this it is also assumed that there is a correlation between the patterns of ownership and culture of power (forms of power)

In one word, we have to do with the transformation of European state and the model of society in the Non-European space. This process has been most successful in the case of USA, for the history of which feudal and fief relationships are totally alien. The social-political development of the United States of America has been based on the system of absolute ownership from the very beginning. To this is also linked the principle of recognizing freedom as the supreme category. The external forms of the European state spread formally also to the East. But content-wise these countries do not satisfy the requirements of the modern society and the state. That is, in this case the process of transformation turned out to be unsuccessful. Thus the main problem must be sought in the social development of the given countries, which, alongside with others, can be explained by the differences of the historically established forms of property. Therefore more attention should be paid to the evolution of the ownership forms: their influence on the social differentiation of the society and generally the culture of power.

It is to be noted, that the history of the united Georgia generally coincides with the history of feudalism and the “golden age” – with feudalism and early renaissance, which, according to Carroll

⁶ Allodium und Feodum, Staats-Lexikon oder Encyklopedie der Staatswissenschaften (Ed.. Carl von Rotteck & Carl Welcker), vol. 1, Altona 1834. p.p. 468-492;

⁷ Ernst-Wolfgang Böckenförde, Die deutsche verfassungsgeschichtliche Forschung im 19 Jahrhundert, Berlin, 1961, S.S. 74-90.

⁸ Otto Bruner, Feudalismus, in: Otto Brunner, Werner Conze, Reinhard Koselleck (Ed.) Geschichtliche Grundbegriffe, Historisches Lexikon zur politisch-sozialen Sprache in Deutschland, vol. 2, Klett-Cotta, Stuttgart, 1998, p.p. 337-350.

⁹ Marc Bloch, La societe feodale, vol. 3. Paris, 1939; Marc Bloch, Feodalite, Vassalite, Seigneurie: a propos de quelques travaux recents, in: Annales d’histoire économique et sociale, V. 3, Paris, 1931, p.p. 246-260;

Quigley,¹⁰ was a full unfolding of the Western civilization era. In this respect studying of Georgian feudalism acquires special importance. Comparative analysis of Georgian feudalism with the European one clearly shows semblance of social structures.

The study results of the genesis and the form of Georgian feudalism prove: a) semblance of Georgian vassalage with the French (classical) feudal vassalage;¹¹ b) coexistence of the allodial (with two forms characteristic of absolute ownership, the so called bona adquisita and bona aviatica) and the beneficial (feud) forms of land tenure as early as the early middle ages.¹² Thus, the Roman legal understanding of property should be considered recognized in Georgia from the very beginning. This is proved by the existence of the concept of property already in the fifth century. The law of Beka-Aghbugha (1295 – 1304), which in its turn is based on the lost law of Bagrat Kurapat (826-876), recognizes absolute ownership and regulates the issues of owning, managing, selling and leaving property to someone as inheritance.¹³

The thing, that in the conditions of no direct contact with Europe, European type of feudal relationships developed in Georgia bore unanswered questions in the Georgian Soviet medieval studies, as according to the tradition of the Soviet historiography Georgian scientists viewed Byzantium as a totalitarian state with the Oriental social structures. The newest studies of the Byzantine social economic history showed groundlessness of such an approach.¹⁴

Georgia had always striven towards the Byzantine cultural space, which used to be perceived as the synthesis of the legacy of antiquity and Christianity. On this road the Georgian secular and clerical elite managed to retain the country in the byzantine cultural space, despite the obstacles caused by the aggression of Mazdean Iran and later the Islamic states. From this standpoint is to consider the political concept of the united Georgia: In 1121, after liberation Tbilisi from Arabs, King David the Builder received the title of the “king of Abkhazians, Kartwelians, Rans, Kakhetians, Armenians, Shirvansha and Shahansha and the conqueror and sovereign of all the East”, which is a clear example of the “sovereignty over population” and unequivocally attests to the “Western” i.e., Byzantine orientation of the country at that time. It is noteworthy, that in the

¹⁰Carroll Quigley, *The Evolution of Civilizations: An Introduction to Historical Analysis*, Indianapolis: Liberty Press, 1979.

¹¹Ivane Javakhishvili, Tkhzulebani, T. VI, Tbilisi, 1982, p.p. 248-258; Anri Bogveradse, qartlisadrepheodalurisazogadoebriviurtiertobebisistoriidan, Tbilisi, 1961, p.p. 42-70; Mamuka Dumbadse, Vassalitit v Gruzii v 10. – 12. Vekach, (Kandidatskaja Dissertacija) Tbilisi, 1982

¹²Otar Lordkipanidze, Samepomitsismglobelobisschesachebantikurichanisiberiaschi, saqartvelosmeznierebataakademii „Moambe“, tomi 21, №6, Tbilisi, 1958, p.p.759-766; Mariam Lordkipanidze, Mitsatmphlobelobisphormebissakitchisatvis 9.- 10. saukuneebissaqartveloschi, in: Masalebis saqartvelosa da kavkasiistoriisatvis, nakv. 34, Tbilisi, 1962, p.p. 3-23.

¹³I. Dolidze, Zveliqartuli samartali, Tbilisi, 1953, p.p. 126-152;

¹⁴Carl Eduard Zachariä von Lingenthal, Zur Geschichte des römischen Grundeigentums, in: Zeitschrift der Savigny-Stiftung für Rechtsgeschichte, E.I. Bekker, A. Pernice, R. Schröder, H. Brunner, (Ed). vol. 9, (22), Weimar, 1888, p.p. 261-285; Warren Treadgold, *A History of a Byzantine State and Society*, Stanford University Press, 1997, p.p. 103-149; 371-417; 667-709; Eleutheria Papagianni, Byzantine Legislation on Economic Activity Relative to Social Class, in: Angeliki E. Laiou (Ed), *The economic History of Byzantium from the seventh through the fifteenth Century*, vol. 3. Dumbarton Oaks, Washington, 2002, p.p. 1083-193; Peter Frankopan, *Land and Power in the Middle and Later Period*, in: John F. Haldon (Ed.) *The Social History of Byzantium*, Willey – Blackwell, Chichester, 2009 p.p. 112-143; John Haldon, *Social Elites. Wealth and Power*, in: John F. Haldon (Ed.), *The Social History of Byzantium*, Willey – Blackwell, Chichester, 2009, p.p. 168-212.

early middle ages they used Byzantine (Roman) law during the court trials in Georgia and in king Vakhtang VI's collection of *legal books* (1705-1709) two out of seven legal monuments – Greek (Roman-Byzantine) and Armenian – are based on Roman Law. All of this is a clear example of Roman legal influence over the Georgian legal space.

If the European feudalism is characterized with the coexistence of the fief land tenure and the free land ownership – we have a totally opposite phenomenon in the East. The form of absolute ownership practically disappears. Respectively, the authoritarianism of the central power is vivid. The role of an individual in the cultural and political life of the society is progressively annihilated. If we take this circumstance into account, it becomes clear why once highly developed and feudal, though unequivocally distinguished by fief relationships, Asian regions could not embark on the Bourgeois way of development.¹⁵

Development of feudalism in Russia is also far removed from the European tradition; the absolute land ownership system is not confirmed in Russia.¹⁶ The U-turn in Russian feudal system started as a result of Ivan the Terrible's policy. "Oprichnina" is exactly the measure taken against the Boyars' "allodial" aspirations, against the "Votchina". Turning the land into the prince's property, to the total beneficium, is actually the result of "Oprichnina". The Russian bureaucratic centralism and autocratization of power actually originates from Ivan the Terrible. "Sovereignty over the territory" has since been the hallmark of the nature of the Russian state. This is Russia and it cannot exist otherwise to govern differently. This is due, firstly, to the influence of nomadic culture¹⁷ and secondly, to its ongoing imperialist ambitions. Continuous expansion of the territory through campaigns like Ermak's, took place in order to intrude into Central Asia and Eastern Europe. The perception of the society only in the horizontal plane rather than the vertical is reminiscent of the oriental world typical for the middle ages. That is also the "Russian idea". This is also the reason why the Western-like, regionally fixed institute of estate could not emerge from the Boyars. In one word, feudalism in Russia has been forming into a tool of autocratization more and more since Ivan the Terrible. In the Russian Empire, even for the feudal aristocracy, the concept of Roman law of property as of the absolute and sacral category was alien. Nonexistence of absolute ownership in Russia hampered creation of bourgeoisie and conversely created a fertile soil for the victory of Bolshevism.¹⁸

The guarantee of social justice normally regarded as a function of government was a stranger for the Russian governance concept. With bourgeoisie in short supply, the need for the participation in the political process in Russia was offset by publishing activities and literature. The 19th century

¹⁵ Chris Wickham, *The Uniqueness of the East*, in: *Feudalism and Non-European Societies*, T.J. Byres und H. Mukhia (Ed.), Frank Cass & Co. Ltd, London, 1985, p. 187.

¹⁶ Vasilii Sergeyevich, *lektsii i issledovaniya po drevney istorii russkogo prava*, Moskva, tipografiya, M. Stasyulevicha, 1910, p.p. 518-547; Alexander Lakier, "O votchinakh i pomest'yakh" SPB 1848; G. F. Blyumenfel'd o formakh zemlevladieniya drevney rusi, Odessa 1884, Lev Cherepnin. *Osnovnyyee tipy razvitiya feodal'noy sobstvennosti na rusi (do XVII veka)* in: *Voprosy istorii*, №4 1953, p.p. 46-58; Anatoliy Sakharov, *Problemy razvitiya feodal'noy sobstvennosti na zemlyu*, MGU, 1979; Alevtina Y Ushko, *Feodal'noyye zemlevladieniye Moskovskoy zemli XIV veka*, Nauka, 2002; G. Blyumenfel'd, *o formakh zemlevladieniya v drevney rossii*, Ripol Klassik, Moskva, 2013

¹⁷ *Rossiyskaya tsivilizatsiya, etnokul'turnyye i dukhovnyye aspekty, entsiklopedicheskiy slovar'*, Izdatel'stvo respublika, Moskva, 2001, S. 361

¹⁸ Nikolay Berdyayev, *Istoki i smysl russkogo kommunizma*, Moskva, 1990, p.p. 10-30

in Russia was characterized by ceding the intellectual milieu to a laymen. Among the best representatives of the nobility there was a sense of guilt towards their own people. Trying to overcome the social chasm, totally polarized Romanow Empire have charged the intellectuals anti-feudal as well as anti-bourgeois. The idea of replacing a society based on feudal-inspired wars and violence by one founded on peace, Civil Works and Constitution was alien to them. Instead, they looked for the just society and a historical mission of the Russian people. The decisive role was assigned to the Orthodoxy.

The European rational decentralism has always been and is opposed to the "Russian idea" of the unity of the Christian East. Meanwhile the main determinants of the Russian "community" and nationalization of Orthodoxy were pulled out. Today the Kremlin also refers to the same notions. The new expansionist policy is a declaration of unity of the Christian East and the notion of "Russian idea". The scheme is close to what Muslim world proclaim – to be a Russian is not the question of ethnicity, or socio-political decision, that is the question of faith.

The question of property as an instrument of power is critical in every day society and is directly related to the role of the individual in society including his/her degree of freedom – therefore it is also directly connected with the formation of mentality. If in modern Europe the property has received a constant value to the extent that the change of rulers does not exert any influence on the owner, to the East, the opposite is true – the property is a temporary value and depends on the good will of the ruler. In other words, the change of power in the East is connected directly to the question of property ownership and its administration and the rulers' good will is determined by loyalty towards them, so the form of ownership is a kind of feudal "Beneficium".

“Parties and parliaments present themselves as meaningless masked creatures that live at the mercy of their government. To briefly summarize the political domination and power in the Russian Empire and the Soviet Union it would suffice to say that it is based on patronage system and informal influence”¹⁹ where the normative representation of the political system has no place and serves only as a facade. This technology can be compared with feudal relations, as in the Soviet Union and in the post-Soviet space managing the "beneficium" is still left to the technology of power.

Therefore, the corruption in Russia is clearly perceived as a social system.

In the patrimonial mentality of Homo Sovieticus it is assumed that the terms of the state, politics and politicians are associated with the Unitarianism and Caesarism. As I said, the only acceptable form of state and the sovereignty was the territorial state and the sovereignty defined over the territory. The difference between the East and the West in understanding the “Government” could be defined as an opposition between - respectively - "statementality" versus "governmentality": the statementality could be described as an imperialist mentality in the mindset of the Russian people where the individual is perceived as a subject to the ephemeral public will. Hence, in this light the increased popularity of Putin among Russian public at large could be explained.

¹⁹Jörg Baberowski, Die Entdeckung des Unbekannten, Rußland und das Ende Osteuropas, in „Geschichte ist immer Gegenwart, vier Thesen zur Zeitgeschichte“, hrsg. von Jörg Baberowski, Eckart Conze, Philipp Gassert und Martin Sabrow, DVA, Stuttgart, 2001, S.S. 14-15.

Georgia has been a part and parcel of Russia and the Soviet Union during the last two centuries, i.e. a part of the world, for which the concept of absolute, i.e. free ownership, was intrinsically alien. This circumstance naturally affected formation of the mentality of the Georgian society. The events, which have taken place in Georgia in the post-Soviet period prove, that both, the modern Georgian elite and the society still remain in the captivity of the “Homo-Sovieticus” mental legacy. Thus I think, that one of the main reasons of failure of transformation in present Georgia can be explained by the deficit of property, the non-existence of its essential perception.

Different understanding of property between the West and Russia, in my opinion, is the basis of different power cultures as well as a key for the understanding of different social and political development of these regions.²⁰ It is noteworthy that the Russian Orthodox Church considers as property only the product of work of a human being and not the means of production, like land.²¹ This idea is defined based on the perception of “Orthodoxy”, which, in its turn, is based on the premise of the Old Testament in accordance to which land represented a property of the Lord and the man as just its temporary owner. The downgrading of the perception of land as a property clearly indicates the difference: - agricultural versus nomadic civilizations.

In this respect, comparative analysis of ownership forms, social structures, economic and political systems of Byzantium as the stronghold of Orthodoxy with Russian Orthodox space, is very important. According to the latest Byzantine studies Byzantium seems to be a “trading state” of the Middle Ages where the State intervention in the private affairs was undertaken strictly only in the name of justice. The continuity of Roman law in Byzantium clearly indicates that the Byzantine notion of the property is in the tradition of Roman law.²²

So I think that the failure of transformation in post-Soviet space is largely a result of the lack of institutional respect towards inviolability of individual property rights.

The example of Georgia demonstrates that although the governance was indeed characterized by a powerful process of modernization this was happening at the expense of the violation of human rights, totalitarian attitude towards property,²³ monopolization of the market and social

²⁰ Richard Pipes, *Property and Freedom*, New York, Knopf Doubleday, 1999.

²¹ Viktor Trostnikov, *Pravoslavnaya tsivilizatsiya “sibirskiy tsiryul’nik”* “Moskva, 2004. pp. 258-264.

²² Laiou, Angeliki E., *Economic thought and Ideology*, in Angeliki E. Laiou (Hrsg.), *The Economic History of Byzantium from the seventh through the fifteenth Century*, Bd. 3., Dumbarton Oaks, Washington, 2002. p.p. 1133-1137; Laiou, Angeliki E., *Family and the transmission of property*, in John F. Haldon (Hrsg.), *The Social History of Byzantium*, Willey – Blackwell, Chichester, 2009. pp. 61-62.

²³ 1. US Department of State, Bureau of Democracy, Human Rights and Labor, *Country Reports on Human Rights Practices*, Georgia, March 6, 2007, <http://www.state.gov/j/drl/rls/hrrpt/2006/78813.htm>;

2. Ratomundaachuqosaxelmwiphosqonebasakutarichelit? In: „Liberali“ 08/01.2011.

<http://liberali.ge/ge/liberali/articles/104624/>;

3. *Property Rights in Post-Revolutionary Georgia*, report from 11 May 2007 of „Transparency International Georgia”.

<http://transparency.ge/sites/default/files/Property%20Rights%20in%20Post-Revolution%20Georgia.pdf>.

4. *Plea Bargaining in Georgia*, report from 23 February 2010 of “Transparency International Georgia”

<http://transparency.ge/en/post/report/plea-bargaining-georgia>

5. Nino Tarchnischwili, *Nebakoplobitichuqebatusachelmwiphoreketi?*, Radio Tavisuphleba, 22.04.2013:

<http://www.radiotavisuphleba.ge/content/saxelmwifo-reketi/24964770.html>

disintegration. The experiment under the name of "Rose Revolution" (2003-2012) eventually proved unsuccessful. As a result, the nine years of "reform policy" proved to be the failure in building the sustainable social systems or structures. Accordingly, the question of the causes for the failure of the transformation policy is still open and unanswered. Saakashvili has managed to "modernize" Shevardnadze's corrupt system. He increased the salaries of lower- and middle-level officials and achieved the accumulation of revenue in the budget. His system of corruption began with the budgetary allocations. The Public Procurement was expected to accept only the company sympathizing to party elite. Only those businesses excelled that were run under the control of the party elite. Food import was strictly government-regulated with proceeds distributed among government loyalists. The Georgian food export could not compete with the import.²⁴ In a word, although the roots of the political and academic socialization of the heroes of the "Rose Revolution" no longer belonged in the Soviet period as well as in the Shevardnadze era, they turned out to thrive in the period of legal corruption.

It is also worth mentioning that despite the pro-Western rhetoric Saakashvili did not dare to adopt the law on lustration. On the contrary, the bill drafted by Committee working on lustration law in fact proved directed against NGOs with Western connections and so the law remained in the backyard of parliamentary life.

The most successful campaign happened to be the police reform.

As generally the reforms which have actually gone through the recommendations of the Washington Consensus "common wisdom" testify, the Neoclassical i.e. **the post-modern approaches do not work in the post-Soviet case.**

Firstly, the privatization management of state property understood as a new, this time, legal possession of "benefice", proved to be biased and ruling party-directed. Secondly, the focus of the organizers of modernization policy was a "Citoyen" enjoying equal social rights rather than the "bourgeois" as the herald of economic growth.²⁵

6. Qeti Gvedaschwili, Braldeba gamoziebis nacvlad, "Liberali" 19.12. 2013, <http://liberali.ge/ge/liberali/articles/117254/>

7. Albatros Presenti – dachuruli bisnesi, eine journalistische Untersuchung, 20. 07. 2012, Studia Monitori, <http://monitori.ge/2012/07/21/albatrosi/>

8. Human Rights Watch Describes Human Rights Violations in Georgia (report of 2010) <http://humanrightshouse.org/Articles/15829.html>

9. Council of Europe, Commissioner for Human Rights, Report by Thomas Hammarberg, Commissioner for Human Rights of the Council of Europe, following his visit to Georgia from 18 to 20 April 2011, CommDH (2011)22, <https://wcd.coe.int/com.instranet.InstraServlet?Index=no&command=com.instranet.CmdBlobGet&InstranetImage=1888663&SecMode=1&DocId=1765800&Usage=2>.

10. Thomas Hammarberg, Report on the human rights dimension: background, steps taken and remaining challenges Assessment and recommendations, report addressed to High Representative and Vice-President Catherine Ashton and Commissioner for Enlargement and European Neighbourhood Policy Stefan Füle September 2013, http://eeas.europa.eu/delegations/georgia/documents/virtual_library/cooperation_sectors/georgia_in_transition-hammarberg.pdf.

²⁴Uwe Hallbach, Bilanz einer "Farbrevolution", Georgien im politischen Wandel 2003-2013, SWP-Studie, S 24, Dezember 2013, Berlin.

²⁵Ralf Dahrendorf, The Modern Social Conflict, An Essay on Politics of Liberty, University of California Press, Berkeley – Los Angeles, 1988, P.P. 3; 34

The "Rose Government" practiced the neo-liberal approaches but the total violation of property rights confused the public and generated hatred towards the government.

The failure of the reform policy in Georgia testified unequivocally that the postmodernist approaches are doomed for failure where there is little modernity. History gives us very clear indication that the development of modernity is linked to the rise of the bourgeoisie, but this in turn derives its origin from the free property. Accordingly, the modernization of the post-Soviet space can only be associated with the development of the "civil society" understood as "Bourgeois" and not "Citoyen".

The global process of erosion of the stock leading to not democratically organized government and the process of building the conditions for the democratic constitutional state are two entirely different things. The history of mankind suggests that the consolidated democracies and the rise of bourgeoisie are connected but this is inconceivable without the free property.

To briefly summarize, the previous research leads to the conclusion as follows: **the significance of Europe's socio-political development is in adding the existence of "beneficial" with that of "allodial", (that is, the full property) ownership forms; the significance of the Russian social-political life is the degrading of the full property and clearly marked "fief relations" in the Middle Ages, as well as in Tsarist, Soviet and post-Soviet era later on. In contrast, the socio-political development of the United States is based clearly on the development of the full property and downgrading of the "feudal ownership forms".**

Eastern Ukraine: Package of Measures for the Implementation of the Minsk Agreements

There were breathtaking days in mid-February 2015, with the Ukrainian President Poroshenko, the Russian head of state Putin, the French President Hollande and the German Chancellor Merkel. These two latter have tried everything to initiate a ceasefire and the following provisions to Eastern Ukraine. It was evident, that Russian volunteers and army units fought there for the separatists, together with decisive weapon deliveries from Russia. Will there be a peace? Until now - the appearance of this paper - there was only a "bit of peace". The battle for Devalzeve has been finished despite the ceasefire, there are still prisoners of war in Russian prisons, there are still some attacks, however less. There may be peace, but in an unstable environment. At the 1 yr. memorial day for the Maidan movement in Charkiv, a bomb exploded, killing several persons who wanted to keep the memory of those having died on Maidan in Kiev. The document reprinted here is unique, as it can serve as a measure to what been achieved, or not.

1. Immediate and comprehensive ceasefire in certain areas of the Donetsk and Luhansk regions of Ukraine and its strict implementation as of 15 February 2015, 0:00 local time.

Withdrawal of all heavy weapons by both sides by equal distances in order to create a security zone of at least 50 km wide from each other for the artillery systems of caliber of and more, a security zone of 70 km wide for MLRS and 140 km wide for MLRS „Tornado-S“, Uragan, Smerch and Tactical Missile Systems (Tochka, Tochka U):

- for the Ukrainian troops: from the de facto line of contact;
- for the armed formations from certain areas of the Donetsk and Luhansk regions of Ukraine: from the line of contact according to the Minsk Memorandum of Sept. 19th, 2014;

2. The withdrawal of the heavy weapons as specified above is to start on day 2 of the ceasefire at the latest and be completed within 14 days.

The process shall be facilitated by the OSCE and supported by the Trilateral Contact Group.

3. Ensure effective monitoring and verification of the ceasefire regime and the withdrawal of heavy weapons by the OSCE from day 1 of the withdrawal, using all technical equipment

necessary, including satellites, drones, radar equipment, etc.

4. Launch a dialogue, on day 1 of the withdrawal, on modalities of local elections in accordance with Ukrainian legislation and the Law of Ukraine “On interim local self-government order in certain areas of the Donetsk and Luhansk regions” as well as on the future regime of these areas based on this law.

Adopt promptly, by no later than 30 days after the date of signing of this document a Resolution of the Parliament of Ukraine specifying the area enjoying a special regime, under the Law of Ukraine “On interim self-government order in certain areas of the Donetsk and Luhansk regions”, based on the line of the Minsk Memorandum of September 19, 2014.

5. Ensure pardon and amnesty by enacting the law prohibiting the prosecution and punishment of persons in connection with the events that took place in certain areas of the Donetsk and Luhansk regions of Ukraine.

6. Ensure release and exchange of all hostages and unlawfully detained persons, based on the principle “all for all”. This process is to be finished on the day 5 after the withdrawal at the latest.

7. Ensure safe access, delivery, storage, and distribution of humanitarian assistance to those in need, on the basis of an international mechanism.

8. Definition of modalities of full resumption of socio-economic ties, including social transfers such as pension payments and other payments (incomes and revenues, timely payments of all utility bills, reinstating taxation within the legal framework of Ukraine).

To this end, Ukraine shall reinstate control of the segment of its banking system in the conflict-affected areas and possibly an international mechanism to facilitate such transfers shall be established.

9. Reinstatement of full control of the state border by the government of Ukraine throughout the conflict area, starting on day 1 after the local elections and ending after the comprehensive political settlement (local elections in certain areas of the Donetsk and Luhansk regions on the basis of the Law of Ukraine and constitutional reform) to be finalized by the end of 2015, provided that paragraph 11 has been implemented in consultation with and upon agreement by representatives of certain areas of the Donetsk and Luhansk regions in the framework of the Trilateral Contact Group.

10. Withdrawal of all foreign armed formations, military equipment, as well as mercenaries from the territory of Ukraine under monitoring of the OSCE. Disarmament of all illegal groups.

11. Carrying out constitutional reform in Ukraine with a new constitution entering into force by the end of 2015 providing for decentralization as a key element (including a reference to the

specificities of certain areas in the Donetsk and Luhansk regions, agreed with the representatives of these areas), as well as adopting permanent legislation on the special status of certain areas of the Donetsk and Luhansk regions in line with measures as set out in the footnote until the end of 2015.²⁶

12. Based on the Law of Ukraine “On interim local self-government order in certain areas of the Donetsk and Luhansk regions”, questions related to local elections will be discussed and agreed upon with representatives of certain areas of the Donetsk and Luhansk regions in the framework of the Trilateral Contact Group. Elections will be held in accordance with relevant OSCE standards and monitored by OSCE/ODIHR.

13. Intensify the work of the Trilateral Contact Group including through the establishment of working groups on the implementation of relevant aspects of the Minsk agreements. They will reflect the composition of the Trilateral Contact Group.

²⁶ Such measures are, according to the Law on the special order for local self-government in certain areas of the Donetsk and Luhansk regions:

- Exemption from punishment, prosecution and discrimination for persons involved in the events that have taken place in certain areas of the Donetsk and Luhansk regions;
- Right to linguistic self-determination;
- Participation of organs of local self-government in the appointment of heads of public prosecution offices and courts in certain areas of the Donetsk and Luhansk regions;
- Possibility for central governmental authorities to initiate agreements with organs of local self-government regarding the economic, social and cultural development of certain areas of the Donetsk and Luhansk regions;
- State supports the social and economic development of certain areas of the Donetsk and Luhansk regions;
- Support by central government authorities of cross-border cooperation in certain areas of the Donetsk and Luhansk regions with districts of the Russian Federation;
- Creation of the people’s police units by decision of local councils for the maintenance of public order in certain areas of the Donetsk and Luhansk regions;

The powers of deputies of local councils and officials, elected at early elections, appointed by the Verkhovna Rada of Ukraine by this law, cannot be early terminated.

Germany and the Disinformation Politics of the Ukraine Crisis

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This article was published in the openDemocracy Russia section (www.opendemocracy.net/russia). As in Russia, German political tailwind is often stated or pretended. This subject is without doubt of interest, in the context of "information war" of the Russian government for single EU Member States.

Looking at both the historical and current pro-Putin segment of German public discussion, one can identify the target groups and methods of Russian disinformation politics.

In early March 2014, in central Berlin, I came across a demonstration protesting against 'Neo-Nazis on the Maidan.' I tried to talk to the activists standing there, but they responded to all of my comments with just one question: 'Are you a member of the fascist Svoboda party?' Up to that point, I had not realised the scope of Putin's propaganda in Germany, and the fact that the topic of Ukraine will soon become one of the major division lines inside German society. I have been following various public discussions and debates, from the Bundestag to the Day of German

Historians, and from the Berlin Poetry Festival to the German teachers conference, and I have come to understand better German attitudes to the situation in Ukraine, usually defined in German media as the ‘Ukraine Crisis’. Looking at the pro-Putin segment of German public discussion, one can identify the target groups and methods of Russian disinformation politics as well as the cultural stereotypes it is based on.

Key Putin-friendly beliefs

‘The responsibility for the Ukraine crisis lies with the West.’

This belief relies on the presumption that the West itself has violated the principle of the inviolability of borders. It is said that while the West has supported and recognised the independence of Kosovo, it has also challenged the international power balance by enlarging NATO up to the very borders of Russia. Using this historical analogy, ‘the self-determination’ expressed during the Crimean ‘referendum’ is often equated to the self-determination of Kosovo. But, at the same time, the choice of the majority of Ukrainians, voting in favour of European integration, is portrayed as being imposed from the outside (the notion of ‘American money for the Maidan’ is often raised in this respect). And the EU is blamed for promoting ‘unrealistic expectations’ of Kiev, and thus provoking Putin. This logic usually stresses the need to take into consideration the ‘legitimate interests of Russia’ in the post-Soviet space. This means therefore that the conflict in Ukraine should be solved ‘not against Putin, but together with Putin’ (a quotation from a speech on a German ARD (1st chain) TV show given by retired NATO general Harald Kujat).

‘In Ukraine we are dealing with a civil war between the East and the West of the country caused by the nationalism of the Kievan post-Maidan government.’

This image is based on an intensively promoted description of Ukraine as a deeply divided country where the pro-European and, at the same time, ultra-nationalistic ‘West’ stands against the pro-Russian or just Russian ‘East.’ Ukraine here is depicted as a failed state, the accidental outcome of the collapse of the Soviet Union and a country with no historical and cultural agency of its own. In other words, Ukraine is seen as just a battleground for the real superpowers. The notion of the ‘civil war’ also helps to downplay the question of the Russian intervention; and a comparison of Ukraine to Czechoslovakia promotes the idea of a peaceful divorce as a desirable solution. *Ukraine is seen as just a battleground for the real superpowers.*

‘The Russians and the Russian language deserve special protection in Ukraine, especially in the regions with a Russian majority population.’

This phrase, which sounds like a reasonable European norm – in the context of the lack of knowledge about the language situation in Ukraine – often turns into the acceptance of Putin’s identification of speaking Russian with being Russian, and with it a loyalty to the Russian Federation. The German, as well as British or French media, quite often publish misleading maps of ‘ethnic zones’ in Ukraine that overlook the situational and social dimensions of Ukrainian bilingualism (mostly Russian-speaking cities, including Kyiv, and mostly Ukrainian-speaking villages, also in the very east of the country), and automatically ascribes the preferred language of everyday communication to political preferences and even ethnicity.

For example, on 23 August 2014, in his interview for the *Welt am Sonntag* [national Sunday newspaper] German vice-chancellor Siegmund Gabriel claimed that Ukraine could maintain its territorial integrity only by proposing a federalisation to the regions ‘where the Russians are in a majority.’

‘Germany should avoid a new war, especially if there is a danger of nuclear weapons being used.’

Avoiding a war in this case involves making concessions to Putin, showing peaceful intentions and the will to talk. This logic is built on the European culture of political consensus, and overlooks the fact that every sign of indecision and weakness only encourages further aggression from the Kremlin. There are also fears of a totally unpredictable and chaotic ‘Russia without Putin.’ They influence the orientation and preference of German politics for keeping the option of ‘letting Putin save face,’ and a return to ‘business as usual.’ This orientation ignores the effects of the war propaganda campaign inside Russia and the nature of Putin’s political legitimacy, which has to move from one geopolitical victory to another to remain acceptable to the majority of the population.

‘The economic and historical aspects of German-Russian cooperation should not be sacrificed in favour of an obscure, distant and weak Ukraine.’

This view is based on the belief that Ukraine’s problems are somehow local (see the idea of the ‘civil war’ mentioned above), and thus bear no real threat to Germany. And yet the worsening of relations with Russia is seen as a real threat – economically, militarily and culturally. According to this reasoning, Ukraine appears as just a petty obstacle to the long-lasting search for the mutual

understanding and cooperation between Germany and Russia. Such logic, for instance, was evident in West German politicians' attitudes to Polish Solidarity during the 1980s.

'The criticism of Russian politics in Ukraine is a new form of russophobia.'

As a Ukrainian academic and commentator, I am constantly trying to prove the opposite: uncritical support or unwillingness to confirm the fact of Russia's aggression against Ukraine is a kind of russophobia, because it pushes Russia to the point of economic and political collapse, and denies the democratic potential of its development.

The views above are not simply products of the Kremlin's propaganda efforts, but result from a genuine desire to prevent the worse-case scenario and further Germany national interests. The supporters of such an attitude do not constitute a homogeneous social or political group. Among them are people on the left, particularly voters of the Die Linke Party. But that does not mean that the entirety of the German left is pro-Putin, because the Green Party enthusiastically supports Ukraine. There are also some representatives of German business, especially those closely related to the Russian markets, and there are people of conservative views who are often sceptical towards further enlargement of the EU. These people are represented politically by a new right-wing political party — Alternative for Germany.

The German cultural backgrounds of pro-Putin attitudes

The German cultural backgrounds of pro-Putin attitudes are many and varied. Anti-American sentiments, for example, especially among the leftist German circles that, as Anna Veronica Wendland put it, point to imperialism in the West, but completely fail to notice it in the Russian politics on the post-Soviet space. *German post-war culture believes that energy conflict could be solved if all sides will drink enough coffee together.*

There is the German post-war culture of consensus and pacifism, which believes that negotiations are always better than a coercive approach, that peace should be established by peaceful actions only, and every conflict could be solved if all sides will drink enough coffee together. Unfortunately, this approach does not explain what to do if one of the sides, especially when it is not recognised as an aggressor, does not keep its promises and constantly uses violence to establish facts and advantage on the ground. Such pacifism tends not to notice somehow the military involvement of Russia, and sees the deliberate presentation of the war in Donbas as a kind of 'legitimate fight for self-determination' as being in some way comparable to the Kurdish, Catalanian or Scottish independence movements.

There is the historical stereotype of Eastern Europe as a terrain of political chaos, ethnic nationalism and anti-Semitism. Putin`s propaganda tends to depict the current events in Ukraine according to this recognisable image of ‘Eastern Europe,’ which also includes Poland or the Baltic states, but not Russia.

There is the historical guilt towards Russia felt by a lot of Germans in relation to the Nazi atrocities committed during the Second World War. In German mass consciousness, the war in the East – that actually took place mostly on the territories of present-day Belarus, Poland and Ukraine – is perceived as a ‘war in Russia.’ But German historical guilt towards Ukraine, twice occupied by German troops during the 20th century (first in 1918 and then in 1941-1944), is practically absent in the evaluation of the current events.

Finally, there is the weakness of cultural and historical links with Ukraine caused, among other factors, by the lack of institutionalized Ukrainian studies in Germany and the shortage of Ukrainian cultural initiatives in the West.

Looking at all of the above, the most important conclusion is that for a lot of Germans, Ukraine has no historical and cultural agency of its own and is treated as just an instrument for stronger powers competition or a function of the anti-American or anti-EU sentiments. ***For a lot of Germans, Ukraine has no historical and cultural agency of its own.***

‘Those who understand Putin’

Kremlin propaganda in Germany tends not to directly promote widespread acceptance and sympathy towards Putin`s politics, but to spread fear and disorientation. This propaganda is designed to prevent political and social consensus on Germany`s position towards Ukraine, and thus resistance to Russian intervention. Despite its variety, the principal aim of the pro-Putin discourse in Germany could be summarised in one word — non-interference. According to this logic, Ukraine should not expect NATO membership in the future, nor Western military assistance. The prospects of Ukraine`s EU membership can only be mentioned as a distant and vague possibility. At the same time, the sanctions against Russia should be abandoned (or at least not expanded) in order to overcome a ‘new cold war.’ But such an approach gives no clear vision of the future to Ukraine: how it could exist as a ‘bridge’ between conflicting integration projects (the EU and the Eurasian Economic Union).

‘Those who understand Putin’ (Putinverstehers) constitute a heterogeneous group of influential ex-politicians (such as ex-chancellors Helmut Schmidt and Gerhard Schroeder), as well as journalists, political experts, businessmen and people within the German military. They are particularly often visible on German TV talk shows and social media, where they attack every pro-Ukrainian publication or comment.

Notwithstanding the Putinverstehers, it seems that, despite their best efforts, there is a growing understanding in Germany that Putin's politics do have a global dimension. After all, his politics question all existing international institutions and the entire system of international law. In this sense, **Russia's intervention in Ukraine and the ensuing global information war poses a number of challenges to the EU (especially given its complicated decision-making process): how should democracies stand up to an authoritarian nuclear power? How can pacifism prevent war with a violent aggressor? And how can freedom of speech deal with disinformation?**



Présentation

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

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

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

Objectifs

- Animer un réseau de chercheurs et de professionnels issus de cultures, de nationalités, de localisations, de formations et d'environnements professionnels différents.
- Proposer un support d'information innovant, rigoureux et gratuit, offrant à la fois des analyses de fond et des brèves d'actualité internationale, publiés par des chercheurs et des experts en relations internationales.
- Permettre aux membres de ce réseau de publier leurs analyses et les informations dont ils disposent dans un délai très court, et susciter des commentaires pertinents de la part des autres membres du réseau et des lecteurs.
- Organiser des colloques visant à diffuser la connaissance du droit et des relations internationales.
- Établir des liens avec des institutions et organismes poursuivant des buts analogues ou voisins.
- Proposer l'expertise scientifique des membres du réseau.

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The Charter of the Fundamental Rights of the European Union

Unofficial translation into Russian by Elena Zabramnaya

While the EUFAJ is exclusively an English-language e-quarterly, below we would like to present the unofficial translation of the Charter of the Fundamental Rights of the European Union into Russian so as to contribute to the raise of the knowledge and awareness among the Russian speakers on the document.

<p>PART II THE CHARTER OF THE FUNDAMENTAL RIGHTS OF THE UNION PREAMBLE</p> <p>The peoples of Europe, in creating an ever closer union among them, are resolved to share a peaceful future based on common values. Conscious of its spiritual and moral heritage, the Union is founded on the indivisible, universal values of human dignity, freedom, equality and solidarity; it is based on the principles of democracy and the rule of law. It places the individual at the heart of its activities, by establishing the citizenship of the Union and by creating an area of freedom, security and justice.</p> <p>The Union contributes to the preservation and to the development of these common values while respecting the diversity of the cultures and traditions of the peoples of Europe as well as the national identities of the Member States and the organisation of their public authorities at national, regional and local levels; it seeks to promote balanced and sustainable development and ensures free movement of</p>	<p>ЧАСТЬ II ХАРТИЯ ФУНДАМЕНТАЛЬНЫХ ПРАВ СОЮЗА ПРЕАМБУЛА</p> <p>Народы Европы, создавая более тесный союз между собой, решили разделить мирное будущее, основанное на общих ценностях. Сознajući свое духовное и нравственное наследие, Союз основан на неделимых, универсальных ценностях – человеческом достоинстве, свободе, равенстве и солидарности; он базируется на принципах демократии и верховенстве закона. Он помещает индивидуума в центр своей деятельности, учреждая гражданство Союза и создавая пространство свободы, безопасности и правосудия.</p> <p>Союз вносит вклад в сохранение и развитие этих общих ценностей, уважая при этом разнообразие культур и традиций народов Европы, равно как и национальное своеобразие Государств-Членов и организацию их публичной власти на национальном, региональном и локальном уровнях; он стремится поощрять сбалансированное и жизнеспособное развитие и гарантирует</p>
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<p>persons, goods, services and capital, and the freedom of establishment.</p> <p>To this end, it is necessary to strengthen the protection of fundamental rights in the light of changes in society, social progress and scientific and technological developments by making those rights more visible in a Charter.</p> <p>This Charter reaffirms, with due regard for the powers and tasks of the Union and the principle of subsidiarity, the rights as they result, in particular, from the constitutional traditions and international obligations common to the Member States, the European Convention for the Protection of Human Rights and Fundamental Freedoms, the Social Charters adopted by the Union and by the Council of Europe and the case law of the Court of Justice of the European Union and of the European Court of Human Rights. In this context the Charter will be interpreted by the courts of the Union and the Member States with due regard to the explanations prepared at the instigation of the Presidium of the Convention which drafted the Charter.</p> <p>Enjoyment of these rights entails responsibilities and duties with regard to other persons, to the human community and to future generations. The Union therefore recognises the rights, freedoms and principles set out hereafter.</p> <p>Title I: Dignity</p> <p>Article II-1: Human dignity Human dignity is inviolable. It must be respected and protected.</p> <p>Article II-2: Right to life 1. Everyone has the right to life. 2. No one shall be condemned to the death penalty, or executed.</p> <p>Article II-3: Right to the integrity of the person 1. Everyone has the right to respect for his or her physical and mental integrity.</p>	<p>свободное передвижение лиц, товаров, услуг и капитала, а также свободу учреждений.</p> <p>С этой целью в свете изменений в обществе, социальном прогрессе и научном и технологическом развитии необходимо усилить защиту фундаментальных прав, делая их более зримыми в Хартии.</p> <p>Эта Хартия вновь подтверждает, с должным уважением к полномочиям и задачам Союза и принципам субсидиарности, права, которые вытекают, в частности, из конституционных традиций и международных обязательств, общих для Государств-Членов, Европейской Конвенции по защите прав человека и фундаментальных свобод, Социальной Хартии, принятых Союзом и Советом Европы, и прецедентного права Суда Европейских сообществ и Европейского Суда по правам человека. В этой связи Хартия интерпретируется судами Союза и Государствами-Членами, с должным уважением к разъяснениям, подготовленным Президиумом Конвенции, разработавшим Хартию.</p> <p>Обладание этими правами порождает ответственность и обязанности в отношении других лиц, человеческого сообщества и будущих поколений. Исходя из сказанного, Союз признает права, свободы и принципы, изложенные ниже.</p> <p>Раздел I. Достоинство</p> <p>Ст. II-1. Человеческое достоинство Человеческое достоинство неприкосновенно. Оно должно уважаться и защищаться.</p> <p>Статья II-2: Право на жизнь 1. Каждый человек имеет право на жизнь. 2. Никто не может быть приговорен к смертной казни или казнен.</p> <p>Статья II-3: Право на неприкосновенность личности 1. Каждый человек имеет право на уважение своей физической или духовной неприкосновенности.</p>
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<p>2. In the fields of medicine and biology, the following must be respected in particular:</p> <p>(a) the free and informed consent of the person concerned, according to the procedures laid down by law,</p> <p>(b) the prohibition of eugenic practices, in particular those aiming at the selection of persons,</p> <p>(c) the prohibition on making the human body and its parts as such a source of financial gain,</p> <p>(d) the prohibition of the reproductive cloning of human beings.</p> <p>Article II-4: Prohibition of torture and inhuman or degrading treatment or punishment No one shall be subjected to torture or to inhuman or degrading treatment or punishment.</p> <p>Article II-5: Prohibition of slavery and forced labour 1. No one shall be held in slavery or servitude. 2. No one shall be required to perform forced or compulsory labour. 3. Trafficking in human beings is prohibited.</p> <p>TITLE II: FREEDOMS</p> <p>Article II-6: Right to liberty and security Everyone has the right to liberty and security of person.</p> <p>Article II-7: Respect for private and family life Everyone has the right to respect for his or her private and family life, home and communications.</p>	<p>2. В областях медицины и биологии должно соблюдаться, в частности, следующее:</p> <p>(a) свободное и основанное на информированности согласие заинтересованного лица в соответствии с процедурами, определенными в законе,</p> <p>(b) запрещение евгенической практики, в частности такой, которая направлена на отбор людей;</p> <p>(c) запрещение использования человеческого тела и его частей в качестве источника получения прибыли,</p> <p>(d) запрещение репродуктивного клонирования человека</p> <p>Статья II-4: Запрещение пытки и бесчеловечного либо унижительного обращения или наказания Никто не может быть подвергнут пытке либо бесчеловечному или унижительному обращению или наказанию.</p> <p>Статья II-5: Запрещение рабства и принудительного труда 1. Никто не может содержаться в рабстве или неволе. 2. Никто не может привлекаться к выполнению принудительного или обязательного труда. 3. Торговля людьми запрещена.</p> <p>Раздел II: Свободы</p> <p>Статья II-6: Право на свободу и безопасность Каждый человек имеет право на свободу и личную безопасность.</p> <p>Статья II-7: Уважение частной и семейной жизни Каждый человек имеет право на уважение своей частной и семейной жизни, жилья и передачи сообщений.</p> <p>Статья II-8: Защита персональных данных 1. Каждый человек имеет право на защиту касающихся его персональных данных.</p>
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<p>Article II-8: Protection of personal data</p> <p>1. Everyone has the right to the protection of personal data concerning him or her.</p> <p>2. Such data must be processed fairly for specified purposes and on the basis of the consent of the person concerned or some other legitimate basis laid down by law. Everyone has the right of access to data which has been collected concerning him or her, and the right to have it rectified.</p> <p>3. Compliance with these rules shall be subject to control by an independent authority.</p> <p>Article II-9: Right to marry and right to found a family</p> <p>The right to marry and the right to found a family shall be guaranteed in accordance with the national laws governing the exercise of these rights.</p> <p>Article II-10: Freedom of thought, conscience and religion</p> <p>1. Everyone has the right to freedom of thought, conscience and religion. This right includes freedom to change religion or belief and freedom, either alone or in community with others and in public or in private, to manifest religion or belief, in worship, teaching, practice and observance.</p> <p>2. The right to conscientious objection is recognised, in accordance with the national laws governing the exercise of this right.</p> <p>Article II-11: Freedom of expression and information</p> <p>1. Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers.</p> <p>2. The freedom and pluralism of the media shall be respected.</p>	<p>2. Такие данные должны обрабатываться добросовестно, в четко установленных целях и с согласия заинтересованного лица или на другом законном основании. Каждый человек имеет право доступа к собранным в отношении него данным и право на устранение в них ошибок.</p> <p>3. Соблюдение этих правил подлежит контролю независимым органом.</p> <p>Статья II-9: Право вступать в брак и создавать семью</p> <p>Право вступать в брак и право создавать семью гарантируются в соответствии с национальными законами, регулирующими осуществление этих прав.</p> <p>Статья II-10: Свобода мысли, совести и вероисповедания</p> <p>1. Каждый человек имеет право на свободу мысли, совести и вероисповедания. Это право включает свободу менять вероисповедание или убеждения, а также свободу как отдельно, так и в сообществе с другими и публично либо конфиденциально, исповедовать религию или убеждения посредством богослужения, обучения, религиозных обрядов и ритуалов.</p> <p>2. Право на осознанный отказ от чего-либо признается в соответствии с национальными законами, регулирующими исполнение этого права.</p> <p>Статья II-11: Свобода выражения и информации</p> <p>1. Каждый человек имеет право на свободу выражения. Это право включает свободу придерживаться собственных взглядов и получать и распространять информацию и идеи без препятствия со стороны государственных органов и невзирая на государственные границы.</p> <p>2. Признаются свобода и плюрализм массовой информации.</p> <p>Статья II-12: Свобода собрания и объединения</p> <p>1. Каждый человек имеет право на свободу мирного собрания и на свободу объединения</p>
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<p>Article II-12: Freedom of assembly and of association</p> <p>1. Everyone has the right to freedom of peaceful assembly and to freedom of association at all levels, in particular in political, trade union and civic matters, which implies the right of everyone to form and to join trade unions for the protection of his or her interests.</p> <p>Article II-13: Freedom of the arts and sciences</p> <p>The arts and scientific research shall be free of constraint. Academic freedom shall be respected.</p> <p>Article II-14: Right to education</p> <p>1. Everyone has the right to education and to have access to vocational and continuing training.</p> <p>2. This right includes the possibility to receive free compulsory education.</p> <p>3. The freedom to found educational establishments with due respect for democratic principles and the right of parents to ensure the education and teaching of their children in conformity with their religious, philosophical and pedagogical convictions shall be respected, in accordance with the national laws governing the exercise of such freedom and right.</p> <p>Article II-15: Freedom to choose an occupation and right to engage in work</p> <p>1. Everyone has the right to engage in work and to pursue a freely chosen or accepted occupation.</p> <p>2. Every citizen of the Union has the freedom to seek employment, to work, to exercise the right of establishment and to provide services in any Member State.</p> <p>3. Nationals of third countries who are authorised to work in the territories of the Member States are entitled to working conditions equivalent to those of citizens of the Union.</p> <p>Article II-16: Freedom to conduct a business</p>	<p>на всех уровнях, в том числе в политических, профсоюзных и гражданских вопросах, которые предполагают право каждого создавать и вступать в профсоюзы для защиты своих интересов.</p> <p>Статья II-13: Свобода искусства и науки</p> <p>Искусство и научные исследования свободны от давления. Академическая свобода должна уважаться</p> <p>Статья II-14: Право на образование</p> <p>1. Каждый человек имеет право на образование и получение доступа к профессиональному обучению и повышению квалификации.</p> <p>2. Это право включает возможность получения бесплатного обязательного образования.</p> <p>3. Свобода создавать образовательные учреждения с должным уважением к демократическим принципам и право родителей обеспечивать образование и обучение своих детей в соответствии с их религиозными, философскими и педагогическими взглядами, обеспечиваются в соответствии с национальными законами, регулирующими осуществление этих прав.</p> <p>Статья II-15: Свобода выбирать занятие и право на труд</p> <p>1. Каждый человек имеет право на труд и право заниматься деятельностью, которую он свободно избрал или на которую согласился.</p> <p>2. Каждый гражданин Союза свободен в поиске работы, трудиться, в реализации права открыть частную практику и предоставлять услуги в любом Государстве-Члене Союза.</p> <p>3. Граждане третьих стран, которым разрешено работать на территориях Государств-Членов, имеют право на условия работы, аналогичные тем, которые имеют граждане Союза.</p> <p>Статья II-16: Свобода предпринимательства</p> <p>Свобода предпринимательства признается в соответствии с правом Союза и национальными законами и практикой.</p>
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The freedom to conduct a business in accordance with Union law and national laws and practices is recognised.

Article II-17: Right to property

1. Everyone has the right to own, use, dispose of and bequeath his or her lawfully acquired possessions. No one may be deprived of his or her possessions, except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss. The use of property may be regulated by law insofar as is necessary for the general interest.

2. Intellectual property shall be protected

Article II-18: Right to asylum

The right to asylum shall be guaranteed with due respect for the rules of the Geneva Convention of 28 July 1951 and the Protocol of 31 January 1967 relating to the status of refugees and in accordance with the Constitution.

Article II-19: Protection in the event of removal, expulsion or extradition

1. Collective expulsions are prohibited.
2. No one may be removed, expelled or extradited to a State where there is a serious risk that he or she would be subjected to the death penalty, torture or other inhuman or degrading treatment or punishment.

TITLE III: EQUALITY

Article II-20: Equality before the law

Everyone is equal before the law.

Статья II-17: Право собственности

1. Каждый человек имеет право владеть, пользоваться, распоряжаться и завещать свое имущество, приобретенное на законных основаниях. Никто не может быть лишен своего имущества, кроме как по соображениям публичного интереса и в случаях и в соответствии с условиями, определенными в законе, при условии выплаты ему справедливой компенсации за утраченное имущество. Право собственности может регулироваться законом в той степени, в какой это необходимо для всеобщего интереса.
2. Интеллектуальная собственность находится под защитой.

Статья II-18: Право на убежище

Право на убежище гарантируется с должным уважением к положениям Женевской Конвенции от 28 июля 1951 г и Протоколом от 31 января 1967 года, касающихся статуса беженцев в соответствии с Конституцией.

Статья II-19: Защита в случае выдворения, высылки или экстрадиции

1. Коллективные высылки запрещаются.
2. Никто не может быть выдворен, выслан или подвергнут экстрадиции в Государство, где существует серьезный риск того, что он подвергнется смертной казни, пытке или другому бесчеловечному либо унижительному обращению или наказанию.

Раздел III. Равенство

Статья II-20: Равенство перед законом

Все люди равны перед законом.

Ст. II-21: Запрещение дискриминации

1. Любая дискриминация по любому основанию, в частности, по признаку пола, расы, цвета кожи, этнического или социального происхождения, генетических особенностей, языка, религии или убеждений, политических или других взглядов,

<p>Article II-21: Non-discrimination</p> <p>1. Any discrimination based on any ground such as sex, race, colour, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership of a national minority, property, birth, disability, age or sexual orientation shall be prohibited.</p> <p>2. Within the scope of application of the Constitution and without prejudice to any of its specific provisions, any discrimination on grounds of nationality shall be prohibited.</p> <p>Article II-22: Cultural, religious and linguistic diversity</p> <p>The Union shall respect cultural, religious and linguistic diversity.</p> <p>Article II-23: Equality between men and women</p> <p>Equality between men and women must be ensured in all areas, including employment, work and pay.</p> <p>The principle of equality shall not prevent the maintenance or adoption of measures providing for specific advantages in favour of the under-represented sex.</p> <p>Article II-24: The rights of the child</p> <p>1. Children shall have the right to such protection and care as is necessary for their well-being. They may express their views freely. Such views shall be taken into consideration on matters which concern them in accordance with their age and maturity.</p> <p>2. In all actions relating to children, whether taken by public authorities or private Institutions, the child's best interests must be a primary consideration.</p>	<p>принадлежности к национальному меньшинству, имущественного положения, рождения, нетрудоспособности, возраста или сексуальной ориентации, запрещается.</p> <p>2. В рамках применения Конституции и без ущерба любому из ее положений, любая дискриминация по признаку принадлежности к определенному гражданству запрещается.</p> <p>Статья II-22: Культурное, религиозное и лингвистическое разнообразие</p> <p>Союз уважает культурное, религиозное и лингвистическое разнообразие.</p> <p>Ст. II-23: Равенство между мужчинами и женщинами</p> <p>Равенство между мужчинами и женщинами должно быть обеспечено во всех областях, включая занятость, работу и оплату труда.</p> <p>Принцип равенства не препятствует сохранению или принятию мер, предусматривающих специальные преимущества в пользу недостаточно представленного пола.</p> <p>Статья II-24: Права ребенка</p> <p>1. Дети имеют право на такую защиту и заботу, которая необходима для их благополучия. Они могут свободно выражать свои взгляды. Такие взгляды учитываются по тем вопросам, которые затрагивают детей в соответствии с их возрастом и уровнем зрелости.</p> <p>2. Во всех действиях, относящихся к детям, предпринимаемых как государственными органами, так и частными Учреждениями, основные интересы ребенка должны быть предметом первостепенного рассмотрения.</p> <p>3. Каждый ребенок имеет право поддерживать на регулярной основе личные отношения и прямой контакт с обоими родителями, если это не противоречит его интересам.</p> <p>Статья II-25: Права пожилых людей</p>
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<p>3. Every child shall have the right to maintain on a regular basis a personal relationship and direct contact with both his or her parents, unless that is contrary to his or her interests.</p> <p>Article II-25: The rights of the elderly The Union recognises and respects the rights of the elderly to lead a life of dignity and independence and to participate in social and cultural life.</p> <p>Article II-26: Integration of persons with disabilities The Union recognises and respects the right of persons with disabilities to benefit from measures designed to ensure their independence, social and occupational integration and participation in the life of the community.</p> <p>TITLE IV: SOLIDARITY</p> <p>Article II-27: Workers' right to information and consultation within the undertaking Workers or their representatives must, at the appropriate levels, be guaranteed information and consultation in good time in the cases and under the conditions provided for by Union law and national laws and practices.</p> <p>Article II-28: Right of collective bargaining and action Workers and employers, or their respective organisations, have, in accordance with Union law and national laws and practices, the right to negotiate and conclude collective agreements at the appropriate levels and, in cases of conflicts of interest, to take collective action to defend their interests, including strike action.</p>	<p>Союз признает и ценит права пожилых людей вести достойную и независимую жизнь и участвовать в общественной и культурной жизни.</p> <p>Статья II-26: Интеграция нетрудоспособных лиц Союз признает и ценит право нетрудоспособных лиц извлекать пользу от мер, направленных на то, чтобы обеспечить их независимость, социальную и профессиональную интеграцию и участие в жизни общества.</p> <p>Раздел IV: СОЛИДАРНОСТЬ</p> <p>Статья II-27: Право работников на информацию и консультацию в рамках предприятия Работникам или их представителям должны на соответствующем уровне гарантироваться предоставление информации и проведение с ними консультаций заблаговременно в случаях и в соответствии с условиями, предусмотренными правом Союза, национальным законодательством и практикой.</p> <p>Статья II-28: Право на коллективные переговоры и действия Работники и работодатели или их соответствующие организации вправе в соответствии с правом Союза и национальным правом и практикой вести переговоры и заключать коллективные договоры на соответствующих уровнях и в случае конфликтов интересов предпринимать коллективные действия для защиты своих прав, включая забастовку.</p> <p>Статья II-29: Право на доступ к службе занятости Каждый человек имеет право доступа к бесплатной службе занятости.</p>
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<p>Article II-29: Right of access to placement services Everyone has the right of access to a free placement service.</p> <p>Article II-30: Protection in the event of unjustified dismissal Every worker has the right to protection against unjustified dismissal, in accordance with Union law and national laws and practices.</p> <p>Article II-31: Fair and just working conditions</p> <ol style="list-style-type: none"> 1. Every worker has the right to working conditions which respect his or her health, safety and dignity. 2. Every worker has the right to limitation of maximum working hours, to daily and weekly rest periods and to an annual period of paid leave. <p>Article II-32: Prohibition of child labour and protection of young people at work The employment of children is prohibited. The minimum age of admission to employment may not be lower than the minimum school-leaving age, without prejudice to such rules as may be more favourable to young people and except for limited derogations. Young people admitted to work must have working conditions appropriate to their age and be protected against economic exploitation and any work likely to harm their safety, health or physical, mental, moral or social development or to interfere with their education.</p>	<p>Статья II-30: Защита в случае необоснованного увольнения Каждый работник имеет право на защиту против необоснованного увольнения в соответствии с правом Союза, национальным правом и практикой.</p> <p>Статья II-31: Справедливые и объективные условия труда</p> <ol style="list-style-type: none"> 1. Каждый работник имеет право на условия труда, которые соответствуют его здоровью, требованиям безопасности и человеческому достоинству. 2. Каждый работник имеет право на ограничение максимальной продолжительности рабочего времени, ежедневный и недельный отдых и на ежегодный период сохранения заработной платы. <p>Article II-32: Запрещение детского труда и защита молодежи на работе Детский труд запрещен. Минимальный возраст приема на работу не может быть ниже, чем возраст окончания школы, без ущерба правилам, когда это может быть более предпочтительно для молодежи и исключает умаление их прав. Молодые люди, нанимаемые на работу, должны иметь условия труда, соответствующие их возрасту, и быть защищены от экономической эксплуатации и любой работы, наносящей вред их безопасности, здоровью, или физическому, духовному, нравственному либо социальному развитию или препятствующей их обучению.</p> <p>Статья II-33: Семейная и профессиональная жизнь</p> <ol style="list-style-type: none"> 1. Семья пользуется юридической, экономической и социальной защитой. 2. Для совмещения семейной и профессиональной жизни каждый человек имеет право на защиту от увольнения по причинам, связанным с материнством, и право
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<p>Article II-33: Family and professional life</p> <p>1. The family shall enjoy legal, economic and social protection.</p> <p>2. To reconcile family and professional life, everyone shall have the right to protection from dismissal for a reason connected with maternity and the right to paid maternity leave and to parental leave following the birth or adoption of a child.</p> <p>Article II-34: Social security and social assistance</p> <p>1. The Union recognises and respects the entitlement to social security benefits and social services providing protection in cases such as maternity, illness, industrial accidents, dependency or old age, and in the case of loss of employment, in accordance with the rules laid down by Union law and national laws and practices.</p> <p>2. Everyone residing and moving legally within the European Union is entitled to social security benefits and social advantages in accordance with Union law and national laws and practices.</p> <p>3. In order to combat social exclusion and poverty, the Union recognises and respects the right to social and housing assistance so as to ensure a decent existence for all those who lack sufficient resources, in accordance with the rules laid down by Union law and national laws and practices.</p> <p>Article II-35: Health care</p> <p>Everyone has the right of access to preventive health care and the right to benefit from medical treatment under the conditions established by national laws and practices. A high level of human health protection shall be ensured in the definition and implementation of all Union policies and activities.</p>	<p>на оплачиваемый отпуск по беременности и родам и на отпуск по уходу за ребенком в связи с его рождением или усыновлением.</p> <p>Статья II-34: Социальное обеспечение и социальная помощь</p> <p>1. Союз признает и ценит право на доступ к пособиям по социальному обеспечению и социальной помощи, обеспечивающим защиту в случае наступления материнства, болезни, несчастных случаев на производстве, нахождения на иждивении или пожилого возраста, утраты занятости, в соответствии с правилами, установленными правом Союза и национальным правом и практикой.</p> <p>2. Каждый человек, находящийся и передвигающийся на законных основаниях внутри Европейского Союза, имеет право на выплаты по социальному обеспечению и меры социальной поддержки в соответствии с правом Союза и национальным правом и практикой.</p> <p>3. В целях борьбы с социальным отторжением и бедностью в соответствии с правилами, заложенными правом Союза, национальным правом и практикой Союз признает и ценит право на социальную помощь и на помощь в обеспечении жильем с тем, чтобы обеспечить достойное существование всем тем, кто испытывает недостаток достаточных ресурсов.</p> <p>Статья II-35: Охрана здоровья</p> <p>Каждый имеет право доступа к профилактическим мерам в сфере здравоохранения и право получать медицинское лечение в соответствии с положениями, установленными национальным правом и практикой. При определении и осуществлении политики и деятельности Союза обеспечивается высокий уровень защиты здоровья.</p> <p>Статья II-36: Доступ к службам общеэкономического интереса</p> <p>Союз признает и уважает доступ к службам общеэкономического интереса, как предусмотрено в национальных законах и практике, в соответствии с Конституцией, с</p>
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<p>Article II-36: Access to services of general economic interest The Union recognises and respects access to services of general economic interest as provided for in national laws and practices, in accordance with the Constitution, in order to promote the social and territorial cohesion of the Union.</p> <p>Article II-37: Environmental protection A high level of environmental protection and the improvement of the quality of the environment must be integrated into the policies of the Union and ensured in accordance with the principle of sustainable development.</p> <p>Article II-38: Consumer protection Union policies shall ensure a high level of consumer protection.</p> <p>TITLE V: CITIZENS' RIGHTS</p> <p>Article II-39: Right to vote and to stand as a candidate at elections to the European Parliament 1. Every citizen of the Union has the right to vote and to stand as a candidate at elections to the European Parliament in the Member State in which he or she resides, under the same conditions as nationals of that State. 2. Members of the European Parliament shall be elected by direct universal suffrage in a free and secret ballot.</p> <p>Article II-40: Right to vote and to stand as a candidate at municipal elections Every citizen of the Union has the right to vote and to stand as a candidate at municipal elections in the Member State in which he or she resides under the same conditions as nationals of that State.</p>	<p>тем чтобы способствовать социальному и территориальному единству Союза.</p> <p>Статья II-37: Защита окружающей среды Высокий уровень защиты окружающей среды и улучшение качества окружающей среды должно быть интегрировано в политику Союза и гарантировано в соответствии с принципами устойчивого развития.</p> <p>Статья II-38: Защита потребителя Политика Союза обеспечивает высокий уровень защиты потребителя.</p> <p>Раздел V. Права граждан</p> <p>Статья II-39: Право голосовать и баллотироваться в качестве кандидата на выборах в Европейский Парламент 1. Каждый гражданин Союза имеет право голосовать и баллотироваться в качестве кандидата на выборах в Европейский Парламент в Государстве-Члене по месту своего проживания на тех же условиях, что и граждане этого Государства. 2. Члены Европейского Парламента избираются посредством прямого универсального избирательного права свободным и тайным голосованием.</p> <p>Статья II-40: Право голосовать и баллотироваться в качестве кандидата на муниципальных выборах Каждый гражданин Союза имеет право голосовать и баллотироваться в качестве кандидата на муниципальных выборах в Государстве –Участнике по месту своего проживания на тех же условиях, что и граждане этого Государства.</p> <p>Статья II-41: Право на соответствующее управление 1. Каждое лицо имеет право на беспристрастное и справедливое рассмотрение его дела в течение разумного срока Учреждениями, органами и агентствами Союза.</p>
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<p>Article II-41: Right to good administration</p> <p>1. Every person has the right to have his or her affairs handled impartially, fairly and within a reasonable time by the Institutions, bodies and agencies of the Union.</p> <p>2. This right includes:</p> <p>(a) the right of every person to be heard, before any individual measure which would affect him or her adversely is taken;</p> <p>(b) the right of every person to have access to his or her file, while respecting the legitimate interests of confidentiality and of professional and business secrecy;</p> <p>(c) the obligation of the administration to give reasons for its decisions.</p> <p>3. Every person has the right to have the Union make good any damage caused by its Institutions or by its servants in the performance of their duties, in accordance with the general principles common to the laws of the Member States</p> <p>4. Every person may write to the Institutions of the Union in one of the languages of the Constitution and must have an answer in the same language.</p> <p>Article II-42: Right of access to documents</p> <p>Any citizen of the Union, and any natural or legal person residing or having its registered office in a Member State, has a right of access to documents of the Institutions, bodies and agencies of the Union, in whatever form they are produced.</p> <p>Article II-43: European Ombudsman</p> <p>Any citizen of the Union and any natural or legal person residing or having its registered office in a Member State has the right to refer to the European Ombudsman cases of maladministration in the activities of the Institutions, bodies or agencies of the Union, with the exception of the European Court of Justice and the High Court acting in their judicial role.</p>	<p>2. Данное право включает:</p> <p>(а) право каждого лица быть выслушанным до того, как в отношении него будет предпринята какая-либо мера, которая может неблагоприятно на нем отразиться;</p> <p>(б) право каждого лица иметь доступ к информации о нем с одновременным соблюдением законных интересов конфиденциальности, профессиональной и коммерческой тайны;</p> <p>(с) обязанность администрации мотивировать свои решения.</p> <p>3. Каждый человек имеет право на возмещение Союзом любого ущерба, причиненного его Учреждениями или служащими при исполнении своих обязанностей, в соответствии с общими принципами, едиными для права Государств-Членов.</p> <p>4. Каждый человек может обратиться в письменной форме в Учреждения Союза на одном из языков Конституции и должен получить ответ на этом же языке.</p> <p>Статья II-42: Право доступа к документам</p> <p>Любой гражданин Союза, любое физическое или юридическое лицо, находящееся или имеющее зарегистрированный офис в Государстве-Члене, имеет право доступа к документам Учреждений, органов и агентств Союза в любой форме, в которой они созданы.</p> <p>Статья II-43: Европейский Омбудсман</p> <p>Любой гражданин Союза и любое физическое или юридическое лицо, находящееся или имеющее свой зарегистрированный офис в Государстве-Члене, имеет право обратиться в Европейский Омбудсман по вопросам неэффективной деятельности Учреждений, органов или агентств Союза, исключая Европейский Суд и Высший Суд, выступающие в своей юридической роли.</p> <p>Статья II-44: Право на обращение с петицией</p> <p>Любой гражданин Союза и любое физическое или юридическое лицо, находящееся или имеющее свой зарегистрированный офис в Государстве-Участнике, имеет право на</p>
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<p>Article II-44: Right to petition</p> <p>Any citizen of the Union and any natural or legal person residing or having its registered office in a Member State has the right to petition the European Parliament.</p> <p>Article II-45: Freedom of movement and of residence</p> <p>1. Every citizen of the Union has the right to move and reside freely within the territory of the Member States.</p> <p>2. Freedom of movement and residence may be granted, in accordance with the Constitution, to nationals of third countries legally resident in the territory of a Member State.</p> <p>Article II-46: Diplomatic and consular protection</p> <p>Every citizen of the Union shall, in the territory of a third country in which the Member State of which he or she is a national is not represented, be entitled to protection by the diplomatic or consular authorities of any Member State, on the same conditions as the nationals of that Member State.</p> <p>Title VI: Justice</p> <p>Article II-47: Right to an effective remedy and to a fair trial</p> <p>Everyone whose rights and freedoms guaranteed by the law of the Union are violated has the right to an effective remedy before a tribunal in compliance with the conditions laid down in this Article.</p> <p>Everyone is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal previously established by law.</p> <p>Everyone shall have the possibility of being advised, defended and represented.</p>	<p>обращение с петицией в Европейский Парламент.</p> <p>Статья II-45: Свобода передвижения и выбора места жительства</p> <p>1. Каждый гражданин Союза имеет право свободно передвигаться и проживать на территории Государств-Членов.</p> <p>2. Свобода передвижения и выбора места жительства может быть предоставлена в соответствии с Конституцией, гражданам третьих стран, проживающих на законных основаниях на территории Государства-Члена.</p> <p>Статья II-46: Дипломатическая и консульская защита</p> <p>Каждый гражданин Союза имеет право на территории третьей страны, где не представлено Государство-Член, гражданином которого он является, на защиту дипломатическими или консульскими органами любого Государства-Члена, на тех же условиях, что и граждане Государства-Члена.</p> <p>Раздел VI: Правосудие</p> <p>Статья II-47: Право на эффективное средство правовой защиты и на справедливый судебный процесс</p> <p>Каждое лицо, чьи права и свободы, гарантированные правом Союза, нарушены, имеет право на эффективное средство судебной защиты в соответствии с условиями, установленными в этой Статье.</p> <p>Каждое лицо имеет право на справедливое и публичное слушание его дела в разумный срок независимым и беспристрастным судом, предварительно учрежденным законом.</p> <p>Каждое лицо имеет право на консультацию юриста, на защиту, а также право иметь представителя.</p> <p>Юридическая помощь должна быть доступна тем, кто испытывает недостаток ресурсов, в том объеме, в каком эта помощь необходима для обеспечения эффективного доступа к правосудию.</p>
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Legal aid shall be made available to those who lack sufficient resources insofar as such aid is necessary to ensure effective access to justice.

Article II-48: Presumption of innocence and right of defence

1. Everyone who has been charged shall be presumed innocent until proved guilty according to law.
2. Respect for the rights of the defence of anyone who has been charged shall be guaranteed.

Article II-49: Principles of legality and proportionality of criminal offences and penalties

1. No one shall be held guilty of any criminal offence on account of any act or omission which did not constitute a criminal offence under national law or international law at the time when it was committed. Nor shall a heavier penalty be imposed than that which was applicable at the time the criminal offence was committed.

If, subsequent to the commission of a criminal offence, the law provides for a lighter penalty, that penalty shall be applicable.

2. This Article shall not prejudice the trial and punishment of any person for any act or omission which, at the time when it was committed, was criminal according to the general principles recognised by the community of nations.

3. The severity of penalties must not be disproportionate to the criminal offence.

Article II-50: Right not to be tried or punished twice in criminal proceedings for the same criminal offence

No one shall be liable to be tried or punished again in criminal proceedings for an offence for

Статья II-48: Презумпция невиновности и право на защиту

1. Каждый обвиняемый считается невиновным до того момента, пока он не признан виновным в соответствии с законом.
2. Каждому обвиняемому гарантируется право на защиту.

Статья II-49: Принципы законности и соразмерности преступления и наказания

1. Никто не может быть признан виновным в совершении преступления за совершение любого действия или бездействия, которые не рассматривались как преступление на момент их совершения национальным или международным законодательством. Не может быть применено более тяжкое наказание, чем то, которое подлежало применению на момент совершения преступления. Если закон, принятый после совершенного преступления, предусматривает более мягкое наказание, то должно применяться это наказание.
2. Настоящая статья не препятствует преданию суду и наказанию любого лица за любое действие или бездействие, которое на момент его совершения являлось преступлением в соответствии с общими принципами, признаваемыми сообществом наций.
3. Строгость меры наказания должна быть соразмерна тяжести преступления.

Article II-50: Право не привлекаться к суду и уголовному наказанию дважды за одно и то же преступление

Никто не может привлекаться к суду или быть подвергнут уголовному наказанию за преступление, за которое он уже был оправдан или осужден в пределах Союза в соответствии с законом.

which he or she has already been finally acquitted or convicted within the Union in accordance with the law.

TITLE VII: General provisions governing the interpretation and application of the Charter

Article II-51: Field of application

1. The provisions of this Charter are addressed to the Institutions, bodies and agencies of the Union with due regard for the principle of subsidiarity and to the Member States only when they are implementing Union law. They shall therefore respect the rights, observe the principles and promote the application thereof in accordance with their respective powers and respecting the limits of the powers of the Union as conferred on it in the other Parts of the Constitution.

2. This Charter does not extend the field of application of Union law beyond the powers of the Union or establish any new power or task for the Union, or modify powers and tasks defined in the other Parts of the Constitution.

Article II-52: Scope and interpretation of rights and principles

1. Any limitation on the exercise of the rights and freedoms recognised by this Charter must be provided for by law and respect the essence of those rights and freedoms. Subject to the principle of proportionality, limitations may be made only if they are necessary and genuinely meet objectives of general interest recognised by the Union or the need to protect the rights and freedoms of others.

2. Rights recognised by this Charter for which provision is made in other Parts of the Constitution shall be exercised under the conditions and within the limits defined by these relevant Parts

Раздел VII: Общие положения, обуславливающие толкование и применение Хартии

Статья II-51: Область применения

1. Положения Хартии адресованы Учреждениям, органам и агентствам Союза при соблюдении принципа субсидиарности, а также Государствам-Членам в тех случаях, когда последние обеспечивают выполнение законов Союза. Следовательно, в рамках соответствующей компетенции и при соблюдении границ полномочий Союза, возложенных на него другими частями Конституции, положения Хартии признают права, придерживаются принципов и способствуют их реализации.

2. Данная Хартия не расширяет область применения права Союза за пределами его полномочий, не устанавливает новое полномочие или задачу Союза, не изменяет полномочия и задачи, определенные в других частях Конституции.

Статья II-52: Пределы и толкование прав и принципов

1. Всякое ограничение в осуществлении прав и свобод, признанных этой Хартией, должно быть предусмотрено законом и уважать суть указанных прав и свобод. При соблюдении принципа пропорциональности ограничения могут налагаться лишь в том случае, если это необходимо и действительно отвечает общим интересам, признаваемым Союзом, или необходимо для защиты прав и свобод других лиц.

2. Права, признанные в этой Хартии, о которых есть ссылки в других Частях Конституции, осуществляются в соответствии с условиями и в рамках, определенных указанными Частями.

3. В той степени, в какой данная Хартия содержит права, корреспондирующие правам, гарантированным Конвенцией о защите прав Человека и Фундаментальных Свобод, значение и объем этих прав должны быть такими, как они предусмотрены в упомянутой

<p>3. Insofar as this Charter contains rights which correspond to rights guaranteed by the Convention for the Protection of Human Rights and Fundamental Freedoms, the meaning and scope of those rights shall be the same as those laid down by the said Convention. This provision shall not prevent Union law providing more extensive protection.</p> <p>4. Insofar as this Charter recognises fundamental rights as they result from the constitutional traditions common to the Member States, those rights shall be interpreted in harmony with those traditions.</p> <p>5. The provisions of this Charter which contain principles may be implemented by legislative and executive acts taken by Institutions and bodies of the Union, and by acts of Member States when they are implementing Union law, in the exercise of their respective powers. They shall be judicially cognisable only in the interpretation of such acts and in the ruling on their legality.</p> <p>6. Full account shall be taken of national laws and practices as specified in this Charter.</p> <p>Article II-53: Level of protection Nothing in this Charter shall be interpreted as restricting or adversely affecting human rights and fundamental freedoms as recognised, in their respective fields of application, by Union law and international law and by international agreements to which the Union or all the Member States are party, including the European Convention for the Protection of Human Rights and Fundamental Freedoms, and by the Member States' constitutions.</p> <p>Article II-54: Prohibition of abuse of rights Nothing in this Charter shall be interpreted as implying any right to engage in any activity or to perform any act aimed at the destruction of any of the rights and freedoms recognised in this Charter or at their limitation to a greater extent than is provided for herein.</p>	<p>Конвенции. Данное положение не препятствует праву Союза обеспечивать более широкую защиту.</p> <p>4. В той степени, в какой Хартия признает фундаментальные права, проистекающие из конституционных традиций, единых для государств- Участников, эти права трактуются в гармонии с указанными традициями.</p> <p>5. Выполнение положений Хартии, содержащих принципы, может осуществляться через законодательные и исполнительные акты, принятые Учреждениями и органами Союза и акты Государств-Членов, когда те проводят в жизнь законы Союза в рамках своих полномочий. Положения Хартии, содержащие принципы, понимаются только посредством толкования указанных актов.</p> <p>6. Полный отчет о национальных законах и практике будет получен, как указано в Хартии.</p> <p>Статья II-53: Уровень защиты Ничто в этой Хартии не может быть истолковано, как ограничивающее или посягающее на права человека и фундаментальные свободы, признанные в соответствующих областях применения правом Союза, международным правом и международными соглашениями, сторонами которых являются Союз или все Государства-Члены, включая Европейскую Конвенцию о защите прав человека и фундаментальных свобод, и конституциями Государств-Членов.</p> <p>Статья II-54: Запрещение злоупотребления правами Ничто в этой Хартии не может быть истолковано таким образом, как право осуществлять деятельность или исполнять акт, направленные на умаление любого права и свободы, признанных в Хартии, или их большее ограничение, чем это предусмотрено настоящей Хартией.</p>
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It's Not Just Russia: Currency Crises in the CIS

Marek Dabrowski

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<http://www.bruegel.org/publications/publication-detail/publication/869-its-not-just-russia-currency-crisis-in-the-commonwealth-of-independent-states/>)

Highlights

The currency crisis that started in Russia and Ukraine during 2014 has spread to neighbouring countries in the Commonwealth of Independent States (CIS). The collapse of the Russian ruble, expected recession in Russia, the stronger US dollar and lower commodity prices have negatively affected the entire region, with the consequence that

²⁷ Bruegel is a European think tank specializing in economics. Established in 2005, it is independent and non-doctrinal. Its mission is to improve the quality of economic policy with open and fact-based research, analysis and debate. Its membership includes EU Member State governments, international corporations and institutions. See under: <http://www.bruegel.org/about/>

the European Union's entire eastern neighbourhood faces serious economic, social and political challenges because of weaker currencies, higher inflation, decreasing export revenues and labour remittances, net capital outflows and stagnating or declining GDP.

The crisis requires a proper policy response from CIS governments, the International Monetary Fund and the EU. The Russian-Ukrainian conflict in Donbass requires rapid resolution, as the first step to return Russia to the mainstream of global economic and political cooperation. Beyond that, both Russia and Ukraine need deep structural and institutional reforms. The EU should deepen economic ties with those CIS countries that are interested in a closer relationship with Europe. The IMF should provide additional assistance to those CIS countries that have become victims of a new regional contagion, while preparing for the possibility of more emerging-market crises arising from slower growth, the stronger dollar and lower commodity prices.

The period of fast economic growth and relative macroeconomic stability in the countries of the former Soviet Union seems to be over. The collapse of the Russian ruble, expected recession in Russia, the stronger US dollar and lower commodity prices have negatively affected the entire region through trade, labour remittance and financial-market channels, resulting in negative expectations and leading to either substantial depreciation of national currencies, or decline in countries international reserves, or both. This means that the European Union's entire eastern neighbourhood faces serious economic, social and political challenges coming from weaker currencies, higher inflation, decreasing export revenues and labour remittances, net capital outflows and stagnating or declining GDP.

The currency crisis started in Russia and Ukraine during 2014 as a result of the combination of global, regional and country-specific factors. Among the latter, the ongoing conflict between the two countries and the associated US/EU sanctions against Russia have played the most prominent role. At the end of 2014 and in early 2015, the currency crisis spread to Russia and Ukraine's neighbours.

This Policy Contribution analyses the dynamics of currency crises in Russia (section 1) and Ukraine (section 2) and their regional contagion (section 3), with attention to changes in nominal exchange rates, international reserves and official reactions to the development of crisis, such as changes to central bank interest rates, changes to monetary and exchange-rate regimes and resorting to foreign exchange restrictions. A number of factors have helped create this situation: the impact of US monetary policy tightening and the stronger US dollar, and lower commodity prices (section 4), the Russian-Ukrainian conflict (section 5) and the poor business climate in the region (section 6). But there have also been mistakes in crisis management which, in some instances, reinforced negative market reactions (section 7). All the crisis-affected countries face legacies from their past macroeconomic and financial instability, such as high inflation and hyperinflation, sharp devaluations, government defaults and banking crises, and this substantially narrows the menu of available policy responses and calls for serious measures to rebuild credibility and confidence (section 8). National governments in the region, the European Union and

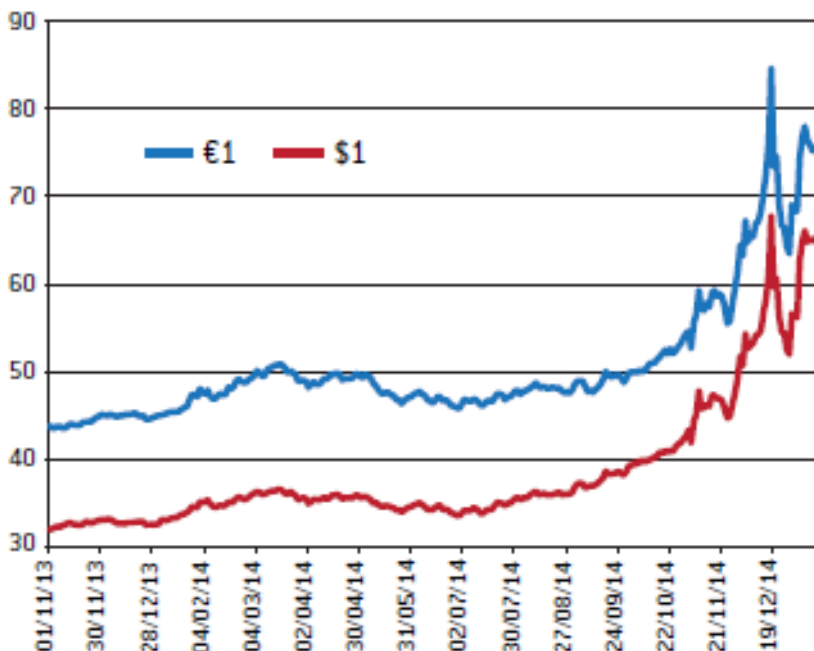
International Monetary Fund all have a part to play, and section 9 recommends steps they should take.

1. Anatomy of the Crisis: Russia

The gradual depreciation of the ruble against both the euro and US dollar started in November 2013, before the Russian-Ukraine conflict emerged and when oil prices were high. The depreciation intensified in March and April 2014, after Russia's annexation of Crimea and the first round of US and EU sanctions against Russia. Between May and July 2014, the ruble partly regained its previous value.

However, the depreciation trend returned in the second half of July 2014. Its pace increased in October with a culmination in mid-December 2014 (Figure 1). After a massive intervention on the foreign exchange market and the adoption by Russia of other anti-crisis measures (see section 6) the situation stabilised for a while. However, depreciation started again in January 2015, boosted by Moody's and Standard & Poor's downgrading of Russia's credit rating, and the subsequent escalation of the Donbass conflict in the Ukraine.

Figure 1: Ruble exchange rate against the euro and dollar, 2013-15



Source: Central Bank of Russia, http://www.cbr.ru/eng/currency_base/dynamics.aspx

Cumulatively, between the end of November 2013 and end of 2014, Russia lost in the region of \$130 billion of its international reserves (Figure 2), which resulted from a large-scale capital outflow estimated to exceed \$150 billion in 2014 (see section 6). Nevertheless, Russia continues to have a sizeable current account surplus. In the first half of January 2015, the reserves decreased further by about \$7 billion²⁸.

At first glance, Russia's international reserves remained at a comfortable level of about \$380 billion as of mid-January 2015. However, this aggregate figure includes gold, Russia's reserve position in the International Monetary Fund (IMF) and financial assets of two sovereign wealth funds – the National Wealth Fund and the Reserve Fund. Their total assets amounted to \$88 billion each on 1 January 2015)²⁹, but part of these amounts is not held in Central Bank of Russia accounts and is not included in its international reserves statistics. Deducting these items from the total reserves leaves about \$150-160 billion of liquid reserves, which can be used by the CBR for intervention in the foreign exchange market³⁰.

This amount should be considered in relation to foreign exchange liabilities of \$110 billion to be paid back in 2015 and \$37 billion of on-demand liabilities (according to information available on 1 October 2014). Liabilities of commercial banks and non-banking corporations represent the dominant share of these amounts. Their market rollover looks problematic, especially in the case of state-owned companies, because of the EU/US sanctions and increasing uncertainty about the Russian economy's prospects. However, part of the liabilities is probably attributable to foreign subsidiaries of Russian companies and other off-shore affiliated organisations.

The mid-December speculative attack spread beyond the foreign exchange market. Households started to withdraw their rubles and change them into foreign currency or durable consumer goods. The dramatic increase in the CBR rate for repo operations (with maturities of between one-day and one-week) from 10.5 percent to 17.0 percent on 16 December 2014 fuelled further market panic. Only a massive intervention on the foreign exchange market managed to tame it, at least temporarily. In two days, 15-16 December 2014, the CBR sold more than \$4.3 billion followed by government foreign currency sales at the end of December 2014 and January 2015³¹.

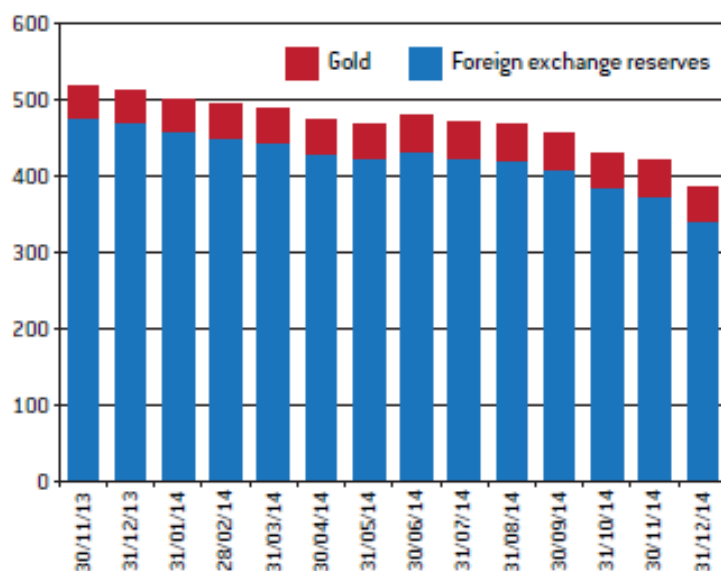
²⁸See http://www.cbr.ru/Eng/hd_base/?PrtId=mrff_7d

²⁹See http://old.minfin.ru/en/nationalwealthfund/statistics/amount/index.php?id_4=5830,
http://old.minfin.ru/en/reservefund/statistics/amount/index.php?id_4=5817.

³⁰ Aslund (2014a), estimated liquid CBR reserves at \$190 billion as of 31 October 2014

³¹ See http://www.cbr.ru/eng/hd_base/default.aspx?prtid=valint_day&pid=idkp_br&sid=ITM_20811.

Figure 2: Russia's international reserves in \$ billions, 2013-14



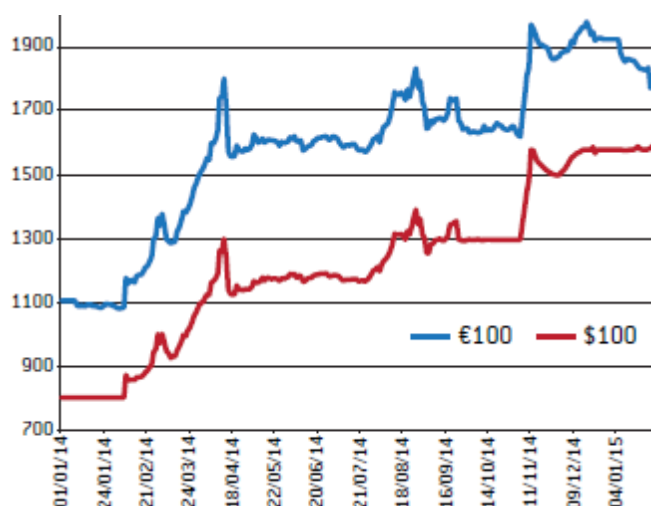
Source: Central Bank of Russia, Source: National Bank of Ukraine,
http://www.cbr.ru/eng/hd_base/default.aspx?Prtd=mrrf_m

2. Anatomy of the Crisis: Ukraine

In parallel with the decline of the ruble, a similar process was observed in neighbouring Ukraine. The hryvna, which was previously fixed quite tightly at the level of about eight to the dollar, started to depreciate rapidly in February 2014 as result of Ukraine's domestic political crisis (the dramatic events of the Euro-Maidan and the col-lapse of the Yanukovych regime) and the subsequent Russian annexation of Crimea and intervention in Donbass.

The depreciation trend was stopped and even partly reversed on two occasions: between the end of April and July 2014 by the first tranche of the IMF Stand-by loan, and in October 2014 following the ceasefire in Donbass. In November 2014, the rapid depreciation trend resumed, leading to an almost doubling of the hryvna /dollar exchange rate between February 2014 and January 2015 (Figure 3). The hryvna /euro exchange rate increased by 62 percent during the same period (the difference is explained by a substantial strengthening of the dollar against the euro – see section 4). Throughout 2014 there were several waves of market panics, taking the form of a massive withdrawal of hryvna deposits from Ukrainian banks and their conversion into foreign currency.

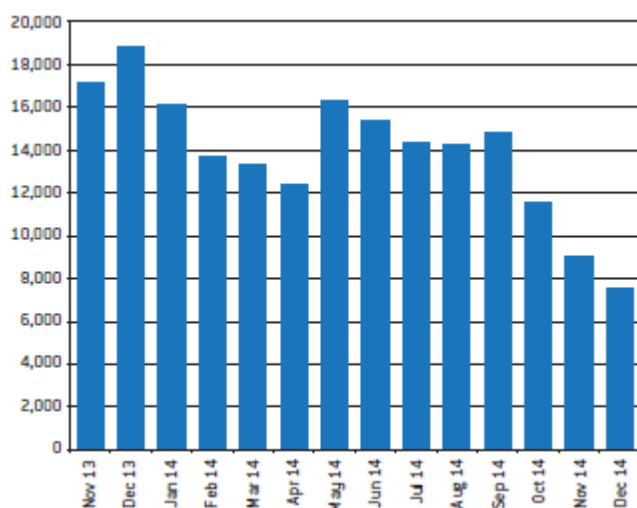
Figure 3: Hryvna exchange rate against the euro and dollar, 2014-15



Source: National Bank of Ukraine, http://www.cbr.ru/eng/hd_base/default.aspx?Prtd=mrrf_m,
<http://www.bank.gov.ua/control/en/curmetal/currency/>

As Figure 4 shows, the National Bank of Ukraine lost more than half of its gross international reserves in 2014. The end-of-year level of \$7.5 billion must be considered as critically low if one takes into consideration Ukraine's import financing needs and foreign liabilities to be paid back in the near future (see Aslund, 2014b).

Figure 4: Ukraine's international reserves in \$ billions, 2013-14



Source: National Bank of Ukraine, <http://www.bank.gov.ua/doccatalog/document?id=46950>

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3. Contagion Effect: The Spreading of the Crisis to Neighbours

Since November 2014, the crisis has spread to number of former Soviet Union countries, especially Belarus, Armenia, Kyrgyzstan and Moldova. It also affected, to a lesser extent, some countries in central and eastern Europe. The crisis-contagion mechanisms worked through several channels: decreasing trade and deteriorating terms of trade with Russia, decreasing remittances from migrants working in Russia and, most importantly, the devaluation expectations of households and financial market players. Those former Soviet Union countries, for which Russia is an important trade partner, could not sustain continuation of the nominal appreciation of their currencies in relation to the ruble.

3.1 Belarus

In mid-December 2014, following similar developments in Russia, Belarusian households started to withdraw their savings from Belarusian banks, convert Belarusian rubles into foreign currency and massively purchase durable goods.

As result, on 19 December 2014, the National Bank of the Republic of Belarus introduced a 30 percent commission on any form of purchase of foreign currency by physical persons, and increased its interest rate for overnight credit to 50 percent.

During the next three weeks, the commission fee was gradually eliminated and the overnight interest rate reduced to 40 percent. However, the Belarusian ruble (which was largely stable in 2014) has been allowed to depreciate against the dollar by approximately 36 percent (see Figure 5)³². In addition, Belarus's total international reserves decreased from \$6,023.9 million on 1 November 2014 to \$5,059.1 million in January 2015 – a drop of approximately 16 percent³³.

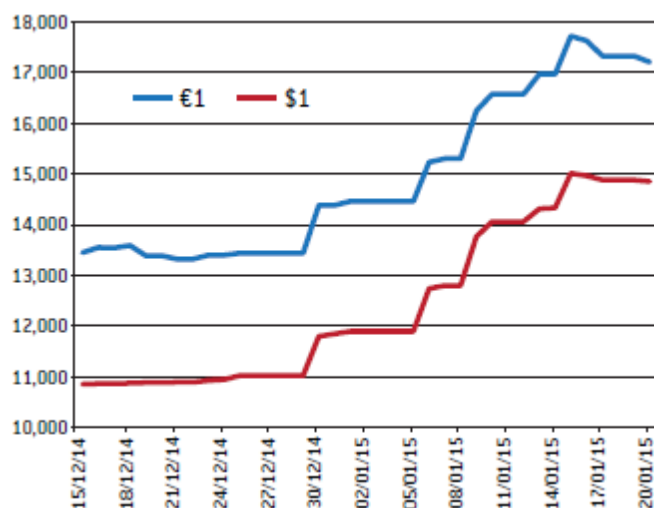
Interestingly, Belarus is neither directly involved in the Russian-Ukrainian conflict, nor the subject of the EU/US sanctions against Russia. A few weeks before the crisis, there were even anecdotal stories of how Belarus benefited from circumventing those sanctions and Russian counter-sanctions against the EU, the US and other advanced economies.

Nevertheless, Belarus's close trade and financial relations with Russia, within the Belarus-Kazakhstan-Russia Customs Union (CU) and the Eurasian Economic Union (EAEU), along with fresh memories of previous currency crises (the last one in 2011) and pure contagion effects, contributed to the market panic.

³² See <http://www.nbrb.by/Press/?nId=89&l=en>

³³ See <http://www.nbrb.by/engl/statistics/sdds/report.asp>.

Figure 5: Belarussian ruble exchange against the euro and dollar, 2014-15

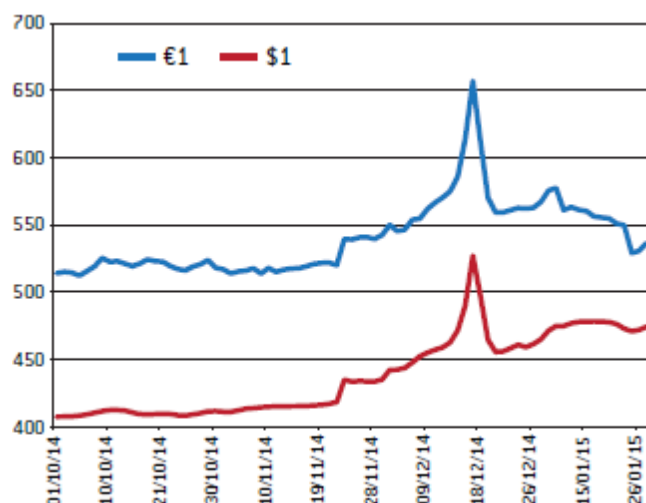


Source: National Bank of the Republic of Belarus, <http://www.nbrb.by/engl/statistics/Rates/RatesDaily.asp>

3.2 Armenia

Armenia is very much dependent on the remittances of migrants working in Russia, and was persuaded to join the Belarus-Kazakhstan-Russia CU and EAEC on 1 January 2015 (in 2013, it concluded negotiations on an Association Agreement, including a Deep and Comprehensive Free Trade Agreement, with the EU, but abandoned these under Russian pressure).

Figure 6: Armenian dram exchange rate against the euro and dollar, 2014-15



Source: Central Bank of Armenia, <http://api.cba.am/ExchangeRatesToExcel.ashx?DateFrom=2014-10-01&DateTo=2015-01-27&ISOCodes=EUR,USD>

Some pressure on the foreign exchange market already started in the third quarter of 2014 but intensified in mid to late November. The speculative attack came on 16-17 December 2014, following developments on Russia's foreign exchange market. On 17 December, the Armenian dram (AMD) reached its lowest level in 2014 – 525 to the dollar and 657 to the euro. In the next couple of weeks, it partly recovered (Figure 6).

On 23 December 2014 the Central Bank of Armenia (CBA) increased its refinancing rate from 6.75 percent to 8.5 percent, and again, on 22 January 2015 to 9.5 percent. The Lombard repo rate increased from 8.25 percent to 10.25 percent on 24 November 2014, to 21 percent on 3 December 2014, and then decreased to 20 percent on 23 December 2014 and 17 percent on 22 January 2015. The CBA deposit rate increased from 5.25 percent to 7.0 percent on 23 December 2014 and to 8.0 percent on 22 January 2015³⁴.

Between July and November 2014, the CBA's official reserve assets decreased by 20 percent (data for December 2014 was not available at time of writing)³⁵. The market situation remains strained and devaluation expectations did not fade.

3.3 Moldova

Between January 2014 and January 2015 the exchange rate of the Moldovan leu (MDL) to the dollar increased by about 36 percent, while the MDL-to-euro rate increased by about 14 percent. Depreciation accelerated after August 2014 with the peak recorded in January 2015 (Figure 7).

The official reserve assets of the National Bank of Moldova (NBM) decreased from \$2,763 million on 30 June 2014 to \$2,069 million on 17 January 2015³⁶, a drop of 25 percent. Most of these losses were incurred between November 2014 and January 2015.

In December 2014, in response to mounting foreign exchange market pressures, the NBM started to increase its interest rates. On 12 December 2014 it increased its overnight credit rate from 6.5 percent to 7.5 percent, the basic rate from 3.5 per-cent to 4.5 percent, and the overnight deposit rate from 0.5 percent to 1.5 percent. On 29 December 2014, all rates were hiked again, to 9.5 percent, 6.5 percent and 3.5 percent, respectively³⁷.

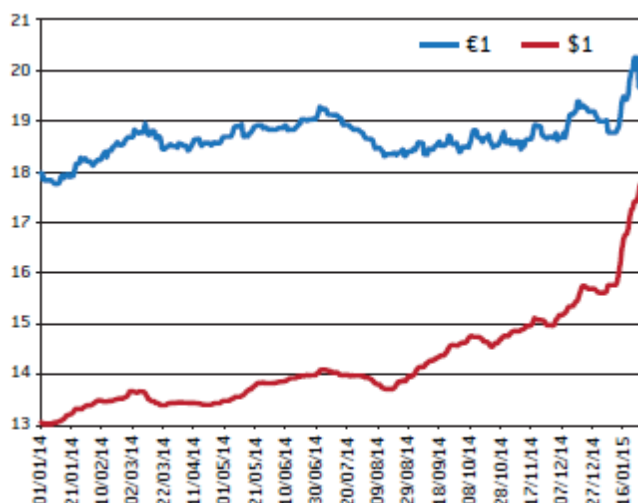
³⁴ See <https://www.cba.am/en/Site/Pages/fmompintere-strates.aspx>.

³⁵ See https://www.cba.am/Stor-age/EN/stat_data_eng/reserv_e.xls.

³⁶ See https://www.bnm.md/en/fm_reserv_actives

³⁷ See https://www.bnm.md/files/index_30237.pdf

Figure 7: Moldovan leu exchange rate against the euro and dollar, 2014-15



Source: National Bank of Moldova (NBM), https://www.bnm.md/en/rates_evolution

3.4 Kyrgyzstan and other CIS countries

Kyrgyzstan, with its deep dependence on trade and remittance inflows from Russia, has been also affected, though to a lesser extent. Its currency, the sum (KGS), fell by 20 percent against the dollar between January 2014 and January 2015 (with acceleration of the fall from October 2014)³⁸. At the same time, the National Bank of the Kyrgyz Republic (NBKR) spent more than \$500 million on foreign exchange market interventions. Most of these were at the end of 2014. As result, the NBKR's gross international reserves fell by \$280 million in 2014, i.e. by 12.5 percent³⁹. The NBKR discount rate was systematically increased from 6 percent in June 2014 to 11 percent on 26 January 2015⁴⁰.

Foreign exchange market pressures were also felt in Tajikistan and Azerbaijan, especially in December 2014 and January 2015. On 1 January 2015, the Central Bank of Turkmenistan devalued its currency, the manat, from 2.85 to 3.5 to the dollar, i.e. a 23 percent devaluation⁴¹.

³⁸ See http://www.nbkr.kg/EXCEL/d_ailyrus.xls.

³⁹ See http://www.nbkr.kg/DOC/12_012015/0000000000319_56.xls.

⁴⁰ See http://www.nbkr.kg/DOC/27_012015/0000000000324_20.xls.

⁴¹ See <http://www.bloomberg.com/news/articles/2015-01-02/turkmenistan-devalues-currency-19-amid-oil-plung-e-ruble-crisis>.

3.5 Impact on central Europe

Finally, during the December 2014 phase of the CIS currency crisis a degree of contagion effect was visible on foreign exchange markets in central Europe, where currencies with flexible exchange rates depreciated against both the dollar and the euro. This affected the Hungarian forint (HUF), Serbian dinar (RSD), Polish zloty (PLN), Romanian leu (RON) and Turkish lira (TRY). However, because of the limited trade and financial links between these countries and Russia and Ukraine, investors' negative reactions to these currencies were rather short-lived.

4. Global Factors: US Monetary Policy and Commodity Prices

Among the global factors that contributed to the CIS currency crisis, US monetary policy seems to have played an important role. Since mid-2013, the expectation of the phasing down of Quantitative Easing 3, which eventually happened in October 2014, and more recently, expectations of an increase in the US Federal Fund Rate in 2015, have led to tighter global liquidity conditions⁴². This could not be fully compensated for by simultaneous monetary policy easing in the euro area and Japan because of the much smaller size of financial markets in euro and yen. As result, net capital inflows into emerging-market economies decreased, growth in the latter decelerated and commodity prices started to fall (see Feldstein, 2014, and Frankel, 2014, on the effects of US monetary tightening on oil and commodity prices). During 2014, especially in the fourth quarter, the dollar appreciated against most currencies with flexible exchange rates (Figure 8).

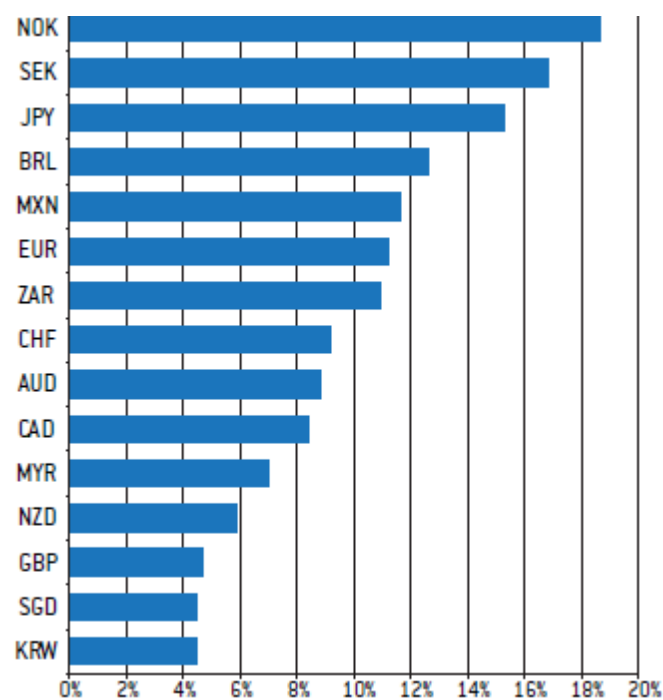
The sharp decline in the oil price in the second half of 2014 and early 2015 (by more than half) was caused by a combination of several factors: the systematic increase in production capacities in previous years, the declining market power of the OPEC cartel, slower global economic growth, especially in emerging-market economies and tighter global monetary conditions. These factors accelerated decline of the ruble.

Interestingly, the lower oil price is a relatively new phenomenon, and its impact on Russia's real economy, balance of payments and budget is so far not so severe. The country has considerable fiscal buffers (the two sovereign wealth funds mentioned in section 1) and international reserves (even if adjusted for their illiquid components – see section 1). Even in an environment of lower oil prices, Russia should be able to continue to run trade and current account surpluses. By comparison, Azerbaijan and Kazakhstan, two other major CIS oil producers, have not so far been so seriously affected by lower oil prices. In Russia's case, expectations about the prospects of its

⁴² Actually, US monetary policy remained lax in 2013-14 (see Darvas 2014) but expectation that it would change mattered a lot for tightening global monetary conditions

economy and its financial sustainability deteriorated to a point at which massive panic behaviour on the part of economic agents was triggered.

Figure 8: Depreciation against the dollar, in %, Dec 2013 to Dec 2014, selected currencies



Source: US Federal Reserve Board, <http://www.federalreserve.gov/releases/g5/current/default.htm>

In Ukraine, the decline in metal prices in 2014 (the main export commodity) negatively influenced its GDP and balance of payments. However, Ukraine as the net importer of oil should benefit from lower oil prices in the medium term. Similar factors apply to other CIS net oil importers effected by the crisis, especially Armenia, Kyrgyzstan and Moldova (Belarus benefits from processing and trading Russian oil on preferential terms, so lower oil prices reduce its oil-related rent). However, most CIS countries will lose out from lower prices for metals and agricultural raw commodities.

5. Consequences of War and Sanctions

Clearly, the impact of global economic developments do not fully explain the depth of the ruble and hryvna depreciation against the dollar and other currencies. Other factors, including those of a political, security and geopolitical character, must be taken into consideration.

The Ukrainian economy has been heavily hit by the consequences of its domestic political developments (the Euro-Maidan, the collapse of Yanukovich's regime and uncertainty around two

election campaigns in 2014), Russia's annexation of Crimea and military intervention in Donbass, and Russian trade restrictions against Ukrainian exports. On the macroeconomic front, these factors have been translated into heavy GDP, export and tax-revenue losses, additional military expenditure, war damage (including human losses), costs of dealing with internally displaced persons and humanitarian aid, further deterioration in the business and investment climate, and falling confidence in Ukrainian banks and currency. In particular, the war and partial occupation of Donbass, which contributed 16 percent of Ukraine's GDP and 25 percent of its exports (Havlik, 2014) put a heavy toll on the country's fiscal accounts and balance of payments.

For Russia, what was expected to be a painless and triumphal campaign (in the case of Crimea) or a local short-term proxy conflict (in the case of Donbass) has become a serious geopolitical confrontation with the US and the EU, and a bloody stalemate in eastern Ukraine, without a clear prospect of a resolution, at least of one that would be politically cost-free for the country's leaders.

While an estimation of the additional fiscal burden for Russia arising from the conflict itself and the annexation of Crimea and intervention in Donbass is not known publicly, it is likely to be substantial and likely to increase rapidly in a near future (for example, because of the costs of infrastructure projects required to integrate the Crimean peninsula with mainland Russia, or of support to Donbass separatists). The increasing geopolitical confrontation with the west (as it is perceived, not always correctly, by the Russian leadership), will likely lead to further military spending increases.

In terms of US and EU sanctions against Russia, limiting the access of Russian state-owned banks and large corporations to financial markets has proved the most efficient measure so far (see Aslund, 2014c; Rogov, 2014). This is hardly surprising, in the light of the 2008-09 global financial crisis, when exactly this segment of the Russian economy demonstrated the greatest vulnerability to external shocks. The high short-term refinancing needs, in combination with declining oil prices, made investors nervous about the prospects for Russia's external liquidity in the months ahead.

A general lesson from this experience is the high price of any conflict, even of supposedly local character, in the contemporary highly-interlinked global economy.

6. Poor Business Climate and Capital Flight

For years, Russia and Ukraine (as well as most other CIS economies) have suffered from numerous structural distortions, a poor business and investment climate, widespread corruption, weakness of the rule of law, organised crime and other factors. This is well illustrated in Tables 1 and 2, which present the results of two global rankings – the Transparency International Corruption Perception Index (TI CPI) and the Heritage Foundation Index of Economic Freedom (HF IEF).

With the exception of Georgia⁴³, which conducted far-going institutional reforms in 2004-07 and Armenia (only in the Heritage Foundation ranking), neither ranking rates any CIS country favourably. Russia and Ukraine have particularly low rankings: respectively 136th and 142nd out of 174 countries ranked by Transparency International, and 140th and 155th out of 185 countries ranked by the Heritage Foundation.

As long as the external economic environment for CIS countries remained favourable (before 2008), the problems highlighted by the rankings could be neglected without negative consequences for economic growth and macroeconomic equilibria. However, the shock associated with the global financial crisis of 2008-09 finished the ‘golden’ era of economic growth, which was based, to great extent, on high commodity prices and massive capital flows to emerging-market economies. The Ukrainian economy never really recovered after this shock (Dabrowski, 2014), while Russia enjoyed for a while the positive effects of high oil prices, but with a declining rate of economic growth from 2010-13.

Table 1: Transparency International Corruption: Perception Index 2014, CIS region

Rank	Country	CPI 2014 score
50	Georgia	52
94	Armenia	37
103	Moldova	35
119	Belarus	31
126	Azerbaijan	29
126	Kazakhstan	29
136	Kyrgyzstan	27
136	Russia	27
142	Ukraine	26
152	Tajikistan	23
166	Uzbekistan	18
169	Turkmenistan	17

Source: http://files.transparency.org/content/download/1857/12438/file/CPI2014_DataBundle.zip

⁴³ Formally, Georgia terminated its membership in the CIS in 2009. However, for the sake of regional comparison, it continues to be considered as part of the CIS group of countries by most international organisations.

Table 2: Heritage Foundation Index of Economic Freedom 2014, CIS region

World rank	Country	2014 score
22	Georgia	72.6
41	Armenia	68.9
67	Kazakhstan	63.7
81	Azerbaijan	61.3
85	Kyrgyzstan	61.1
110	Moldova	57.3
139	Tajikistan	52.0
140	Russia	51.9
150	Belarus	50.1
155	Ukraine	49.3
163	Uzbekistan	46.5
171	Turkmenistan	42.2

Source: http://www.heritage.org/index/excel/2014/index2014_data.xls

The business environment in both countries has continued to deteriorate since the global crisis. In Russia, the re-nationalisation trend (an increasing share of state ownership) started with the crack-down on Yukos in 2003-05 and intensified in 2008-09 when several banks and companies required government bailouts. Re-nationalisation became particularly visible in the oil, gas and financial sectors. Russian domestic business has suffered from unstable property rights (the danger of politically motivated expropriation), increasing red tape and harassment by various law-enforcement agencies. Russia's policy towards foreign investors has become at least ambiguous if not openly unfriendly (as demonstrated by various legislative and administrative measures against foreign investors).

In Ukraine, the Yanukovych presidency (2010-13) was marked by increasing insecurity of property rights, extreme corruption and nepotism – the favouring of the business interests of the narrow group associated with the government and presidential family, at the cost of others.

It should not be surprising, therefore, that once their economies were hit by political instability and war (Ukraine) or prospects of western sanctions and further deterioration of the business climate (Russia), residents, especially large corporations, were the first to move their financial assets out of the country, on a massive scale. Similar reactions were observed in Latin American economies in periods of macroeconomic and political instability, especially in the 1980s and 1990s.

The rapid capital outflow from Russia and Ukraine has been facilitated by the dominant business model in both countries where most of the large companies remain in close ownership relation-

ships with their foreign subsidiaries or parent companies (owned by expatriates), keep substantial part of their assets abroad and finance their domestic operations through foreign borrowing (see Rogov, 2014, and Table 3 in respect to Russia).

Table 3 shows the cumulative trends in private capital flows to and from Russia since 2005. Only in 2006-07 did Russia record net private capital inflows. Both 2008 (beginning of the global financial crisis) and 2014 (the current crisis) were marked by record-high net capital outflows.

Table 3: Russia: net private flows, 2005-14

	Net private capital flows, total	Net capital flows from banks	Of which:		Net capital flows, other sectors	Of which:		
	(2+5)	(3+4)	Foreign assets	Foreign liabilities	(6+7+8)	Foreign assets	Foreign liabilities	Net errors & omissions
	1	2	3	4	5	6	7	8
2005	-0.3	5.9	-13.4	19.2	-6.2	-56.4	55.2	-5
2006	43.7	27.5	-23.5	51.1	16.1	-56.3	61.2	11.2
2007	87.8	45.8	-25.1	70.9	42	-93.6	145.4	-9.7
2008	-133.6	-55.2	-63.3	8.1	-78.3	-174.2	98.9	-3.1
2009	-57.5	-32.2	10	-42.1	-25.3	-53.3	34.3	-6.4
2010	-30.8	15.9	-1.7	17.6	-46.7	-62.9	25.4	-9.1
2011	-81.4	-23.9	-31.8	7.8	-57.4	-107.7	58.9	-8.7
2012	-53.9	18.5	-14.8	33.3	-72.4	-101.8	39.8	-10.4
2013	-61	-7.5	-27.9	20.4	-53.5	-138.3	95.6	-10.8
2014 (est)	-151.5	-49.8	-12.7	-37.1	-101.7	-106	0.9	3.4

Source: CBR,

http://www.cbr.ru/eng/statistics/print.aspx?file=credit_statistics/capital_new_e.htm&pid=svs&sid=itm_49171

7. Crisis Management

To make things even worse, the authorities in both countries committed several mistakes and miscalculations in crisis management. In Russia, there was overestimation of the strength of the Russian economy, a belief in high oil prices continued forever, and an underestimation of the scale and potential impact of western sanctions. This led to nonchalance in reaction to the subsequent rounds of sanctions, including adoption of retaliatory measures against food imports from the EU and US in August 2014. This created additional one-off inflation pressure, deteriorated the quality of the domestic consumer market, caused trade tensions with the customs-union partners (Belarus and Kazakhstan), and strengthened market fears about policy unpredictability and dominance of geopolitical considerations over economic rationale.

The Central Bank of Russia has changed its de-facto exchange rate regime several times, creating an impression that it takes decisions under market and political pressure not necessarily in

accordance with macroeconomic priorities. First, it defended the ruble exchange rate (until October 2014), then it tried to minimise losses in international reserves. Finally, after 16 December 2014, it returned to intervention in the foreign exchange market. Its interest rate increases came too late and were not sufficient to change market sentiment. In addition, the Central Bank of Russia has been suspected of participating in non-transparent schemes to give financial support to large state-controlled corporations (see Guriev, 2014).

In Ukraine, successive governments have not been politically ready to take the most badly needed fiscal and macroeconomic adjustment measures, such as elimination of gas subsidies (Dabrowski, 2014), expecting that the major burden of the adjustment bill will be paid by external donors. The political rivalry within the victorious Euro-Maidan camp (especially between the president and prime minister) and subsequent election campaigns have not helped with policy consistency and clarity, or with the readiness to undertake comprehensive reform. This also concerns the coalition government of Arseniy Yatsenyuk formed in early December 2014, which issues contradictory messages about its reform plans.

The National Bank of Ukraine has changed several times its de-facto exchange rate regime, first accepting the principle of a floating exchange rate and then, on a few occasions, intervening heavily with the aim of stabilising the exchange rate. In addition, it resorted frequently to foreign exchange controls, including restrictions on current account transactions, which only served to fuel the nervous reactions of market agents to various shocks and uncertainties.

The International Monetary Fund, another important player on the Ukrainian scene, approved in April 2014 the Stand-by loan, which was based on over-optimistic macroeconomic assumptions from the outset and failed to close the financial gap (Mitov and Schneider, 2014; Schadler, 2014). Most market players realised this quickly.

8. Ghost of the Past and Lessons for Future

Finally, any discussion of the causes of the CIS currency crisis cannot overlook the legacies of the not-so-distant past, which have a powerful impact on the behaviour of domestic economic agents. These legacies include the hidden near-hyperinflation in the last years of the USSR (huge market shortages accompanied by substantial price increases which, however, were unable to close the demand-supply gap), open hyperinflation in Ukraine in 1993, ‘Black Tuesday’ – the deep devaluation of the ruble on 11 October 1994, the Russian financial crisis of August 1998 and its spread to Ukraine and other CIS economies, and the substantial depreciation of the hryvna, ruble and other CIS currencies at the end of 2008 and beginning of 2009. In Belarus, there were even more such episodes, for example, the full-scale currency crisis in spring 2011.

As result, neither households nor enterprises trust domestic currencies and domestic financial systems. As long as there is no serious turbulence, the low level of trust might be enough to keep

the currency stable, inflation low and banks afloat. However, even in good times, the level of spontaneous dollarisation remains high. In an adverse shock, whether of economic or political origin, external or domestic source, domestic money-holders are the first to run from the national currencies and domestic banks.

This experience should serve as an important input into discussions about the optimal exchange rate regime choice for the post-Soviet region. Since the 1997-99 series of emerging-market crises, the IMF has advocated flexible exchange rates and an inflation-targeting regime, which has proved successful in several high- and medium-income economies. Nevertheless, in the CIS region its implementation never went beyond initial preparatory steps and general declarations of interest. There were several obstacles, such as insufficient central bank independence, underdeveloped financial markets and deficits in analytical and forecasting capacities in individual central banks. However, the ‘fear of floating’ has been the most important obstacle (see Dabrowski, 2013). In the light of recent experience described in this paper, the ‘fear of floating’ seems to be deeply rooted and cannot be easily dismissed.

Furthermore, the timing of IMF insistence on introducing the floating exchange rate and inflation targeting in Ukraine (this was the number-one condition of the April 2014 Stand-by loan) proved to be particularly controversial.

The same must be said about the Central Bank of Russia's decision to move towards a flexible exchange rate in the last quarter of 2014. A period of major shocks, political instability and uncertainty, war and sanctions is not the best timing for such policy-regime changes, especially in countries where memories of past macroeconomic instability remain fresh and painful.

Looking ahead, large and medium-size economies such as Russia or Ukraine can think about introducing inflation targeting and free-floating exchange rate regimes, but in a much more stable macroeconomic and political environment, backed by necessary institutional reforms (genuine central bank independence) and increasing financial market depth and soundness.

For the smaller CIS economies, another ‘corner solution’, such as a currency board, seems to be also a good option. It might offer several advantages, such as reducing transaction costs in small open economies, and importing credibility which is difficult to build internally (as demonstrated by continuous high dollarisation).

9. How to Fight the Crisis

The new round of currency crises in the CIS region requires a proper policy response from national authorities, the IMF and the European Union.

National authorities must rethink their policies, address their shortcomings and draw critical lessons about crisis management and about comprehensive economic and institutional reform. However, unlike previous regional crisis episodes (for example, in the early 1990s, 1998-99 or 2008-09) there is neither a single diagnosis nor a single prescription this time.

The Russian-Ukrainian conflict and war in Donbass, which have played a major role in triggering and deepening the current macroeconomic crisis in both countries and in the entire region, requires fast resolution based on respect for international law and the territorial integrity of each country. A peaceful and sustainable solution would offer a high economic pay-off to each side. The key to stopping atrocities and ending the conflict is definitely in the hands of Russian authorities and by doing so they can open the door to the phasing-out of sanctions and can return Russia to the mainstream of global economic and political cooperation, which the country badly needs. The role of the EU and US is to persuade Russia's authorities to return to full compliance with international treaties and norms using the available instruments of economic, political and diplomatic pressure.

Apart from deep correction of its foreign policy, Russia needs serious revision of its economic policy. It should embark on deep structural and institutional reforms to radically improve the business and investment climate and to reduce dependence on hydrocarbon prices. Even if it manages to end the Ukrainian conflict soon, the previous external macroeconomic and political environment will not quickly return. Most likely, oil prices will remain at a lower level than the previous decade, and rebuilding trust in international relations (including relations with major purchasers of Russian energy in Europe) will require both time and bold measures on the Russian side.

Discussing the details of the desirable reforms in Russia goes beyond the remit of this paper, but one can mention elimination of various forms of administrative red tape that discourage business activity and increase its costs, deep reform of law enforcement agencies (which harass businesses rather than provide public security), independence, impartiality and professional upgrade of the judiciary, privatisation of state-owned companies, genuine opening to foreign investment, market pricing of domestic energy supply, review of social entitlements (especially the early retirement age) which are unsustainable in the context of rapid population ageing, rationalisation of public investment projects and military expenditures, and fighting corruption.

The same type of structural and institutional reform is needed in Ukraine, regardless of how quickly the country is able to enjoy peace and its territorial integrity again. However, unlike a few years ago, a deep macroeconomic crisis requires rapid adjustment measures. Ukraine should focus on the elimination of gas subsidies, which, in turn, could help close fiscal and balance-of-payments gaps, the advancement of structural reforms, the fight against corruption and reduced energy dependence on Russia (see Dabrowski, 2014).

The radical reform and macroeconomic adjustment package if adopted by the new government of Ukraine should receive far-going support from the IMF, World Bank, EU, European Bank for Reconstruction and Development and bilateral donors. Apart from the financial aid package (to close the current financial gap), Ukraine needs well-tailored technical assistance and, most importantly, a roadmap for its further European and Euro-Atlantic integration. The experience of central and eastern Europe demonstrates that such external ‘anchoring’ against the domestic political cycle is crucial in sustaining and guiding deep structural and institutional reforms, which require time and continuity.

This means that the EU should be ready to go beyond the recently-signed association and deep and comprehensive free trade agreements with Georgia, Moldova and Ukraine, once implementation of their provisions is sufficiently advanced. The EU should offer these countries a roadmap towards their potential EU accession, even if the latter will take many years to materialise.

The IMF must be also ready to provide additional assistance to those CIS countries that have become victims of a new regional contagion (most of them have ongoing IMF programmes or have recently benefited from IMF lending). The governments and central banks of those countries face an uneasy choice between depreciation of their currencies against the dollar (and hence higher inflation) and appreciation against the ruble (resulting in competitiveness loss relative to Russia). These countries must also undertake the kind of reform that Russia and Ukraine need: improving the business climate and governance, and reducing excessive government expenditure, especially expenditure of social character.

The IMF should also prepare itself for the possibility of more emerging-market crises in the coming months and years as a result of slower growth, the stronger dollar and lower commodity prices.

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Altyn or Euraz: The Eurasian Economic Union and its Plans for a Common Currency

The Eurasian Economic Union is a Russian-led project. On the way of forming it, then Prime Minister Vladimir Putin announced that from January 1, 2012 the Common Economic Space of Russia, Belarus and Kazakhstan would be created, which would pave the path for the establishment of the Eurasian Economic Union. Thus, the Custom Union (CU) of Russia, Belarus and Kazakhstan, launched in 2010⁴⁴ was evolved into the Single Economic Space (SES) on January 1, 2012 with Armenia announcing about its interest to join the project on September 3, 2013.

The Eurasian Economic Union was put into force on January 1, 2015. Its purpose can be correlated with Russia's competitive disposition with the EU, regarding the post-Soviet Union countries. Additionally, the initiative can be Russia's attempt to counterbalance the EU's appeal and influence. Hence, whereas Russia claims that integration is beneficial for all the parties engaged, in reality the picture is not that clear-cut. One of the causes is the political systems and structures of the member states of the Eurasian Economic Union – they are not democratic, disposed to corruption and instrumentalization of law. Another evidence is Russia's aggressive policy of recent years. Moreover, the country's superior position in shaping the EEU also comes to prove that the project is actually a simulation of integration. The EEU seems to be driven forwards by forceful integration, which is becoming less and less favorable for the member states except for Russia, per se.

Hence, **the EEU's functioning will mainly be dependent on Russia** which seeks to push integration involving more and more spheres from which it can get utmost benefits. Such an opportunity appears to be the introduction of a common currency within the EEU. Thus, while other founding members states of the project have been less supportive to such a plan and have been increasingly imitating integration rather than opting for it⁴⁵, on March 10, 2015, Russian President Vladimir Putin instructed the Central Bank of Russia and the Government "to determine the potential dimensions of the integration in the monetary and financial sectors in the framework of the Eurasian Economic Union with a study of the feasibility of establishing a monetary union

⁴⁴Rilka Dragneva & Kataryna Wolczuk, Russia, the Eurasian Customs Union and the EU: Cooperation, Stagnation or Rivalry?, Russia and Eurasia Programme, Chatham House, Briefing Paper, August 2012, p. 4, http://www.chathamhouse.org/sites/default/files/public/Research/Russia%20and%20Eurasia/0812bp_dragnevawolczuk.pdf.

⁴⁵Aleksandra Jarosiewicz, Ewa Fischer, cooperation: Tomasz Bakunowicz; The Eurasian Economic Union – more political, less economic, Centre for Eastern Studies NUMBER 157, 20.01.2015, p. 1-7

in the future." Putin's this instruction is to be worked out together with the central banks of the member states of the EEU by September 1, 2015. And **the new currency can appear already in 2016**⁴⁶.

Among many issues the establishment of a monetary union presupposes introduction of a common currency. Hence, **according to the documents ratified by Russia, Belarus and Kazakhstan in May, 2014 in Kazakhstan, a Eurasian Central Bank and a common currency was supposed to be established by 2025**⁴⁷. To the point still in 2014 Rinat Abdullin, the chairman of "Altyn Kara" Bank, stated: "Personally, I see absolutely nothing wrong with the introduction of a single currency for our three countries. Many of us lived in the Soviet Union, and they remember that there was a single currency such a large area - the ruble, which was accepted everywhere. No matter whether you were going to the Far East, Siberia or Georgia - it was very convenient, because there was a confidence that all prices are formed in a common currency. This situation is much easier for business, as well as for the calculation of ordinary people"⁴⁸.

Yet, the Russian president decided to accelerate the process and this at a time when Russia faces a serious economic crisis and the ruble has practiced a severe depreciation⁴⁹ as a result of which the amount of mutual settlements among the member states of the EEU in dollars has increased. Moreover, the West speculated to turn off Russia from the interbank payment system SWIFT, yet to make transactions, say from Russia to Kazakhstan, it is necessary to obtain confirmation from the American settlement centers. Obviously enough, the tense foreign policy pushed Putin to rush with the initiative.

In reaction to the initiative, Armenian Central Bank Board member Armenak Darbinian stated, "there is no document among those signed [by Armenia] within the framework of its accession to the EEU that would concern the feasibility study or prospects related to this matter (introduction of the common currency)... There have been no negotiations, no formal discussions in this

⁴⁶TASS Russian News Agency, (Информационное телеграфное агентство России (ИТАР-ТАСС), Putin instructed the Central Bank and the Government to work out the possibilities of creating a monetary union in the EEU (Путин поручил ЦБ и кабмину изучить возможность создания валютного союза в ЕАЭС), March 10, 2015, <http://tass.ru/ekonomika/1817884>,

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Читать полностью: http://naviny.by/rubrics/finance/2015/03/10/ic_news_114_455255/

⁴⁷Banknoteinfo.net, Eurasian Economic Union plans to adopt common currency unit , August 13, 2014, <http://banknoteinfo.net/eurasian-economic-union-plans-adopt-common-currency-unit/>

⁴⁸East Time, Introduction of Altyn will Be Useful for a Eurasian Union, Tuesday, May 13, 2014, <http://easttime.info/news/kazakhstan/introduction-altyn-will-be-useful-eurasian-union>

⁴⁹Pravda-TV.ru, By Putin's instruction a common currency of the EEU will be launched in 2016: Altyn or Euraz? (Единая валюта ЕАЭС по поручению Путина появится в 2016 году: «алтын» или «евраз»?) <http://www.pravda-tv.ru/2015/03/10/129883>

direction yet. I would say more: the issue of forming a single financial market regulator was discussed within the framework of the EEU and it should happen after 2025. During this time, national laws and regulations should be harmonized and only then the issue can be put on the agenda. It cannot be an administrative decision. This requires relevant developments in the economy and in the financial markets”⁵⁰.

Yet Prosperous Armenia Party former MP, economist Vardan Bostanjyan considers it quite feasible that Armenia incorporates a common currency with the EEU. He adds that it will have a favorable impact on the country, saying that “solely by the fact that quite a number of Armenians are in that [EEU] region; the word is about the migrants who are having losses in the case of [currency] exchange rates. But, now, they will not have that”⁵¹. However, there are also contra opinions. As such Armenian economist Ashot Yeghiazaryan said, “If we switch to the ruble, or another Eurasian currency, and if our Central Bank begins to keep its funds in that currency, discrepancies will arise between the currency loans, and our entire microeconomics will deviate”⁵².

It is to be mentioned that the idea of establishing a common currency has not been accepted straightforwardly also in Belarus and Kazakhstan. The director of the Institute of the Global Political Economics of Kazakhstan, analyst Akimbekov Sultan said that the instrumentalization of a common currency should not be an issue of a near future. He states that while the idea is interesting there are apparent problems - all the member states have different levels of development. Moreover, Belarus has not yet undergone those market reforms that, say Russia and Kazakhstan went through.

Belarusian columnist from the Belarusian Radio Liberty and political scientist for the "Strategy" center Valery Karbalevich stated, “And if we are talking whether the Member States of the EEU in general should have a single currency, I do not think that Kazakhstan and Belarus will agree. This would mean that these countries lose their sovereignty”⁵³.

With all the events, facts and discussions at stake, it is still to be mentioned that it is totally unthinkable that, for example, during the creation of the euro in the years 1990-1999 (Maastricht Treaty to book-money introduction⁵⁴), and this since the Pierre Werner Plan from 1970, one president would have given a commando to "his" central bank ordering a study on the possible

⁵⁰ Asbarez.com, ‘No Plans Yet’ for Armenia to Adopt Single EEU Currency, March 11, 2015, <http://asbarez.com/132864/%E2%80%98no-plans-yet%E2%80%99-for-armenia-to-adopt-single-eeu-currency/>

⁵¹ News.am, Economist: Armenia will benefit from Eurasian Economic Union single currency, March 13, 2015, <http://news.am/eng/news/256734.html>

⁵² News.am, Armenia economist: EEU single currency is foolish, March 14, 2015, <http://news.am/eng/news/257002.html>

⁵³ Mariam Grigoryan, I am, (The approach to the single currency of the Eurasian Union is ambiguous in Belarus and Kazakhstan) Բելառուսում և Ղազախստանում միասնական արժույթի վերաբերյալ կարծիքը միանշանակ չէ, March 14, 2015, <http://www.1in.am/1572943.html>

⁵⁴ Before the Euro has been introduced as cash currency in 2002, it had been at disposition as book-money, on bank accounts only, since 1999.

common currency, predicting its effective introduction for the next year, while the order to the central bank went out in March of the current year. Observers from the European Union sources, asked privately, have the presumption that the Russian president has an "economic psychogram" being somehow "actively jealous of the EU *acquis communautaire*" which he wants to be caught up rapidly, and "while common currencies are to be welcomed in general, any too fast introduction can damage the participating states considerably", even if the central bank of the integration is not de facto independent.

As for the idea of the Eurasian currency, on the whole, it dates back to 1994 when the President of Kazakhstan, Nursultan Nazarbayev proposed the notion. In 2012 Vladimir Putin endorsed the idea. The Kazakh President has never been suspicious to reset Soviet Union or Soviet Union 2.0., he was however all the time for economic integration, until a certain time in Central Asia⁵⁵. Concerning the currency within the framework of the EEU, it is said to be similar to the Russian ruble. **As for the name of the forthcoming common currency two options, are being discussed - Altyn and Euraz.** The first name – Altyn, mentioned by Nazarbayev in 2014, meant a three penny coin in Old Russian and the word itself stems from the Golden Horde. The second name – Euraz, is parallel to, or a kind of imitation of the Euro⁵⁶.

It is envisaged that **the key element in sustaining the new currency will be raw oil exports from Russia and Kazakhstan.** Therefore, it has been decided to base the Central Bank of the EEU in Almaty, Kazakhstan. Evidently, the involved EEU governments want to rely more than ever on oil and gas exports, which is diametrically opposed to what also Russian economists preach. The potential market will include about 180 million people, with the total volume of GDP being more than \$ 2 trillion.⁵⁷

Yet, it is under a question whether the member states of the EEU, can indeed make the functioning of a common currency a reality. All the currencies of the member states currently face fluctuations and to avoid this in the event of a common currency additional resources will be required. Moreover, the efficient functioning of the EEU, per se is also dubious.

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⁵⁵ Hans-Jürgen Zahorka, Strategy Options for Central Asian Integration –For a Central Asian "Cecchini Report", EUFAJ 1 / 2010, p. 116, www.eufaj.eu

⁵⁶Interpolit, Oil altyn against the dollar banknote (Нефтяной алтын против бумажного доллара); 11.03, 2015, <http://politobzor.net/show-47317-neftyany-altyn-protiv-bumazhnogo-dollar.html>

⁵⁷ Russian Telegraphic Agency (Русское Телеграфное Агентство), "Instead of the ruble - Altyn. Eurasian Economic Union opts into a new currency (Вместо рубля – алтын. Евразийский союз переходит на новую валюту), March 12, 2015, <http://www.riata.ru/ekonomika/item/716-vmesto-rublya-altyn-evrazijskij-soyuz-perekhodit-na-novuyu-valyutu.html>

Internal and External Crisis Indicators – A Russian Scientific View

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Key words: crisis management, the crisis indicators, the level of bankruptcy threat, anti-crisis management activity, crisis tendencies of external and internal environment.

Abstract

The article is devoted to the detection of the crisis intensification symptoms and to the identification of exogenous and endogenous elements of this activation which make the major potential sources of crisis. The author considers the integrated approach to assessing the bankruptcy risk which enables the organization to work out the way to face the changes in the external environment.

The crisis is understood as the turning point in the sequence of processes, events and actions that hinder the normal functioning of the system creating conditions for the transition to a new state, while building and destroying at the same time. The crisis does not arise unexpectedly, it is a natural phenomenon resulting from certain processes initiated by both the external market environment and the internal environment of the organization. From this point of view, the crisis can be seen as a conflict of the organization with the environment caused by the collision of conflicting interests. To recognize the symptoms of the crisis intensification one should clearly

distinguish exogenous activation elements, which combine the major potential sources of the crisis located in the external to the organization environment (government, competitors, suppliers, customers and a various chance phenomena). To ensure competitiveness and solvency of the organization business entities should constantly monitor its all activities and make necessary adjustments enabling the companies to work out the way to withstand changes in the environment as well as the preventive measures making it possible to preserve the viability of the company, region and achieve the set goals.

The aim of crisis management is to keep and /or prevent the impact of the crisis on various groups of people with whom the organization should maintain a relationship. The stakeholders include customers, employees, local communities, government, shareholders or investors. But just to identify the causes of the crisis is not enough. The essence of the anti-crisis strategy is determined by the need to develop a mechanism for detection of the growing crisis tendencies in order to control and overcome them.

Initially, the company analyses the external factors that will have the strongest impact on its activities, namely, the objective preconditions of the crisis: the trends of the global financial crisis, the prevailing conditions of the domestic market, foreign policy.

Thus, the most relevant developments affecting business now are restrictive political and economic measures against a number of individuals and organizations. The President of the Russian Federation signed a decree (№560 of August 6, 2014) on introduction of certain special measures to ensure economic safety of the country. Import of some goods from countries that have imposed sanctions on Russia is restricted for one year. The list of restricted goods includes beef, pork, poultry, cheese and dairy products, fruits, vegetables, nuts and other products. It was announced that the Russian Federation is looking for new suppliers of foodstuffs to replace Western ones. EU plans to exert diplomatic pressure on the countries that declared their readiness to compensate the amount of food exports to Russia after the ban of European goods. In turn, several Latin American capitals have already made it clear that the expansion of exports to Russia is the prerogative of national governments. According to ING the Russian ban on imports of products from Western countries could cost the EU 6.7 billion Euros (0.04% of GDP) and jeopardize 130 thousand jobs across Europe [5].

According to the ING report the Russian embargo will most affect Germany - it could cost this country \$1.25 billion and 21 thousand jobs. Loss of Poland will make almost \$430 million and 23 thousand jobs. About 10 thousand jobs could be lost in France, Spain and Italy. For Belgian farmers, especially those producing pork and pears the damage from the Russian retorsion could reach €165 million and 3 thousand jobs. Shrinking in foodstuff trade with Russia will hit the hardest the Baltic States. Thus, Lithuania may lose 0.4% of its GDP which is 10 times more than on the average in the EU. At the same time, the economic contraction in Estonia could make 0.35%

and in Latvia 0.2% of their GDP correspondingly. This example demonstrates the subjective factors that block the possibility of complete control and management of the crisis.

According to the theory of cyclical pattern of economic development we are unable to prevent the crisis processes taking place in the world system. Neither can we consider the negative phenomena that occur at the regional and macro levels as a consequence of the global crisis. Subjective factors, management errors entail a number of related crises: budget crisis, government crisis, confidence crisis in politics and the crisis of personal political strategies.

Analysts interpret current crisis processes taking the view that economic crises are characterized by the violation of credit bonds, falling stock prices, the panic in the markets and a wave of bankruptcies. As a result the crisis adapts the scale of production to the effective demand.

Economic crises are dynamic enough, they are one of the stages of the life cycle of systems, although their structure and specific manifestations are variable, they are characterized by general laws. This allows systematizing the accumulated experience of the history of crises, to classify economic crises and forecast on this basis further crisis dynamics. The current stage of the XXI century crisis research is caused by the study of financial mechanisms where the starting point is the analysis of financial markets. This leads to the gradual transition from the theoretical concept of equilibrium to the concept of reflexivity. This is due to the fact that financial markets are inherently non-equilibrium and demonstrate increased sensitivity to the dynamics of the environment affecting it reflexively as well. Prior experience of crisis tendencies is determined according to the Marxist methodology by the form of resolution of the contradictions that have accumulated during the previous period, the phase of the economic cycle: crisis - depression - revitalization - recovery. The causes of previous economic crises were connected mainly with the contradictions in the real economy.

Current trends in the market economy crisis are determined by conditions in the money market created by the central banks and the system with not 100% bank reserve requirements which leads to low interest rates and the growth of the money supply. This creates an economic boom. Firms believe that the economy needs projects that they will be profitable, and they start investing in potentially unprofitable projects - "bad investment". Households due to rising prices stop saving and start spending exceeding their incomes—they borrow money. The boom cannot go on forever and there always comes the second stage - the collapse, the crisis. Crediting falls, the money supply falls resulting in prices decline; entrepreneurs have to urgently sell "bad investment". Consumers and businesses are in debt. The production's optimization begins leading to dismissals.

The course of the crisis process can be manageable. It can be affected by the mechanism of reflexivity [3]. There are many factors that influence the formation of the crisis potential in the economic system. Since their dynamics is interrelated reflexively then it becomes almost impossible to prevent macroeconomic imbalances. As a rule, every crisis presents a new version

of an unfavourable combination of the factors that have caused it. The program of anti-crisis policies take into account the dynamics of the previous crisis, but are often powerless in the once again emerging new types of crises. Therefore, the economy's reaching the crisis-free growth path becomes impossible.

To recognize the crisis long before its onset it is necessary to identify the most important indicators of the crisis manifestations and tools to deal with it. Taking into account the internal environment factors of a commercial organization to identify a crisis situation one should monitor the deviations in the company's activation, in its main indicators of financial and economic activities, efficiency indicators and symptoms of insolvency. Endogenous elements include spatial, information, financial resources; technical and technological resources, human resources and features of the organizational structure, management style specifics of the organization. The impact of these elements is peculiar in particular areas of a business entity; each area has its own sources of the crisis activation. At the latent stage of the crisis the anti-crisis procedures are aimed at a timely recognition and prevention of crisis tendencies of functioning. The structure of these procedures includes two components: assessment of the probability of bankruptcy and the development of measures minimizing the realization of organization's insolvency.

The probability of the organization's insolvency is signalled by alarming symptoms determined through a series of quantitative and relative indicators of the company's performance. The entire set of indicators used to recognize the growing threat of insolvency can be grouped into a hierarchy of levels of the threatening bankruptcy [1].

The first level of bankruptcy threat is characterized by cumulative increase of the negative dynamics of quantitative indicators affecting the financial and economic activities of the organization: a critical level of overdue accounts payable and receivable, a chronic shortage of working capital, the potential loss of long-term contracts, participation of the organization in court proceedings with an unpredictable outcome, loss of key counterparties. The critical values of the indicators used to identify symptoms of bankruptcy should be disaggregated by sectors and sub-sectors taking into account the specifics of the business entity. Typical warning signs for the internal environment can also be manifested in dissatisfaction of employees, staff turnover, negative media coverage, overstocking, loss of profits, loss of market share, products aging, etc.

The second-level bankruptcy threats allow more objective tracking of the negative trends in the organization's performance. The level of the upcoming second round of the bankruptcy threat is diagnosed through a system of financial indicators of net cash flow, capital structure of the company, the composition of financial liabilities by maturity of financial obligations, structure of assets and operating costs which are calculated as a relative value and characterize various aspects of the financial state of an organization. These indicators are considered in the dynamics of the number of periods. Group of financial sustainability indicators allows estimating the degree of the organization's dependence on external funding and feasibility (continuation) of its activity from

its own financial resources. Steady downward trend in the level of financial autonomy of the company testifies to the growing threat of bankruptcy which can be realized in the coming period.

The third level of bankruptcy threat and the crisis formation in the economic entity is the result of simultaneous influence of a complex of factors. To identify them a number of diagnostic models that differ depending on the principles of research and monitoring priorities are used. The popular models by E. Altman, W. Beaver as demonstrated by many years of practice diagnosed the probability of bankruptcy for up to 5 years with the probability of 78-80%.

According to the cyclical development of the economy the process of the crisis developing is rather long, and the first indicators of crisis could occur significantly earlier than the period studied, which complicates the continuity of these models in the prevention and control of bankruptcy [4].

While adapting developments in the field of crisis tendencies forecasting one can distinguish the main quantitative, rating and expert models such as:

- E. Altman model (two-factor, three-factor and adapted to Russia four-factor and five-factor models);
- Three-factor model authored by Jean Legault in 1987
- Four-factor model authored by Taffler R. and G. Tisshaw in 1987;
- Four-factor model of Lees (1974);
- Four-factor model of Gordon Springate (1978);
- Five-factor model of J. Depalent (method of credit-men);
- Two-factor model of M.A.Fedotova;
- Four-factor model of the Irkutsk State Economic Academy (ISEA);
- The model of R.S.Saifulin and G.G.Kadykov.

Currently, logistic models (Logit-model) for bankruptcy risk assessment that show the probability of bankruptcy as a percentage are widely used:

- JuKha-Tekhong Model (2000)
- Gruzchinskij model (2003)
- Lin and Piese model (2004)
- Five-factor model of French economists J. Conan and M. Holder based on the five-factor model of E. Altman (2006)

- Altman –Sabato model (2007)

Though being subjective the following expert bankruptcy prediction models are frequently used

- O.P. Zaitseva model, in which each indicator can be set manually by weight;
- Model Argenti (A-score).
- Rating bankruptcy prediction models
- Model of the Kazan State Technological University (KSTU) for industrial enterprises (which makes it possible to determine credit class);
- A. Kolyshkin model (2008).

Indicators of the fourth level of bankruptcy threat diagnose the level of the current threat of bankruptcy with the help of solvency ratios system, primarily, the coefficient of absolute solvency. This diagnosis determines the extent to which all the claims of creditors at the expense of highly liquid assets available can be met within time limits of financial obligations violations provided by the law on bankruptcy. To analyse the solvency of an organization several indicators or criteria of solvency are used. Each of them taken by itself provides little information [2] since it requires correlation with other measures of financial state of the organization, and assessment of the financial state implies indices dynamics value which analysis greatly improves the accuracy of the forecast.

The main tasks of the organization's financial state analysis aimed at identifying the symptoms of the crisis are clear initial assessment of the financial situation and the dynamics of its further development [4].

To foresee the risk of a crisis a comprehensive approach to assessing the risk of bankruptcy should include indicators describing various aspects of activity characterizing management solutions, business processes, staffing trends, the environment (Table 1).

Table 1: Comprehensive approach to the bankruptcy risk assessment: Bankruptcy Symptoms, Comments

External environment

1. Assessment of the economic situation in the country: the national income decline, rising inflation and unemployment rates, instability of the tax system and regulatory legislation, real incomes reduction. After the external environment negative impact is identified one should:

- increase the products competitiveness;

- attract investments, consider options for concessional lending and receiving budget subsidies
- 2. Economic assessment of an industry
- 3. Investment attractiveness of the region
- 4. State support
- 5. The company's market share
- 6. Domestic business environment
- 7. The growing influence of monopolistic structures, stock market decreased activity, the foreign exchange market instability.
- 8. Political instability, negative demographic indicators

Internal environment

Financial condition

1. Liquidity Ratio (absolute, instant, current) Factors related to financial activity reveal inefficient fiscal policy, high cost of capital, poor asset structure, excessive debt capital, growth of receivables and payables, exceeding of the acceptable financial risks level, inefficient financial management.
2. Equity ratio
3. Financial stability index

Production processes

1. Product quality coefficient Factors connected with industrial activity characterize ineffective marketing, ineffective structure of current costs, the low level of fixed and current assets, high insurance and seasonal stocks, poorly organized production process and low productivity, inadequately diversified range of products, non-competitive products quality.
2. Coefficient of the fixed assets renewal intensity
3. Fixed assets life coefficient
4. Supply of skilled labour
5. Rate of capacity utilization

Management efficiency

1. The ratio of net working capital to assets. After the management system crisis is identified one should:

- improve the personnel policy with regard to office and management personnel;
- increase the responsibility of office and management personnel for the company performance.

2. Assessment of the implemented stages of financial strategy

3. Management of receivables and payables

4. Long-term projects, business plan

5. Efficiency of office and management personnel

Thus, there is no currently universal method to assess with absolute certainty the risks of bankruptcy. Every business is unique, and the trends posing a threat to one firm may be normal for another. Nonetheless, management indicators providing information on the health of a business entity are required. To construct an alarm system warning about the of insolvency probability one can only if it takes into account the specificity of particular organization, region activity as well as certain level of economic system development. Knowledge and experience allow market economy actors to manoeuvre between the internal and external causes of insolvency, to maintain the overall stability of the organization reducing the bankruptcy risk as much as possible.

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Facing Difficult Choices: The South Caucasus between Russia and the European Union

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Abstract

The mounting tension over Ukraine has introduced numerous dangers to the security situation in the South Caucasus. These negative ramifications are further exacerbated by the fact that Russia holds the key to resolving conflicts in the post-Soviet realm, especially in the absence of greater Western assertiveness. But Moscow and Brussels are caught up in geopolitical competition over the region. Such continued competition prolongs the cycles of instability and could sooner or later spill over into Russia and the EU. Devising a coherent strategy for the region that focuses on an integrated, coordinated approach and recognizes the shared interests of Russia, the EU, and the South Caucasus countries is a pressing challenge that remains unmet.

Introduction

Much of what happens today in the South Caucasus resembles the turmoil of the pre-Soviet era, especially the period between the two world wars. As was the case then, Armenia, Azerbaijan, and

Georgia are currently facing a daunting task: finding a way to safeguard their state sovereignty and their national security. Because of its unique geostrategic position, the region is of crucial significance for the evolution of the 21st-century world order. While competition for energy resources has always been a highly geopolitical issue, the rivalry over control and influence in the South Caucasus has taken on ideological connotations, and the region has acquired even greater strategic importance to Russia and the European Union.

The nations of the South Caucasus today are confronted with a momentous choice: whether to repeat the history of the early 1920s, when the Soviet Union was created, or to repeat the history of the late 1940s, when the Marshall Plan was proposed. It should hardly be surprising to see the return of broader geopolitical concerns, and these raise interesting yet sensitive questions: Will the current and future circumstances of competition resemble those of 1917–20 or those of 1947–49? How has the content of that competition changed? Can Russia, the EU, and the South Caucasus find a way to cooperate internationally in ventures that unite them in the reconstruction of greater Europe, or will they fail to meet that challenge? This text analyzes the complex nature of the policies of Russia and the EU toward the neighborhood they share and examines possible ways in which the EU, Russia, Armenia, Azerbaijan, and Georgia could devise new approaches for mutually beneficial cooperation based on recognizing the interests of all parties involved.

Regional Realities of the Neighborhood Russia Shares with the EU

The South Caucasus became a region of direct concern to the EU's security strategy with the two waves of eastern EU enlargement that took place in 2004 and 2007, with the expansion of the European Neighborhood Policy (ENP), and with the Eastern Partnership program launched in 2009.

During this period, the EU opened a new chapter with its ambitious plan to broaden cooperation with its Eastern neighbors. It offered them privileged relationships based on mutual commitment to common values. While assuming a greater regional role through Action Plans and Association Agreements, the EU sought to persuade the post-Soviet leaders of these countries to adopt reform measures that would contribute to fostering stability and security. As a result, the “expansive logic” of EU integration geared toward acquiring reliable partners has produced the need to promote European norms and values beyond the EU's political borders⁵⁸. In doing so, Brussels did not promise eventual EU membership to its neighbors in the South Caucasus but rather sought to make

⁵⁸James Headley, “Is Russia Out of Step with European Norms? Assessing Russia's Relationship to European Identity, Values and Norms through the Issue of Self-Determination,” *Europe-Asia Studies* 64, no. 3, May 2012, p. 428.

the region more predictable and controllable – and to create a secure geopolitical buffer between itself and Russia.

In all this, however, there is no small potential for tension with Moscow, which has accused Brussels of trying to carve out a new sphere of influence in its Eastern neighborhood. On several occasions Russia has voiced concerns over the Eastern Partnership, describing it as another attempt to extend the EU's power in its quest for energy resources. The South Caucasus has therefore turned into a site of clashing interests and power plays. Moscow strongly demonstrates its geopolitical vigor and frequently uses rigid methods to safeguard Russian national interests. Given the absence of a political solution to the protracted tension, Russia is bound in the coming years to remain actively involved in the region, which it very definitely regards as part of its own privileged sphere of influence.

Conversely, the overall context of EU-Russian relations strongly affects the foreign policy strategies of Armenia, Azerbaijan, and Georgia. Even as the European Union and the United States make every effort to prevent Russia from rebuilding the territory of the Commonwealth of Independent States (CIS) with new content, the entire region is turning into a staging ground for maneuvering among the great powers, “color revolutions,” secessionist movements, and bloody civil wars. Brussels views democratic change as a crucial means of establishing lasting peace and stability on its new borders, whereas Moscow perceives the Western promotion of democracy as a real threat to Russia's leverage over the post-Soviet realm – as well as to Russian domestic policy. It is therefore no surprise that the EU's extension of power for security purposes has increasingly met with Russian countermeasures.

Different Visions for Reshaping the Region

The South Caucasus has been an area of East-West competition for over twenty years, a fact that – in the absence of greater Western assertiveness – puts the whole region at risk of confrontation. Russia and the EU have their own often contradictory approaches and interests in the region. Increasingly suspicious of the Western presence in the Caspian basin, Russia has begun to actively resist what it perceives as the EU's encroachments. From a geopolitical standpoint, Russian-EU competition is most likely a real contest between opposing value systems and ideologies. Integration policies in both the EU and Russia are built on the view that internal security challenges originate outside their borders. In this way, Russia generally regards closer regional integration with the EU as a geopolitical loss, while the EU views growing rapprochement with Russia as an attempt to restrain its own regional leverage.

Because the EU and the Eurasian Union are in direct competition with each other, Brussels and Moscow are locked into a struggle over who is most capable of attracting the partner countries and under what terms and conditions. Given the impact of unresolved conflicts (especially Nagorno-

Karabakh) on the South Caucasus's future development, Moscow could exploit internal fault lines to serve as a major arbitrator in the peace process and pursue its objectives through military tactics. As a consequence, Russia's geopolitical activism challenges the EU's integration policies and creates dividing lines that could have broader geostrategic implications for Western democracies.

The EU for its part talks frequently about the energy market but increasingly thinks in terms of geopolitics. By doing so, the EU and the US unwittingly help President Putin fulfill his CIS strategy. Brussels and Washington have not coordinated with each other to craft achievable policy goals, while Moscow moves closer to creating its own Eurasian security alliance to compete with the EU and NATO. This complex reality involves two competing visions for reshaping the region, which prolongs the cycles of instability but does nothing to resolve regional security problems.

Realpolitik, Russian-Style

Internationally, the Kremlin follows a geopolitical philosophy: that the EU accept Russian-style realpolitik and respect the rules of the game set by Moscow for the post-Soviet realm. In order to reemerge as a great power, Russia is concentrating on expanding strategic ties with its CIS neighbors. The South Caucasus is hence a region of critical national interest to Russia, which cannot simply shirk engagement there. As the Russian-Georgian war of August 2008 vividly illustrated, and as the Nagorno-Karabakh peace process shows today, Russian influence is growing stronger. The Kremlin insists that the countries in its "near abroad" not only retain but also strengthen their security arrangements with Moscow. Russia has taken what the British researcher Roy Allison calls a "protective integration" approach toward the post-Soviet Eurasian countries⁵⁹. In addition to promoting strategic initiatives within the format of the Collective Security Treaty Organization and the Shanghai Cooperation Organization, Putin's Eurasian Union project is the newest well-thought-out plan and a current passionate manifestation of the logic of protective integration.

The very fact that Western policies are backing Western economic goals for the Caspian Sea has already brought the EU into conflict with Russia's national interest. The issues of pipeline routes, foreign policy tradeoffs, and regional security tend to involve intense competition over who receives how much gas. Besides, Moscow clearly continues to influence the South Caucasus nations in various, subtle ways so as to orchestrate a conflict settlement scenario that will not only serve Russian strategic interests but also in the end gratify Armenia, Azerbaijan, and Georgia. Such a regional perspective best illustrates Russia's broad interests, of which Putin's Eurasian Union is but one important part. Modernizing itself and demonstrating strong ability for long-term stability are the prerequisites for Russia's continued success in the 21st century. It remains to be

⁵⁹Roy Allison, "Virtual Regionalism and Protective Integration in Central Asia," in *Eurasian Perspectives: In Search of Alternatives*, ed. Anita Sengupta and Suchandana Chatterjee, Delhi, 2010, pp. 29–48.

seen however whether Russia's domestic reforms will successfully be implemented and to what extent they can boost the Eurasian Union's attractiveness for the countries of South Caucasus. This is why the next few years will prove decisive in the struggle to reshape the post-Soviet neighborhood and integrate the CIS countries into the Eurasian Union.

The Regional Constraints of EU Policy

Recognizing the rich potential of the Caspian's hydro-carbon resources, the EU has deepened its relationships with the South Caucasus countries to access the energy deposits and decrease Europe's dependence on Russian energy imports. In effect, the EU has concluded agreements on transnational projects that will provide the flow of substantial energy supplies from Azerbaijan and the Caspian Sea region to the EU. Since the launch of the ENP, however, the EU's engagement with the South Caucasus has frequently been criticized as ineffective⁶⁰. The signing of Action Plans and the negotiations over Association Agreements certainly helped advance the EU's economic interests in the region, yet the EU could not act coherently as a single state actor in developing a strategic plan for the South Caucasus. This failure has limited the EU's influence and enabled Russia, via skillful diplomacy, to consolidate its geopolitical standing in the neighborhood. To put it simply, Moscow immediately filled the vacuum left by Brussels.

The EU's individual member states have thus far lacked cohesion in pursuing their rights, interests, and values in the region, while the EU's overall strategy has obviously been dominated mainly by considerations of how European policies will affect relations between Brussels and Moscow. This means that the EU is reluctant to stand up to Russia either geopolitically or geoeconomically. Though we should acknowledge the vital role the EU has played in bringing the South Caucasus closer to a wider EU-centered order of democracy, integration, and prosperity, the EU has at the same time refused to be a relevant security actor; Brussels primarily seeks to defuse tensions with Moscow, which has always been suspicious of Western encroachments. As a result, the EU and Russia have been ill-equipped to move beyond a sort of geopolitical zero sum game in which one side loses what the other one wins. This has ultimately harmed the interests of the South Caucasus countries more than it has helped them.

Divergent Responses from Armenia, Azerbaijan, and Georgia

The countries of the South Caucasus are increasingly vulnerable in the face of strained EU-Russian strategic relations, to say nothing of geopolitical tensions in international affairs. Local decision

⁶⁰George Christou, "European Union Security Logics to East: the European Neighborhood Policy and the Eastern Partnership," *European Security*, no. 3, 2010, pp. 413–30.

makers seem to understand that neither Russia nor the EU has a real desire to pursue cooperative policies in the neighborhood they share. The realization that Russia and the EU had chosen competition over cooperation in the Caspian basin brought difficult times for regional leaders. Hence each of them announced their respective choices at the decisive moment.

Armenia clearly withdrew from its negotiations with the EU, turning instead toward Russia. The move was easily predictable from the outset because Yerevan has long been seen as Moscow's traditional ally and has always relied entirely on Russian military and security assistance. For its part, Azerbaijan's non-membership in the World Trade Organization makes the country ineligible for a Deep and Comprehensive Free Trade Agreement (DCFTA). Baku has remained reluctant to commit itself to the path of EU integration and has instead narrowed its focus to visa-free travel and energy relations. Azerbaijan's choice to eschew EU integration, however, is likely to involve a perilous balancing act, one that strives to allow Baku to remain outside the Eurasian Union while manipulating EU energy interests in the region. Georgia, the only country with a decidedly pro-EU government, formally signed its Association Agreement with the EU, along with its DCFTA, in Brussels on June 27, 2014. At the same time, Tbilisi has eagerly rushed to mend relations with Russia, its largest neighbor in the region. The EU seems to be unconcerned by Georgia's new pro-Russian course, which suggests that this rethinking of Tbilisi's policy has most likely been approved by Brussels. Despite this, Georgia's Russian dream of improving political, economic, and cultural ties with Moscow remains largely unfulfilled.

The different choices made by the three countries indicate the diversity of their geopolitical ambitions in terms of expanding their relations with the EU. Presumably, the EU's own integration strategies for its Eastern neighbors simply do not work without clear membership incentives for them. Brussels should find new ways of devising a more realistic, coherent, and articulated policy so as to better fit into the modern geopolitics of the South Caucasus. The Ukraine crisis has broken the status quo in the Eastern neighborhood, and the repercussions are now being felt. The final chapter of the post-Soviet states is therefore still being written, and there is much work to do before long-term stability and lasting peace become firmly rooted in the South Caucasus.

Looking Ahead: Prospects and Challenges

Given the continuing EU-Russian rivalry over alternative energy projects, no one can accurately predict the outcome of the current zero sum game being pursued in the Caspian basin. However, the process of reshaping the region can take different forms. Increased competition for energy resources is the most likely scenario and currently looks inevitable, as EU member states strive to reduce their deep dependency on Russian gas. Intense geopolitical competition may widen the gap between Brussels and Moscow. For the South Caucasus countries, this scenario means that they will increasingly be caught between Russia and the EU, trying to find a way to meet the needs of

both and to avoid becoming a battleground between the two. It is a known fact that Russia and the EU are now fighting over regional security issues instead of deciding them together.

Even so, there may also be a cooperation scenario, albeit one that looks less realistic; it is still possible for Moscow and Brussels to demonstrate political will and engage in increased dialogue. Economic incentives, trade interests, and joint responses to new security challenges could push both sides to think strategically about reconciling two integration projects in their shared neighborhood. Reconciliation would not be a simple process – but it is essential not only to Russia and the EU but also to the future of the post-Soviet countries and the rest of the world. Yet Brussels and Moscow need to develop an economic and political basis for reconciliation. This can only take place through a constructive interaction between the EU and the Eurasian Union.

From an economic perspective, the EU could benefit greatly from starting a dialogue on a free-trade zone with the Eurasian Economic Union. Such a special, free economic zone would certainly not resolve all of the region's security problems, but it could induce Russia and the EU to pursue cooperative engagement and strengthen economic integration with Armenia, Azerbaijan, and Georgia. Moreover, the EU needs to formulate an integrated energy policy on the basis of a new comprehensive vision. The creation of a new format for multilateral dialogue between the EU and the five Caspian littoral states (Russia, Azerbaijan, Iran, Turkmenistan, and Kazakhstan) will probably make it possible to find common ground and to remove differences on important strategic issues in relation to laying the Trans-Caspian Pipeline across the bottom of the Caspian Sea. The establishment of an EU-Caspian multilateral energy framework in which Russia's participation is crucial could be a starting point for decreasing competition over resources in post-Soviet Eurasia.

From a political perspective, reconciliation between Russia and the EU could be developed through the elaboration of a new, efficient, and overarching cooperative security model based on relations of genuine and profound partnership. Moscow and Brussels should explore new and complementary forms for managing regional crises. This would help them take fairly bold action to rectify the current security situation in the South Caucasus. Much has to do with consolidating the diplomacy of the OSCE Minsk Group even further by giving it a stronger political element. This might be done by recreating the Minsk Group with the proactive participation of Russia, the EU, and the US.

Conclusion

Obviously, the security of Russia and the EU cannot be guaranteed if both are isolated from each other. Thoughtful statesmen in both Moscow and Brussels need not relearn the painful lesson that isolationism is the road to disaster. Although the voices of division remain strong, the new security

environment facing both Russia and the EU is so varied and challenging that only continued dialogue will help them find responses. But those challenges can indeed be transformed into opportunities if Russia and the EU take responsibility and decisive action.

The EU, Russia, and the countries of the South Caucasus are entering a period that is likely to bring even greater change than in the past twenty years. There are urgent demands for new ways of cooperating on the problems that lurk on the horizon. The greatest challenge Russia and the EU must respond to in their shared neighborhood will be to design and implement a concrete peace plan for the South Caucasus. Solving the problem of how the region should be reshaped requires sustained commitment; this belongs at the top of the to-do lists of Russian and European leaders. For this to occur, however – and if Moscow wishes to be better placed to manage the peace process effectively – Russia needs especially to re-think its overall strategy. For its part, the EU needs to give its Neighborhood Policy a more individualized tactical consideration based on a concerted approach by all the Union's member states.

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The European Kurds rallying to fight IS

Janroj Yilmaz Keles



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With Kurds in Iraq and Syria under attack from the Islamic State, many young Kurds in Europe have been joining resistance forces—a trend occluded by the media focus on European-born jihadists.

Kurds, of whom there are estimated to be 30-35m, comprise the largest ethnic community in the Middle East after Turks, Arabs and Persians—and the largest in the world without a state. Most live in the disputed territory of Kurdistan which covers east and south-eastern Turkey, northern Iraq, west Iran and northern Syria. Various revolts in pursuit of an independent Kurdistan or autonomy within these national borders have wrought no significant political or structural changes, except in Iraq, where Kurds have had a de facto state since 1991.

The Kurdish question has remained largely hidden from the international community due to the coercive policies of the host states—their nadir the massacre in Halabja, where 5,000 people were killed by the Iraqi regime in 1988. The most significant change followed the first Gulf war in 1991, when a Kurdish uprising in Iraq, brutally suppressed, forced the international community to establish a safe haven and no-fly zone in the Kurdish region.

As a result of the long war between the Kurdistan Workers' Party (PKK) and the Turkish state, over 3m people were displaced by the military in the 90s. Many fled to Turkish cities or Western countries. The PKK is involved in talks with the AKP government to find a peaceful settlement to the Kurdish question in Turkey. Since the Syrian crisis, Kurds in Rojava (western Kurdistan /

northern Syria) have become a global political concern but their counterparts in Iran are yet to be so regarded.

The Kurdish diaspora, product of war, displacement and migration, has made the question of Kurdistan a transnational political subject. Though worldwide, this diaspora is concentrated in Europe.



A Kurdish protest against IS in London. Flickr / Alan Denney. Some rights reserved.

Persecution

The movement of Kurds to the EU differs from those who migrated to fill labour shortages or following enlargement. Some, mainly from eastern Turkey, did travel as Gastarbeiter but most fled from discrimination, persecution, war and hardship in the wider contested territory of Kurdistan.

The flow to Europe began in the early 60s and increased in the 70s and 80s, as the movement for autonomy in Iraq faced repression and Kurds in Iran took refuge from the oppressive policies of the Shah and his Islamist successor. But most Kurds who have arrived in the EU since the 80s have escaped from the battleground between the Turkish state and the PKK.

The statelessness of Kurds has affected their lives in settlement countries, where they have been registered according to titular nationality, rendering them invisible in official data. The estimated number of European Kurds is 1.5m or fewer, most (around one million) living in Germany. They include more than 200,000 Yazidis (or Ezidis), the target of states and fundamentalist groups in

the Middle East, most recently of Islamic State (IS) in the Mount Sinjar area of Iraq, due to their religious and, to an extent, their ethnic background.

A Kurdish ‘imagined community’ has been constructed in Europe, and elsewhere, via homeland-oriented organisations as well as transnational communications and transport technologies. This poses a considerable challenge to the nationalistic hegemony of the implicated states. The engagement of the diaspora with homeland politics has played a crucial role in post-conflict reconstruction in Iraq, in organising petitions, fundraising, holding demonstrations, lobbying the settlement-country government and connecting the cause and homeland organisations to international political structures. Indeed, the diaspora in Europe and the US has been able to speak on behalf of the subordinated Kurdish population in homelands where expression of ethnic identity, language and political position is denied.

The diaspora, however, has neither an ascribed ethnic identity nor a single political aim, due to contemporary Kurdish fragmentation. It should not be considered a bounded group with a fixed customary practice but rather hybrid and changeable. While some Kurds have taken to European streets to protest against mistreatment at home, others have joined the Kurdish forces to fight against these states and most recently against IS attacks on Sinjar and Kobane.

If the media have only recently noticed that some young people are heading to Kurdistan to fight against IS, joining the Kurdish guerrilla groups has in fact been a trend since 1985. In particular, as the war between the PKK and the Turkish state intensified, the conflict spread to Europe, especially Germany, through Turkish and Kurdish organisations, political actors and media. The PKK has become a powerful Kurdish party straddling multiple nation-states, mobilising refugees and second-generation Kurds for homeland politics. Latterly, other conflicts in different parts of Kurdistan have further politicised the diaspora community and given rise to deterritorialised solidarity among Kurds around the world.

While the Kurdish authorities in south Kurdistan / Iraq and Rojava / Syrian Kurdistan say **they need weapons rather than ‘fighters’, a few hundred young people have recently joined** Kurdish forces, in particular the peshmerga in south Kurdistan. Their parents stem from different parts of Kurdistan and various socio-economic backgrounds. Some are university students from middle-class families. An equally large group came to Europe as youngsters but later decided to go back to join Kurdish forces—they have usually studied to high-school level. Not only young people are joining the movement, however: the German newspaper Bild reported that more than 50 Yazidi/Ezidi men had travelled to Sinjar to fight IS and provide humanitarian aid and Die Welt said a ‘German Ezidi commander’ had been killed in Iraq.

Complex

The reasons why young people give up life in Europe and join Kurdish forces, including the peshmerga, the PKK and the People's Protection Units / Women's Protection Units (YPG-YPJ) in Rojava, are complex. First, stateless diasporic communities (Kurds, Tamils, Palestinians, Kashmiris and so on), being different from labour migrants, experience a sense of loss, feelings of displacement, a strong ethnic identity and a solidarity with people in the **homeland. Allied to the 'myth of return' common among diaspora, these create a** 'diasporic consciousness', in that their background, expulsion and sense of belonging are central to who they are and how they behave.

A crucial element of the stateless diaspora is the dream of a real or imaginary homeland. This is a key reason why many Kurdish young people in Europe have decided to join the Kurdish forces in the region. In comparison with previous generations, global communications, in particular, Kurdish satellite TVs and the internet, have compressed time and space, connecting Kurds in different political and geographical arenas. In these spaces they can not only meet for the first time and create a sense of belonging, sharing experiences and exchanging ideas, but can also follow the mistreatment of Kurds by the Turkish, Iranian and Syrian regimes, as well as non-state groups such as IS or al-Nusra. Transmitted images of torture, lethal attacks against Kurds and the desperation of people in the region connect the movers with the stayers and reduce the emotional, political and cultural distance.

In this sense, the Kurdish diaspora remains loyal to a homeland it no longer inhabits. Members feel a moral obligation to engage in solidarity with co-ethnics **'suffering from oppression' and a** sense of guilt that they have abandoned their homeland for the West. These social norms play an important role in altruistically inspired activities, whether becoming involved in homeland politics in the settlement country or joining armed forces in the homeland.

Secondly, after almost a century of persecution and war, Kurdish political movements in Turkey, Iraq and Syria have become genuine actors working towards a state (in Iraq) or democratic autonomy (in Syria and Turkey). Engaged European Kurds believe that it is time **to 'push ahead' and realise their dream. Against this background, for those well connected** through social media and Kurdish satellite TV stations, reports of IS atrocities have triggered massive reactions—in particular in Germany where most European Kurds live, including 200,000 Ezidis.

Some see the IS attacks as part of a **co-ordinated plan by regional countries to 'destroy Kurdish political gains' and believe** that the international community does not care enough about the suffering of Kurdish people. And there are enough reasons for this distrust: until the US-led airstrikes in Syria and Iraq, many young members of the diaspora believed strongly that the UN, the US and the EU would again let down the Kurds. The old saying that the **Kurds have 'no**

friends but the mountains’ was repeated by many in online and offline conversations. Hence the case for direct action by going to the region to fight IS.

Many recalled how the then US secretary of state, Henry Kissinger, had supported the Kurds in Iraq in 1975 but had then withdrawn American support after mediating between Iran and Iraq, signing the Algiers agreement to secure US interests in the region. As for today, the **Turkish president, Recep Tayyip Erdoğan, has been accused of** anti-Kurdish politics, particularly with his claim that the IS-besieged Kurdish city of Kobane in Rojava/Syria was “about to fall”.

Thirdly, most European Kurds who join the Kurdish forces have been directly affected by events in Kurdistan, having lost family members in previous conflicts. Now these young people go to the Kurdish region, as they see it, to protect relatives still living there.

Indeed some have themselves experienced state violence in Turkey, Iraq, Syria or Iran. A significant segment of the Kurdish diaspora in Europe has been traumatised by torture and other severe human-rights abuses in the homeland. And the images of killing, kidnapping and displacement of Ezidis in Sinjar and Kurds in Rojava, in particular in the besieged city of Kobane, bring back memories of displacement and maltreatment. The sense of powerlessness and the lack of immediate action by the international community over the kidnapping of Kurdish women and children, and their selling as sex slaves, has added to diaspora frustration.

Finally, the search for a grand narrative also drives young people on a long and dangerous **journey**. **A young Kurd from Berlin explained the motivation: “Because the Kurdish cause is** a burning political issue and this issue has an impact on our identity. It creates a collective **and solidaristic identity amongst Kurds. It doesn’t matter where you live. If I say Kurdish** identity I am talking about a politicised Kurdish identity that stands up for our rights. I am **interested in a new Kurdish identity, not the past ... Because I see a society which is rapidly forming here and in Kurdistan.”** For such second-generation Kurds, identity is a political project to defend Kurds from oppression and build a new Kurdish society—not a search to recover lost traditions.

Advice

While the UN Security Council has passed a resolution restricting the movement of foreign fighters intent on joining IS, and many countries have discussed the potential threat associated with their return, some EU countries have said they would not conduct legal proceedings against European Kurds fighting against IS **“unless they committed war crimes” and “used banned weapons”.** **This is because they are not considered a threat to society or the** political system in their settlement countries. The UK has, though, advised its ethnically Kurdish citizens not to get involved in **fighting in the region and to “stay out of the conflict”.**

Evidently, the European Kurdish fighters are perceived differently from those who join IS or al-Nusra, possibly because **the Kurdish young people are fighting for their ‘ethnic/national rights’ in a delimited space**—Kurdistan—rather than seeking to export, impose and disseminate their ideology through violence to other societies in Europe. And the European Kurds in the region are integrated in organisations which work closely with the international community, including states and/or NGOs, and have declared they will comply with international conventions—unlike the foreign-born jihadists, “mediaeval in character”, who are notorious for beheading, rape and the mass killing of members of other ethnic and religious communities.



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The Life of a Journalist

María del Carmen Aguilera García



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The life of a journalist can often be difficult in some countries and this is especially applicable to such Central American countries as **Mexico** and **Honduras**. The number of the journalists who lost their lives because of their professional work is internationally rather high. To this end it is worth observing the human rights breaches in the above mentioned countries.

The reality is very clear, i.e. being a journalist means to face both the good and bad sides of the work, which many do for passion. Problems can emerge when their research, investigations and findings bring forward something inappropriate, in the eyes of other persons.

In recent years Honduras has passed the limit of the killed journalists. According to the report by "Periodismo humano" in August 2013 Honduras had more than 29 killed journalists and as the calculations of September 9, 2014 indicate, more than 37 journalists were killed since 2003. As of 2015, in total more than 51 journalist were killed, including Herlyn Espinal. As security minister **Arturo Corrales** says, journalism is one of the most dangerous professions in Honduras.

It can be noted that Mexico has the same problem. As such, according to reports from the Mexican **Human Rights Commission (CNDH)**, in the period from 2010 to 2015 more than 97 journalists were killed. Unfortunately some of the cases are almost never revealed and this challenges the journalists' right of expression.

The newest figures on the past year: "The year 2014 has been the second deadliest year for journalists during the past decade: 138 media workers were killed in the line of duty in 32 countries. The most dangerous countries in 2014 were Syria (19 killed), Gaza (16), Pakistan (12), Iraq (10), Ukraine (9), Mexico (8), Afghanistan (7), Honduras (6), Somalia (5), Brazil (5), and Central African Republic (4).

Middle East was on the top of the list, with 52 journalists killed, followed by Asia with 32, Latin America with 29, Sub-Saharan Africa with 15 and Europe 10.

The situation is deteriorating rather than improving. As of today, 33 journalists have already been killed in 2015, which represents a significant increase compared to the same period of last year, with 12 more killed in only 2 months and a half."⁶¹



Journalists of Mexico - all killed

Unfortunately, in many of these countries basic human rights are not respected. While some of them have signed treaties on human rights, in reality they hardly ensure their implementation, among them being the right to life and freedom of expression. **"In reference to the first article"**, there must be equal rights and respect to dignity for all human beings. States must ensure respect, protection and force of human rights:

⁶¹ See also: <http://www.pressebleu.ch/10399.html>. Extracts from: 17.03.2015. HUMAN RIGHTS COUNCIL - 28th session - PEC statement delivered on situations that require the Council's attention - PEC requires the Human Rights Council to send a very strong message to all criminals that there would be no impunity for perpetrators of crimes against the freedom of expression; General Assembly, Human Rights Council, 28th session - Item 4 – Human rights situations that require the Council's attention, General Debate

"Whereas the peoples of **the United Nations** have in the Charter reaffirmed their faith in fundamental human rights, in the dignity and worth of the human person and in the equal rights of men and women and have determined to promote social progress and better standards of life in larger freedom. Among them is Article 3, 5 and 19":

- Everyone has the right to life, liberty and security of person.
- No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment.
- Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.

Valuing and fulfilling the signed agreements is a warrant that people will give their vote of confidence for a politician and government in favor of this, and that human rights are respected.

Regional Integration to be strengthened in the Pacific

At the beginning of February, 2015, Heads of Pacific Islands regional organizations met for two days, to strategize for a strengthened Pacific regionalism, marking an important milestone in the history of regional coordination and practice. Central to discussions was the new Framework for Pacific Regionalism and the role of the Council of Regional Organisations in the Pacific (CROP), as a unifying body, in supporting Leaders of Pacific island countries to realise their vision for the region⁶².

The Pacific Islands Forum

The Pacific Islands Forum is a political grouping of **16 independent and self-governing states**. Members include Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. New Caledonia and French Polynesia, previously Forum Observers, were granted Associate Membership in 2006. Tokelau, previously Forum Observers (2005), was also granted Associate Member in 2014. Wallis and Futuna (2006), the Commonwealth (2006), the United Nations (2006) the Asian Development Bank (2006), Western and Central Pacific Fisheries Commission (2007), the World Bank (2010), the ACP Group (2011), American Samoa (2011), Guam (2011) and the Commonwealth of the Northern Marianas (2011), Timor Leste (2002) with International Organization for Migration (2014) as Special Observer. Since 1989, the Forum has held Post Forum Dialogues with key Dialogue Partners at Ministerial level. There are currently 17 partners – Canada, People’s Republic of China, Cuba, European Union, France, India, Indonesia, Italy, Japan, Republic of Korea, Malaysia, Philippines, Spain, and Thailand.

The Pacific Islands Forum was founded in 1971 as the South Pacific Forum. In 2000, **the name was changed to the Pacific Islands Forum to better reflect the geographic location of its members in the north and south Pacific, Turkey, United Kingdom and the United States.**

The Pacific Islands Forum Secretariat is based in Suva, Fiji. The Secretariat’s mandate is delivered through the annual Leaders’ Communiqués and high level ministerial meeting decisions. **The Forum Secretariat is led by the Secretary General (currently Dame Meg Taylor of Papua New Guinea) who is directly responsible to the Forum Leaders and to the Forum Officials’ Committee (FOC).** FOC is the Secretariat’s governing body comprising representatives from all Forum members. The Forum Secretariat is also mandated to coordinate the implementation of the Framework for Pacific Regionalism. **The Pacific Islands Forum Secretariat is an international organization** established by treaty, enjoying legal personality in each of its sixteen member countries

The Forum Leaders established the **Council of Regional Organizations of the Pacific, CROP** (formerly the South Pacific Organizations Coordinating Committee, SPOCC) in 1988 with the mandate to **improve cooperation, coordination, and collaboration among the various intergovernmental regional organizations to work toward achieving the common goal of sustainable development in the Pacific region.** CROP comprises the heads of the intergovernmental regional organizations in the Pacific. The 1995 Forum mandated the Secretary General of the

⁶² For more information see: <http://www.forumsec.org/>

Forum Secretariat to be the permanent chair of CROP. Leaders also mandated the ‘coordination role’ of CROP to the Secretary General. The Secretary General reports to Leaders on CROP matters.

CROP functions as a coordination mechanism between the heads of the regional organizations in the Pacific, and as a high-level advisory body, to provide policy advice and may assist in facilitating policy formulation at national, regional and international level. **CROP provides a forum to enable CROP heads to collectively review progress with their respective organizations’ contributions on the Pacific Plan.** CROP takes advantage of opportunities to pool and share expertise and resources to optimise benefits to member countries and territories. **Where CROP sees the need, it establishes specific working groups with clear terms of reference to address important emerging or on-going priority issues of a cross-cutting nature.**

In addition to the Forum Secretariat, the members of CROP are: Forum Fisheries Agency (FFA), Pacific Islands Development Programme (PIDP), Secretariat for the Pacific Community (SPC), Secretariat of the Pacific Regional Environment Programme (SPREP), South Pacific Tourism Organization (SPTO), University of the South Pacific (USP), Pacific Power Association (PPA), Pacific Aviation Safety Office (PASO)⁶³

“The CROP system is fundamental to achieving Pacific countries’ and peoples desired development outcomes,” CROP Chair and Secretary General of the Pacific Islands Forum Secretariat (PIFS), Dame Meg Taylor stated. “We also need our member countries to drive the regional effort through policy coherence in their relations with each other, and with external parties. We are all ultimately accountable to our people through our countries’ Leaders and we need to regularly ask ourselves, ‘is our regional effort producing results on a particular issue?’ If we don’t have a clear answer, then we need to re-think CROP’s role.”

The Pacific people are at the heart of the Framework, it is not for Leaders and regional organisations alone,” Vice Chancellor of the University of the South Pacific, Professor Rajesh Chandra agreed. “We will all have to operate in a larger space. CROP is one of many partners in the bigger picture, and through inclusion and synergies that come from, it we can produce much better outcomes for Pacific countries.” At their meeting, CROP heads agreed on a strategy for engaging in the new regional public policy process laid out by the Framework for Pacific Regionalism. Financing of regionalism, both by development partners and Pacific island countries and territories (PICTs), was a key discussion topic. CROP executives highlighted the need for improved alignment of regional development finance to priorities, which will require a different type of relationship between development partners, PICTs and CROP agencies.

CROP Executives agreed to a review of regional governance and financing arrangements, building on a recommendation of the 2013 Pacific Plan Review led by Sir Mekere Morauta of Papua New Guinea. “The emphasis of this review is on the collective system that underpins Pacific regionalism, not the individual agencies or actors,” SPC Director-General, Dr Colin Tukuitonga said. “Many of the CROP agencies have already undergone institutional governance reviews since

⁶³ Pacific Islands Forum Secretariat, <http://www.forumsec.org/pages.cfm/about-us/>

2013. What we're proposing now is a next step to look at regional governance in its broadest sense, looking at members, actors and the engagement of citizens, as well as the instruments of accountability."

Existing and emerging strategic regional issues, such as climate change, the Ocean and its resources, and non-communicable diseases were among other topics discussed, which will all require a collective effort on the part of the CROP to deliver effectively.

"Climate change is one area that we translate from the regional level across to the national and international arena. This issue is of particular significance for our Pacific communities this year as we voyage towards a new global climate agreement," said Mr. David Sheppard, Director-General of SPREP. "We bring our strong experience and institutional knowledge of the UN Climate Change process to the CROP collaboration so that we're not only addressing climate change at the national level but are also working with members so the outcomes are favourable for all at the international level."

The 34th Meeting of the Council of Regional Organisations in the Pacific (CROP) was chaired by the Secretary General of the Pacific Islands Forum Secretariat (PIFS), Dame Meg Taylor, and hosted by the Secretariat of the Pacific Community (SPC) at its headquarters in Noumea, New Caledonia.

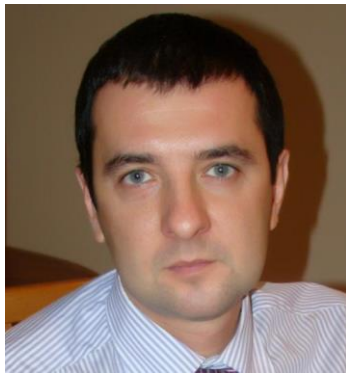


34th meeting of the Council of Regional Organisations in the Pacific (CROP), Noumea, February 2015

Photo Credit: Secretariat of the Pacific Community (SPC)

Financial Approach to the Analysis of the Expenditure Part of the Economic Activities of Organizations (Legal Entities of the Russian Federation)

Igor S. Metelev



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Keywords: expenditures, costs, cost management, cost structure, the costs' composition, the region of the Russian Federation, an organization (legal entity).

Abstract

The study aims to analyze the composition, structure and dynamics of the cost of organizations (legal entities) in the context of the Russian Federation. To this end the current problems of cost management of economic entities in Russia are identified. The features of the expenditure side of the financing organizations are determined.

The development of industry at the beginning of XIX century and the emergence of management as a science caused the interest in the costs. The Industrial Revolution, labor division, the emergence and growth of diversified enterprises became the impetus for the development of new methods of organization and industrial management led to the introduction of labor rate setting, performance indicators, accounting and reporting. The history of management science is represented by a number of theories, concepts and approaches usually reflecting the practical experience in the organization of production.

In the context of globalization and increasing competition extensive ways to increase profits are gradually beginning to exhaust themselves. Enterprise structures are increasingly forced to focus their efforts on finding the internal resources to increase profits with cost management becoming a key element in these conditions.

The basic contradictions of the market economy in Russia in the field of formation and management of costs are reduced by the researchers to the following integrated groups of problems [1; 3, p. 57]:

- time factor is not considered resulting in virtually no division of total costs into variable and fixed ones;
- the lack of accounting, analysis and control of costs through the use of cost centers and responsibility centers that dehumanizes management process and breeds irresponsibility and impunity;
- the system of costs rationing is poorly developed; it focuses on internal and not external (market) factors;
- transaction costs (the costs in the field of exchange associated with the ownership transfer - information search costs, negotiation costs, etc.) are not taken into account;
- elemental cost structure in Russia has no market-based cost management. It has a dual quite clearly expressed purpose - the existing elemental cost structure takes into account primarily the production, not market-based character of costs and serves the purpose of creating the tax system conveniences and not the goals of improving the business entity efficiency.

As stated above the problem of cost management is one of the most important and complex in market economy. Relevance of the issue stems from the fact that the volume of the main types of resources spent on production largely determines the amount of profit, and thus the level of profitability and efficiency.

As part of this study we will examine the features of composition and structure of the expenditure base of business units' activity in Russia using the data presented on the official website of the Federal State Statistics Service [2].

According to the statistical data of the Federal State Statistics Service of the Russian Federation the of production costs and sales costs (goods, work and services) of organizations (legal persons) in 2011 by regions of the Russian Federation as a whole amounted to 38,877,040,000 rub., in 2012 - 47,182,870,000 rub., in 2013 - 52559020000 rub. (Table 1).

Dynamics of the organizations' costs in the Russian Federation in 2011-2013 by economic elements is shown in Fig. 1.

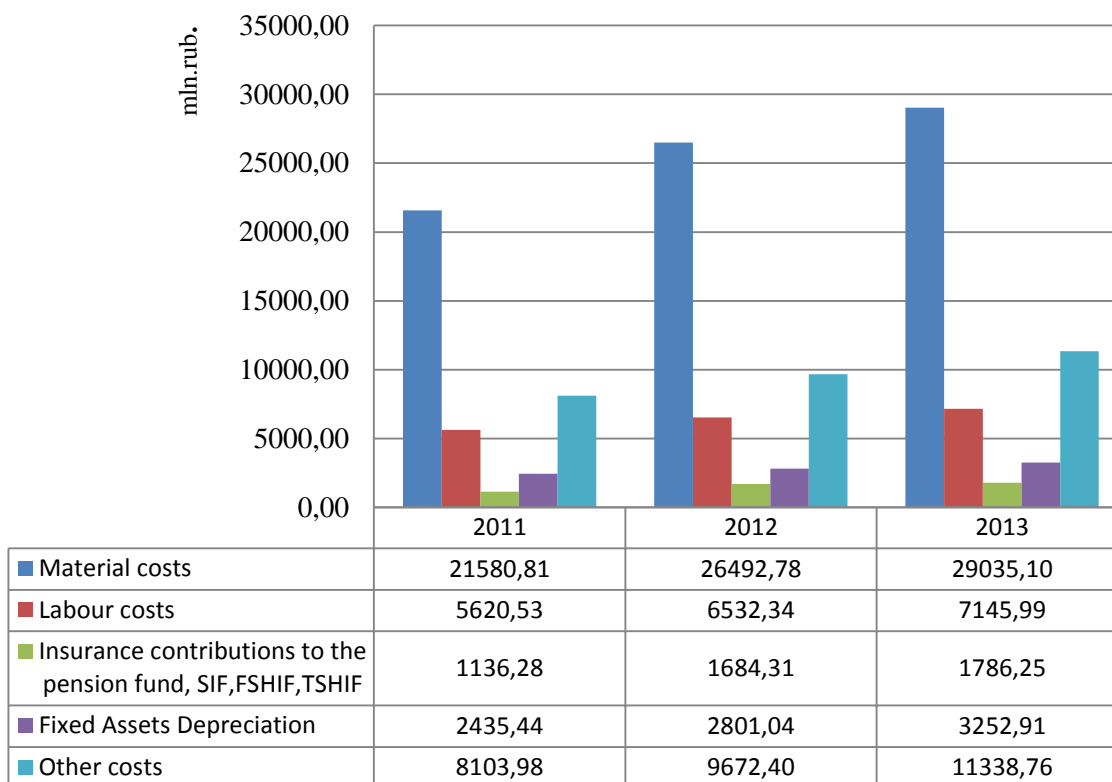
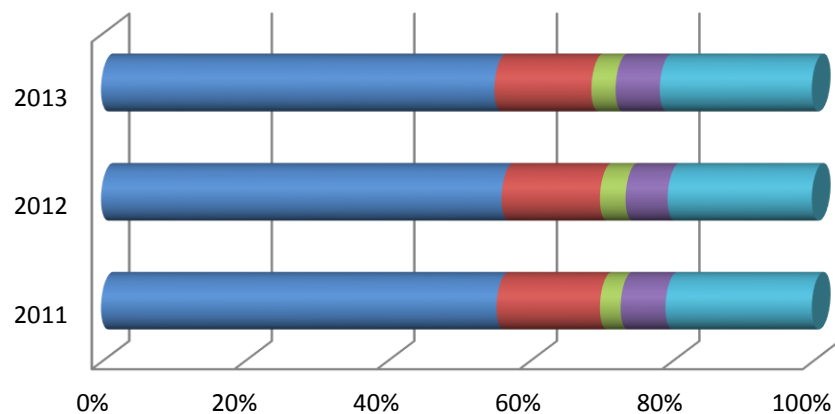


Fig. 1. Dynamics of the organizations' costs in the Russian Federation in 2011-2013

The data presented in Fig. 1 enable us to identify the general trend of rising costs of the organizations (legal entities) in the Russian Federation for the period analyzed by 13681, 98 mlnrub. or 35,19%. In its turn the total material costs of economic actors in 2013 increased by 7,454,290,000 rub. or 34.54% compared with 2011.

Labour costs during this period increased by 27.14%, or 1,525,460,000 rub. The growth of the aggregate amount of insurance contributions to the Pension Fund, the SIF, FSHIF, TSHIF in the analyzed time interval made 649.97 million rubles or 57, 2%. A similar situation is seen also in the dynamics of fixed assets depreciation and other costs. Thus, the increase of depreciation charges in 2011-2013 made 817.47 million rubles (33, 57%), and that of other costs constituted 3234, 78mln. rub. (39, 92%).

Let us consider the structural characteristic of the costs of organizations (legal entities) in the Russian Federation (tab. 2). The changes in the structure of the expenditure on production and sale of goods in Russia as a whole are shown in Fig. 2.



	2011	2012	2013
Material costs	55,5	56,2	55,2
Labour costs	14,5	13,8	13,6
Insurance contributions to the pension fund, SIF,FSHIF,TSHIF	2,9	3,6	3,4
Fixed assets Depreciation	6,3	5,9	6,2
Other costs	20,8	20,5	21,6

Fig. 2. Structure of the production and sales costs in the Russian Federation, %

As seen in Fig. 2 there have been no significant structural changes in the composition of expenditure during the period analyzed. In particular, the material costs decreased by 0.3%, the labor costs and fixed assets depreciation decreased by 0.9 and 0.1% respectively. At the same time in 2011-2013 there was a slight increase in the insurance contributions and other costs by 0.5 and 0.8%.

Next we will consider the dynamics of total expenditure of organizations in all the subjects of the Russian Federation (Fig. 3). The data presented in Fig. 3 suggest that the largest share in the total costs of organizations in the RF is accounted for by total costs of organizations of the Central and Volga Federal districts (average of 37 and 16% during the period respectively).

The share of North Caucasian Federal District accounts for about 1.1% of the costs of legal entities of the Russian Federation. The average expenditure of organizations (legal entities) in the Central Federal District in 2011-2013 made 17,449,64 million rub., in the Northwestern Federal District – 5853,7 million rub., in the Southern Federal District – 3317,9 million rub., in the North Caucasian Federal District – 511, 62 million rub., in the Volga Federal District – 7476,22 million rub., in the Ural Federal District – 7251,25 million rub., in the Siberian Federal District – 3929,15 million rub., in the Far Eastern Federal District – 1522,79 million rub.

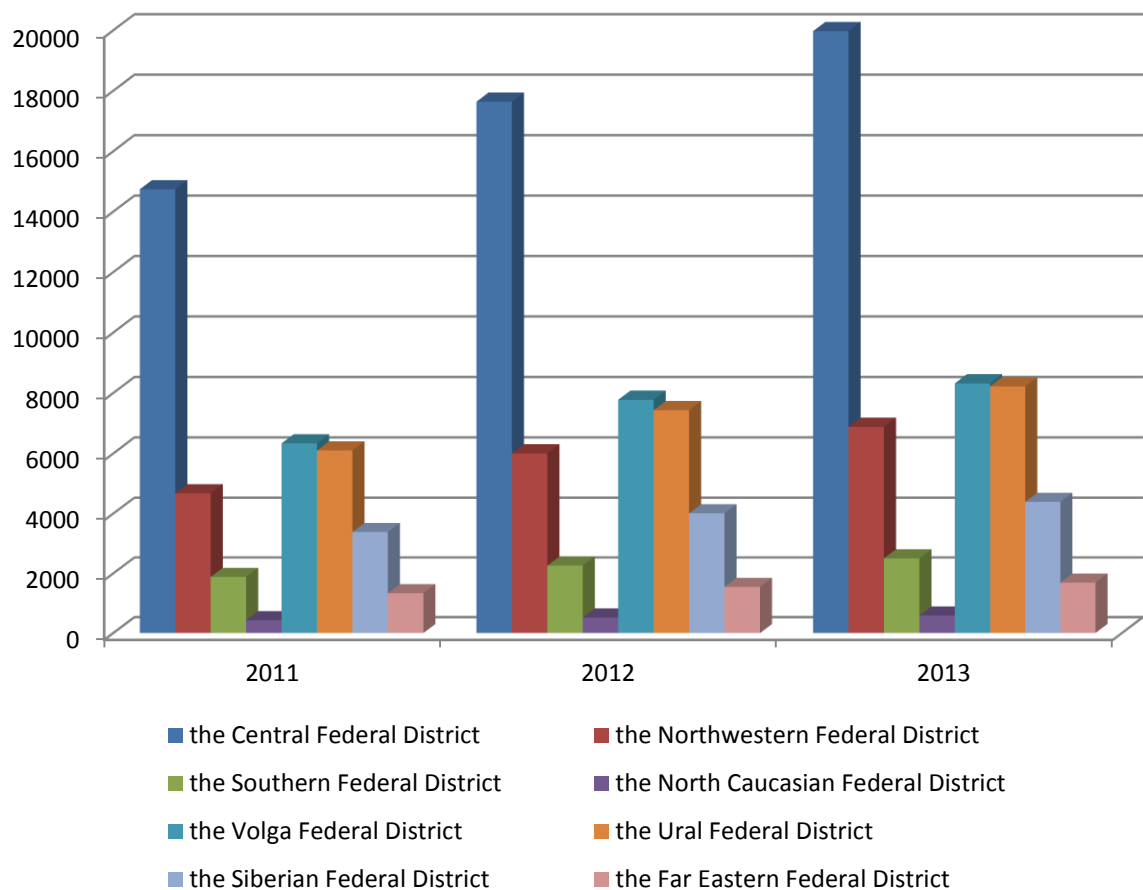
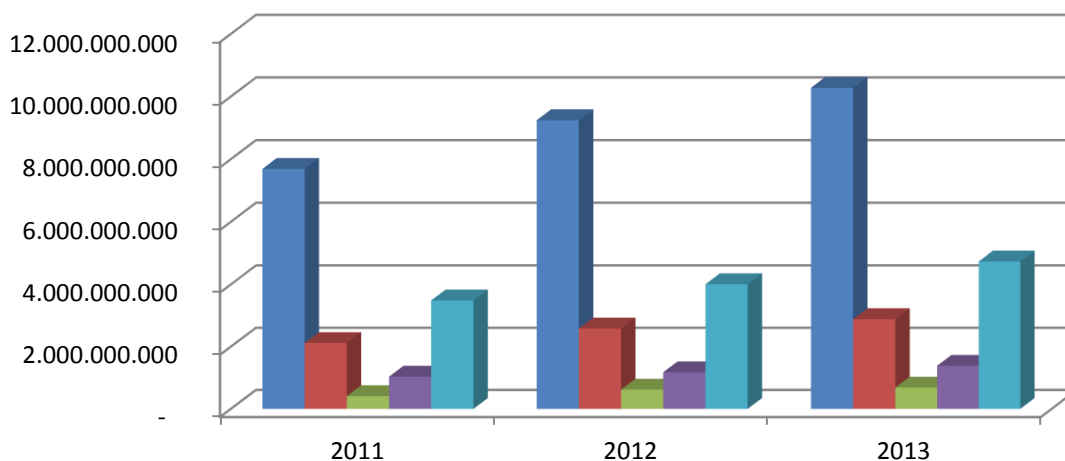


Fig. 3. Dynamics of the total costs of organizations by regions of the Russian Federation, million rub.

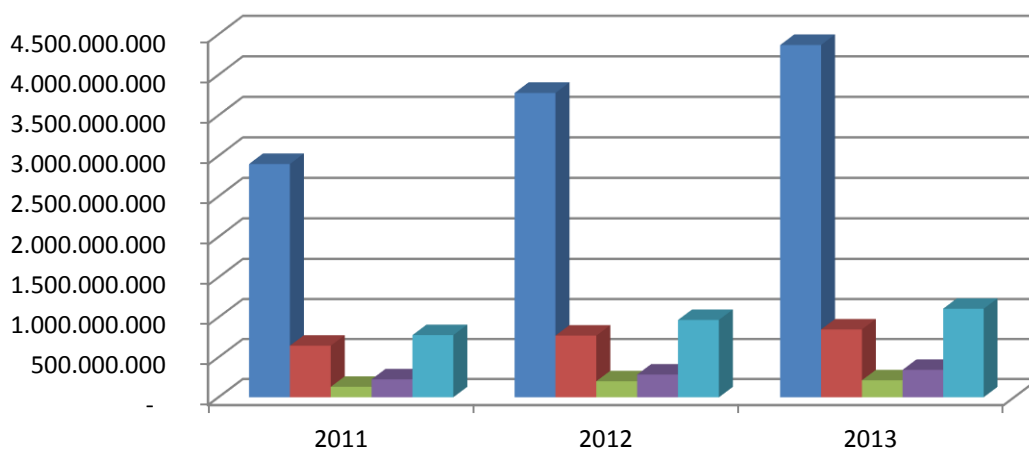
Generalization and systematization of statistical data on the costs of organizations by regions of the Russian Federation allows the conclusion that the material costs accounts for a considerable part of the expenditure on production and sales of goods.

So the average amount of material costs of organizations of the RF regions in 2011 made 2697,6 million rub., in 2012 – 3311,57 million rub., in 2013 – 3629,39 million rub. Increase in the average value of material costs during the period under review made 931.79 million rub. or 34,54%.

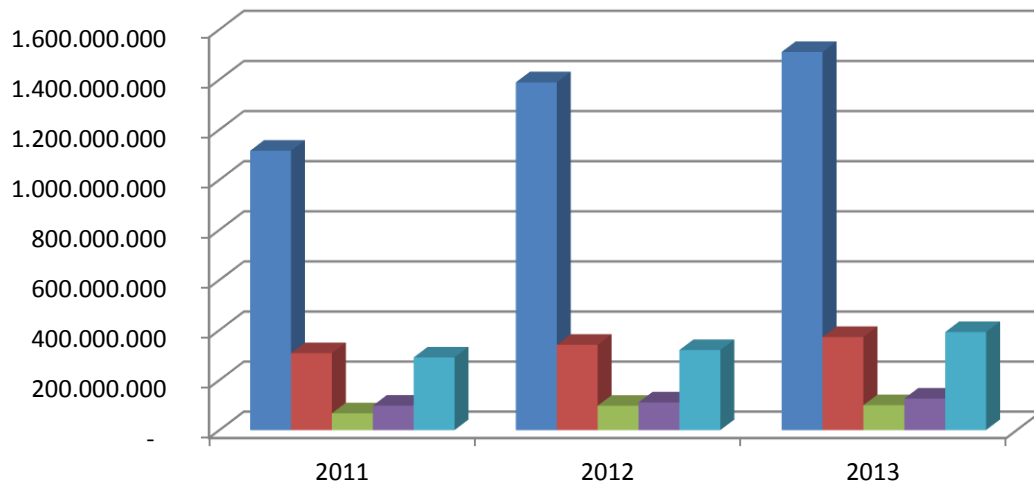
Dynamics of the total expenditure of organizations by regions of the Russian Federation in the context of economic elements is shown in Fig. 4.



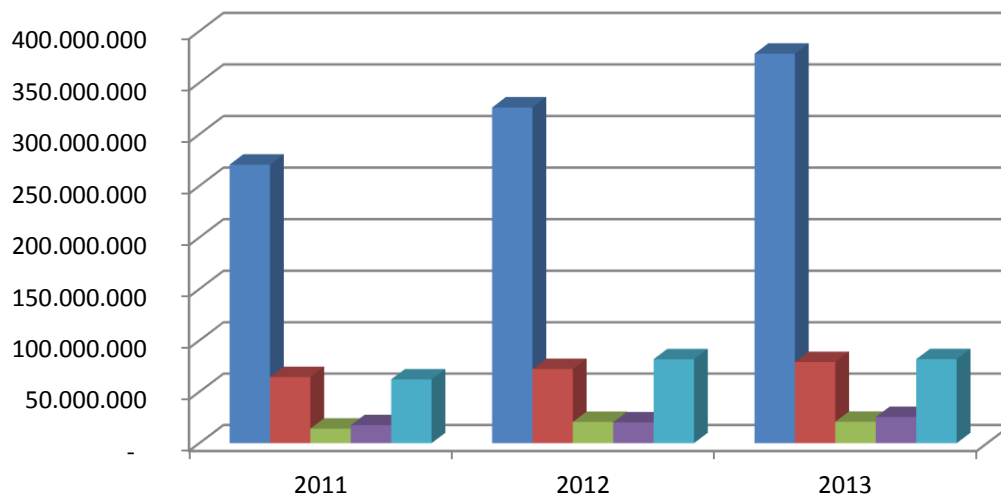
a) the Central Federal District



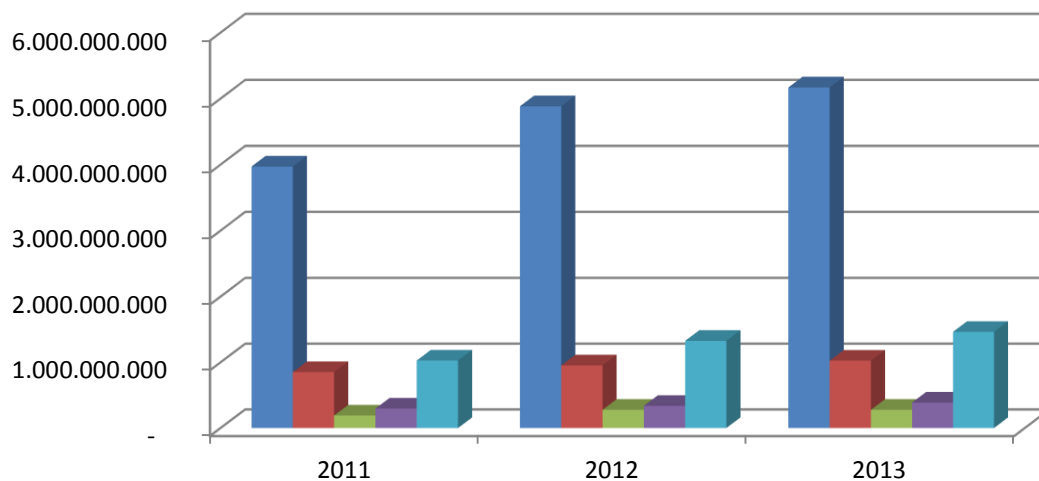
b) the Northwestern Federal District



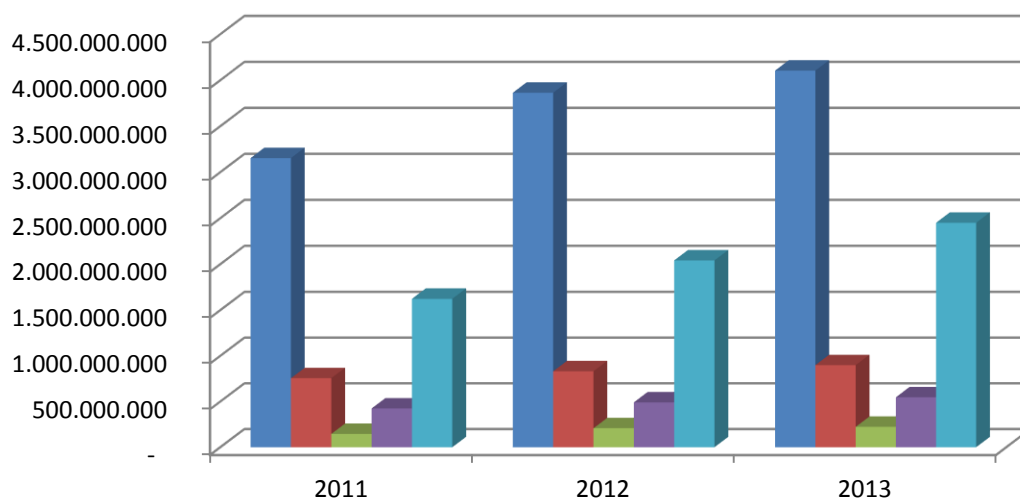
c) the Southern Federal District



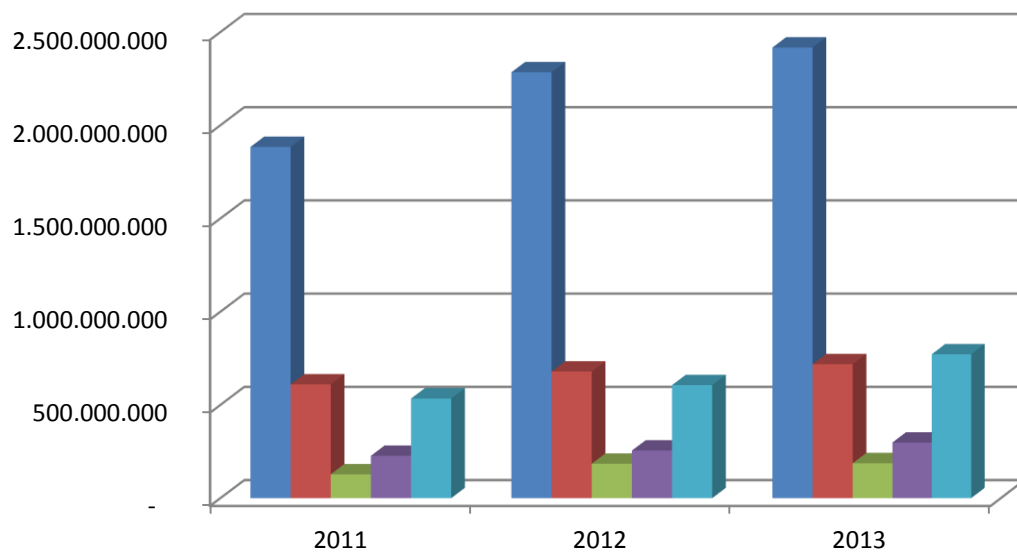
d) the North Caucasian Federal District



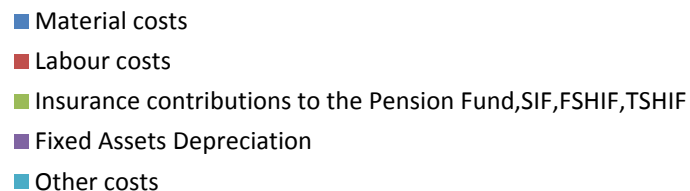
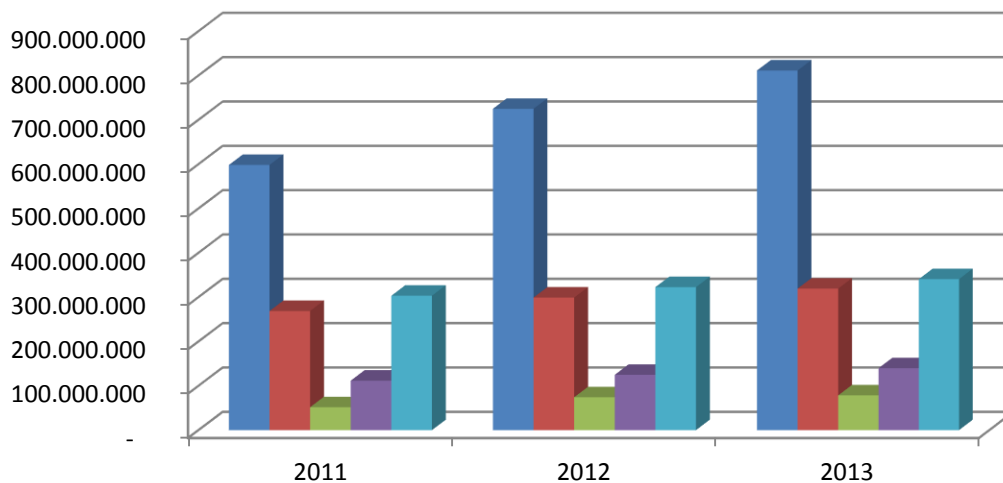
e) the Volga Federal District



f) the Ural Federal District



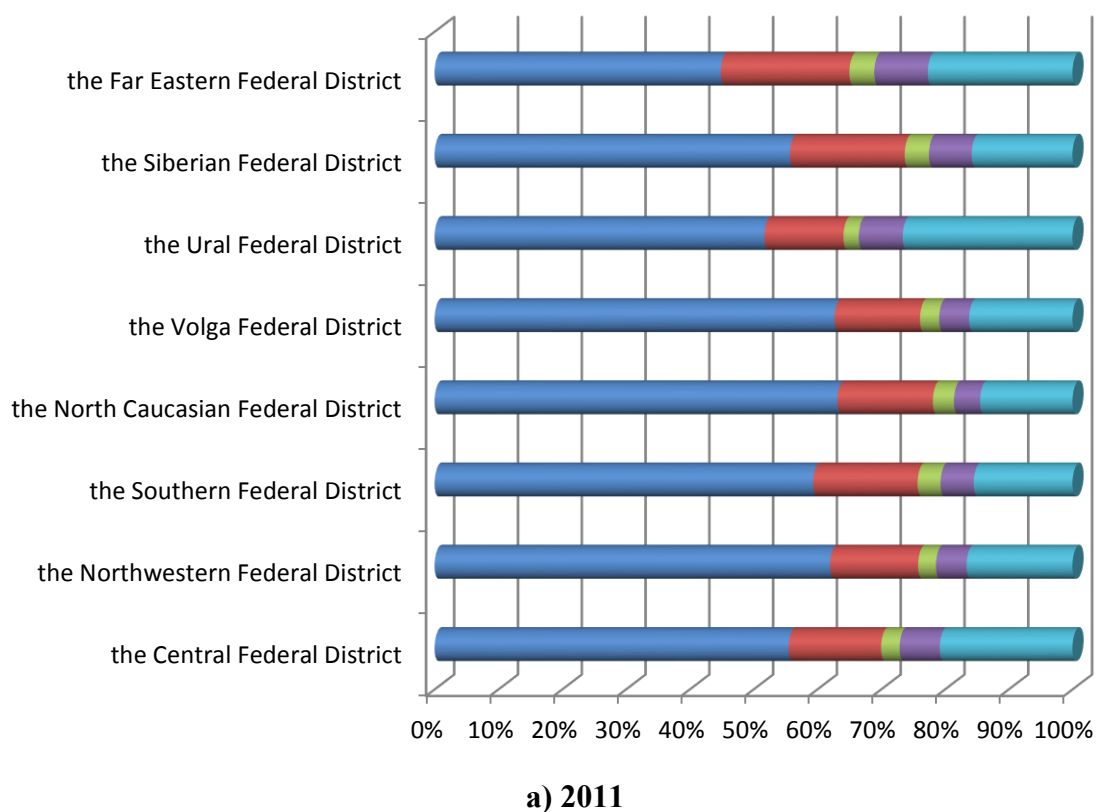
g) the Siberian Federal District

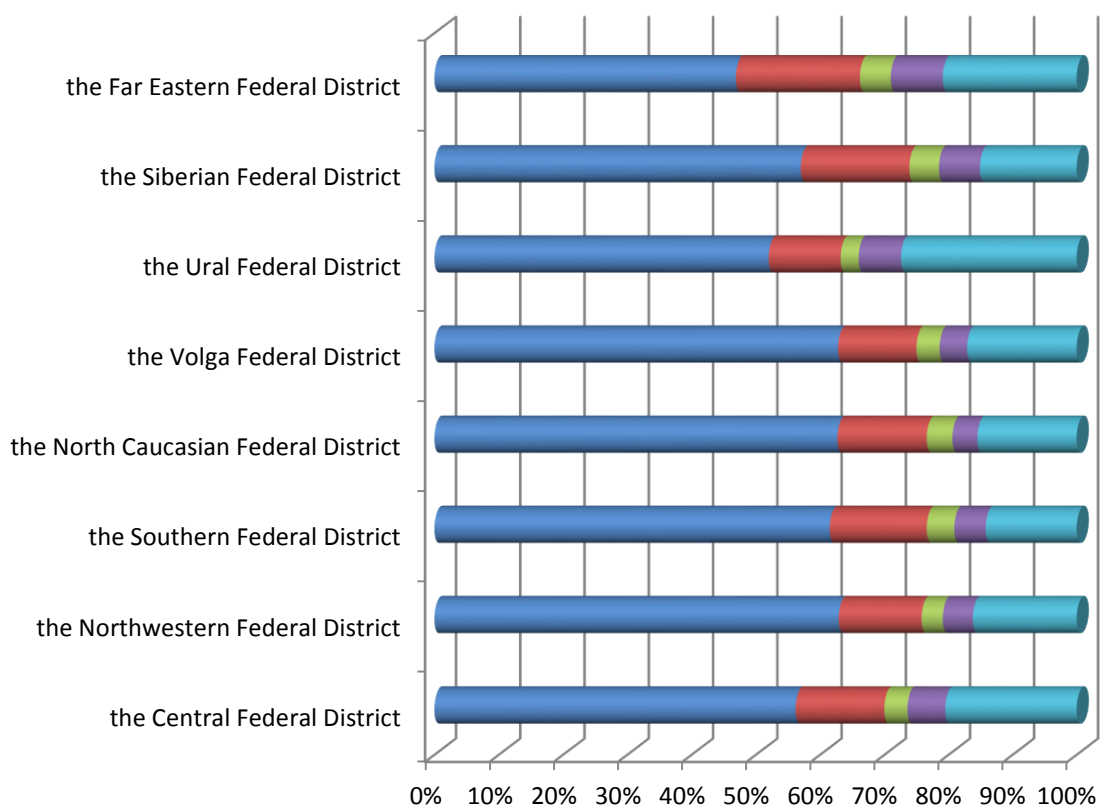


h) the Far Eastern Federal District

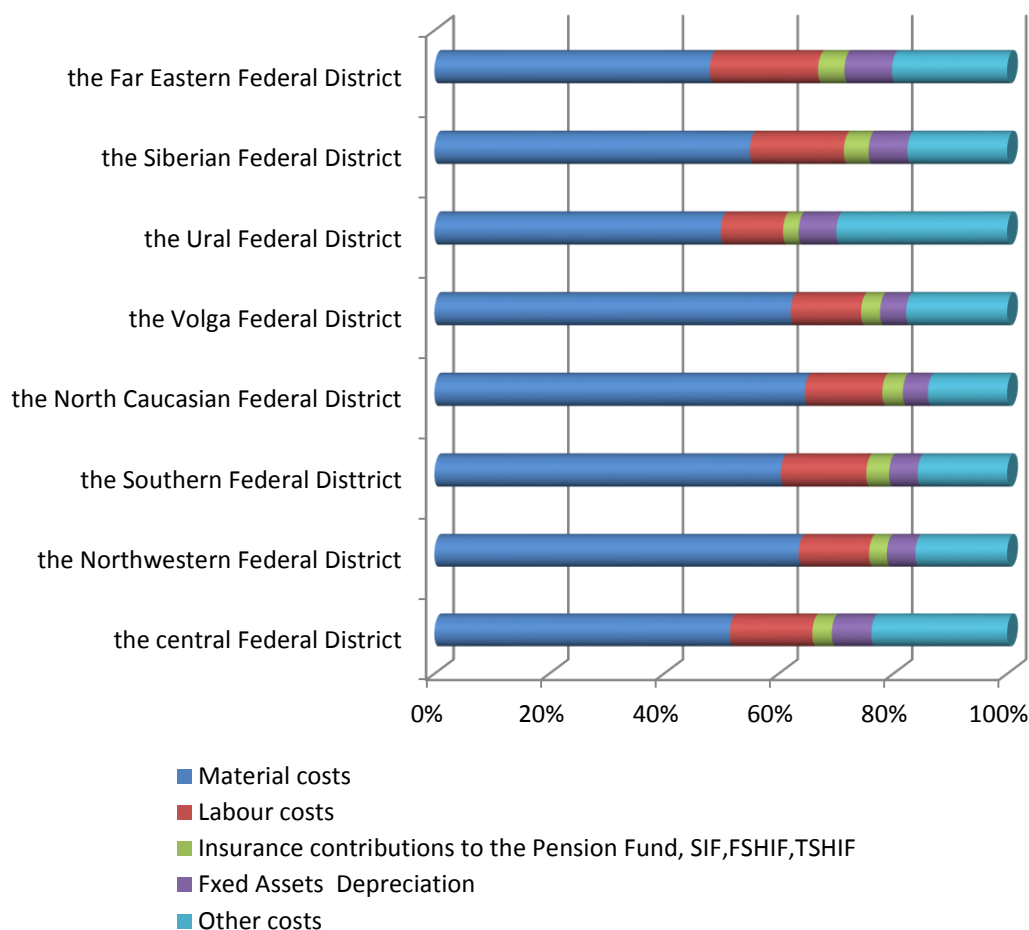
Fig. 4. Dynamics of the costs of organizations in the RF regions by economic elements, rub.

Changes in the costs structure of organizations by regions of the Russian Federation is represented in Fig. 5.





b) 2012



c) 2013

Fig. 5. The costs structure of organizations (legal entities) in the Russian Federation regions by economic elements

The analysis of the data presented in Fig. 5 shows that the proportion of material costs prevails in the total expenditures of the organizations (in 2011 this figure in Russia's regions averaged 56, 89%, in 2012 – 57,75%, and in 2013 - 56, 88%). Insurance contributions accounted for the lowest proportion during the same period: in 2011 - 3.21%, 2012 - 3.88%, 2013 - 3.63%. This allows the conclusion of a high degree of products', goods', work and services' material consumption in the RF business entities.

Thus, in 2011-2013 there was considerable increase in the organizations' costs in the Russian Federation - on the whole by 35.19% that made 13,681,980,000 rub. The largest share in the total costs of production and sales of the organizations (legal entities) in Russia is accounted for by material costs with the average figure of 55.63% for the period analyzed. Viewed from the territorial standpoint the substantial proportion of the total costs of the RF organizations is accounted for by the legal entities of the Central and Volga Federal Districts (with average for the period being 37 % and 16% respectively).

Table 1: Costs of production and sale of goods (work and services) of organizations (legal entities) by the Russian Federation regions

Regions	Costs of production and sale of goods(work and services)	from the production costs				
		Material costs	Labour costs	Insurance contribution to the Pension Fund, SIF,FSHIF, TSHIF	Fixed Assets Depreciation	Other costs
2011						
Russian Federation	38877035950	21580808399	5620530892	1136275879	2435444730	8103976051
The Central Federal District	14739661029	7690238894	2117498730	409018069,2	1036165714	3486739623
The Northwestern Federal District	4678738401	2899621389	645720811,3	130857579,3	224601109,9	777937511,1
The Southern Federal District	1878483009	1115768719	307601229,5	66970434,8	97676130,6	290466495,5
The North Caucasian Federal District	428766181	270602605,4	64359383,7	14172556,5	17535961,7	62095673,7
The Volga Federal District	6333681052	3969935269	850774692,2	189945719,4	296532707,7	1026492664
The Ural Federal District	6100071450	3152640668	755393649,2	145610602,8	423939038,3	1622487492
The Far Eastern Federal District	1333593217	598232062	268805037,2	51684985,7	111635201,9	303235930,1
2012						
Russian Federation	47182868553,8	26492775635,9	6532338498,2	1684313544,6	2801039330,0	9672401545,1
The Central Federal District	17638334255,6	9245385312,6	2585389384,3	621376757,3	1178701357,0	4007481444,4
The Northwestern Federal District	6001670804,5	3777064229,6	771742699,0	200857045,5	283968570,5	968038259,9
The Southern Federal District	2257611735,1	1388672158,4	341027294,1	97345931,5	110567958,1	319998393,0
The North Caucasian Federal District	520863505,4	325993661,8	72260688,2	20683224,6	20205281,6	81720649,2
The Volga Federal District	7775056740,1	4883303743,8	952260820,4	276851545,0	336723564,8	1325917066,1

The Ural Federal District	7433212610,9	3862953513,8	831237917,4	208167391,0	490726405,8	2040127382,9
The Siberian Federal District	4010606662,2	2284592681,1	679373903,0	184816246,8	255345794,7	606478036,6
The Far Eastern Federal District	1545512240,0	724810334,8	299045791,8	74215402,9	124800397,5	322640313,0
2013						
Russian Federation	52559013593,5	29035102810,0	7145987863,9	1786250000,5	3252914302,4	11338758616,7
The Central Federal District	19970916025,3	10277891955,6	2885409593,7	687211875,7	1387179393,2	4733223207,1
The Northwestern Federal District	6880701572,5	4368189092,6	848902527,4	212262763,1	343483820,2	1107863369,2
The Southern Federal District	2499705500,7	1509748476,3	372150671,6	99593051,1	126180966,4	392032335,3
The North Caucasian Federal District	585232911,7	378134178,6	79026245,6	20839283,5	25463767,2	81769436,8
The Volga Federal District	8319916067,8	5168764216,9	1024896901,4	277098416,2	386386291,9	1462770241,4
The Ural Federal District	8220470337,3	4104282433,2	897693607,3	223325271,3	546350208,4	2448818817,1
The Siberian Federal District	4392804075,2	2416844146,4	718592670,0	187505854,2	298197373,6	771664031,0
The Far Eastern Federal District	1689267103,0	811248310,4	319315646,9	78413485,4	139672481,5	340617178,8

Table 2: Structure of the production and sales costs by regions of the Russian Federation

Regions	Costs of production and sale of goods(work and services)	from the production costs				
		Material costs	Labour costs	Insurance contribution to the Pension Fund, SIF,FSHIF, TSHIF	Fixed Assets Depreciation	Other costs
2011						
Russian Federation	100	55,5	14,5	2,9	6,3	20,8
The Central Federal District	100	52,2	14,4	2,8	7	23,7
The Northwestern Federal District	100	62	13,8	2,8	4,8	16,6
The Southern Federal District	100	59,4	16,4	3,6	5,2	15,5
The North Caucasian Federal District	100	63,2	15	3,3	4,1	14,5
The Volga Federal District	100	62,7	13,4	3	4,7	16,2
The Ural Federal District	100	51,7	12,4	2,4	6,9	26,6
The Siberian Federal District	100	55,7	18	3,8	6,7	15,8
The Far Eastern Federal District	100	44,9	20,2	3,9	8,4	22,7
2012						
Russian Federation	100	56,2	13,8	3,6	5,9	20,5
The Central Federal District	100	52,4	14,7	3,5	6,7	22,7
The Northwestern Federal District	100	62,9	12,9	3,3	4,7	16,2
The Southern Federal District	100	61,5	15,1	4,3	4,9	14,2
The North Caucasian Federal District	100	62,7	13,9	4,0	3,9	15,5
The Volga Federal District	100	62,8	12,2	3,6	4,3	17,1
The Ural Federal District	100	52,0	11,2	2,8	6,6	27,4
The Siberian Federal District	100	57,0	16,9	4,6	6,4	15,1
The Far Eastern Federal District	100	46,9	19,3	4,8	8,1	20,9
2013						
Russian Federation	100	55,2	13,6	3,4	6,2	21,6
The Central Federal District	100	51,5	14,4	3,4	6,9	23,8

The Northwestern Federal District	100	63,5	12,3	3,1	5,0	16,1
The Southern Federal District	100	60,4	14,9	4,0	5,0	15,7
The North Caucasian Federal District	100	64,6	13,5	3,6	4,4	13,9
The Volga Federal District	100	62,1	12,3	3,3	4,6	17,7
The Ural Federal District	100	49,9	10,9	2,7	6,6	29,9
The Siberian Federal District	100	55,0	16,4	4,3	6,8	17,5
The Far Eastern Federal District	100	48,0	18,9	4,6	8,3	20,2

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Basic information and more about the European Union

The 2014 EP elections but also other elections across the EU MSs show rise of a large number of Eurosceptic, anti-European and populist parties. Yet, observing what the EU has grown into over the last fifty years, many conclude that the success of these parties is of negligible influence, and they are hardly potent to shake or bring an EU-level change, this owing to the Union's incremental development, heterogeneous structures, and systematized infrastructures. Furthermore, the Union has a solid historical, cultural, philosophical and ideological background. Moreover, today the Union is one of the world's most complex political, economic and social settings.

To learn but also enlarge your knowledge and information on the EU, its integration history, politics as well as policies, to find research and fact based pro and con arguments for the EU the books reviewed below are offered.

John McCormick: Why Europe Matters: The Case for the European Union

Palgrave Macmillan; Hampshire; England, 2013, 216 pages, £14.99, ISBN-978-1137016874

The book "Why Europe Matters: The Case for the European Union", is written by John McCormick who is Jean Monnet Chair of European Union Politics at Indiana University Purdue University Indianapolis (IUPUI), and was department chair from 2001 until 2008. In his book, on one hand he seeks to identify the main causes for euroscepticism, on the other hand he attempts to present the accomplishments the EU has achieved, so far.

As one distraction for the European integration debates, McCormick indicates the unawareness of as well as the ignorant attitude of the general Europeans towards the EU politics, its institutions, policy-makings, as well as, EU integration purposes, taken as a the whole. Another distractive aspect in the process McCormick sees in the disagreements over what the EU is and/or what it wants to be. The third reason he considers to be the problem is that while the eurosceptics have been over active in voicing their approaches and attitudes, the Europhiles have not sufficiently spoken up.

Against this background, the study presents the integration purposes, its benefits, the way it has improved everyday life and beyond. It shows that the European integration has created a "new way

of doing political, economic and social business that is more peaceful and productive than anything its member states could achieve in isolation, and that it has welcome implications not just for Europe but for the rest of the world”. Thus, the book is a good starting point for those who seek pro-integration arguments, yet it is quite general and leaves the challenges the EU faces and the problems it has mostly unaddressed, opening a door for further research to fulfill the gap.

Stephan Keukeleire, Tom Delreux: The Foreign Policy of the European Union

Palgrave Macmillan; Hampshire; England, 2014, 390 pages, £29.99, ISBN- 978-1137025746

The book “The Foreign Policy of the European Union” is written by two prominent scholars - Stephan Keukeleire, Jean Monnet Professor at Leuven International and European Studies (LINES) of the University of Leuven, Director of its 'Master in European Studies: Transnational and Global Perspectives', and Visiting Professor at the College of Europe, Bruges, Belgium, and by Tom Delreux, Professor of EU Politics at the Institut de sciences politiques Louvain-Europe (ISPOLE) of the University of Louvain (Louvain-la-Neuve), Belgium.

It provides an up-to-date and comprehensive look at the EU foreign policy, by presenting its history, development, actors, institutions, infrastructures, policy-making structures, scope of competence, cooperation ranges as well as challenges and limits. As such, the book seeks to go beyond the mere analysis of the Union’s foreign policy, revealing the leverage, influence and position it has both for its MSs and worldwide. Moreover, it aims to show that the Union’s foreign policy has acquired the dimension of forming, modifying and also improving the international and regional structures, arrangements and processes.

In the first section of the book, from chapter 1 to 6, the book provides an overview of the European integration, the Union’s foreign policy development from the end of the Second World War to the present day. Afterwards, it presents and evaluates the key actors, engaged in the EU foreign policy – European Council, the Council, their representatives, the Commission, the High Representative, EU’s diplomatic service, the European Parliament, the Court of Justice of the EU, as well as other players. The study proceeds, analyzing the policy- and strategy-making processes and procedures between the different bodies of the Union. The value of the book is also in the fact that it not only present the formal, institutional framework that exist on paper but also discusses the divergences that come forward in practice. The approach is authentic as it facilitates understanding “the nature, opportunities and constraints of the EU foreign policy as well as the complex web of intra-institutional, inter-institutional and interstate interaction and bargaining that it involves”. Subsequently, the study discusses the EU MSs’ foreign policy nature, their policy-makings, its relationship with the EU level and the impact on the EU.

In the second section of the book, from chapter 6 to 9, the key issues in the EU foreign policy are under discourse: human right, democracy, rule of law, conflict prevention, crisis management and peace building, non-proliferation of arms export, fight against terrorism, CFSP; CSDP, trade, development as well as internal policies that have also external dimension, such as energy policy, environmental policy, freedom, justice and home affairs.

In the next subdivision the study presents three types of inter-regional cooperation frameworks, the EU is practicing: 1) with potential member states (Western Balkan countries but, also, Turkey) and with neighbourhood countries via the European Neighbourhood Policy, 2) with major powers – USA; Russia, China, as well as with emerging powers and strategic partners, such as Canada, Japan, India, South Africa, Brazil, Mexico and South Korea 3) with multilateral organizations, i.e. UN, International financial institutions, G7/8 and G/20. Chapter 14 concludes the book, connecting the arguments of the book with the European integration theories.

With its well-researched theoretical and empirical context, the study provides an in-depth introduction and analysis of the EU foreign policies. Hence, with its logical and systemized structure, the book can be a wonderful attainment for those who are interested in the EU external relations. Yet, the authors also aim to discuss the EU external policy from the fame of the “structural foreign policy”, which as they define, is a “vehicle for understanding how foreign policy seeks to shape and influence structures and long-term processes”. However, regarding this aspect, the book is less successful. While it indeed discusses the debates between Atlanticists and Europeanists, disagreements concerning civilian and military power, speculations concerning intergovernmentalism and supranationalism, as well as prospects of the Union’s external and internal, the study is less scrutinized and structured and lacks specifications in its assessments and reappraisals as well as ultimate findings.

Ofelya Sargsyan

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