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EUROPEAN UNION LAW COMPLIANCE TRENDS: A CASE STUDY OF THE VISEGRAD GROUP¹

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Abstract: The paper explores EU law compliance and the handling of infringement cases, focusing on the Visegrad Group (V4) countries. It aims to map the current state of EU law implementation in the V4 countries, examine problematic policy areas, and critical challenges these countries face in EU law application. The author asks whether there are currently significant differences between the V4 countries in how governments approach the implementation of EU law from the perspective of their infringement and transposition records. The study concludes that existing disparities among the V4 countries underscore the dynamic relationship between infringement records and their specific stances in these areas of European integration, highlighting how member states perform differently and approach the implementation of EU law in individual policy areas.

Keywords: European Union, Visegrad group, European Union law, infringement procedure, differentiated integration

JEL: K32, K42, F53

Introduction

European Union law does apply uniformly throughout the European Union (EU). Article 17 of the Treaty on European Union states that the European Commission (EC) has the task of enforcing EU law, by monitoring the application of EU primary and secondary law and ensuring its uniform application throughout the EU.² However, the experience is very heterogeneous and, in reality, we encounter very differentiated approaches to the application of EU law across its member states. Often, discussions revolve around how to reconcile national law, which is based on the pre-emption of the Constitution, with the direct application and priority of European Union law. The goal is to ensure a harmonious functioning of both systems.

The European Union uses two primary approaches to manage the uneven application of EU law: differentiated integration (DI) and infringement procedure. DI enables to opt out of certain EU policies, while other countries may opt to engage and adopt them. If at least one member state opts out of an integrated policy, “internal differentiation” occurs, while “external differentiation” happens when “outsiders” (one or more non-EU member states) “opts in”.³ Additionally, the EU also showcases “vertical differentiation” where EU policies are variously centralized, ranging from exclusive EU competencies exercised by supranational bodies to exclusively national competencies that are inter-governmentally coordinated at the EU level. The EU’s “system of differentiated integration” is noteworthy as it merges both vertical and

¹ This work was supported by the Slovak Research and Development Agency under Grant “Slovakia in European Differentiated Governance Regime” APVV-21-0237 (SKEUDIFGOVRE).

² Enforcement of EU law. EUR-Lex - Community_Law_Application (2023).

³ LEUFFEN D. – RITTBERGER B. – SCHIMMELFENNIG F. (2013): Differentiated Integration. Explaining Variation in the European Union. Basingstoke: Palgrave Macmillan, p. 18.

horizontal differentiation.⁴ In case an EU member state fails to comply with EU law, each infringement procedure consists of administrative and judicial phase. However, member states are often reluctant to take each other to court and prefer to leave enforcement to the EC as the “guardian of the EU treaties”. If a member state violates EU rules, the Commission has the authority to send a “letter of formal notice” and give them a chance to respond. If the violation continues, the Commission will issue a “reasoned opinion” to the member state, setting a deadline for them to comply with EU law. In case the member state fails to comply within the set deadline, the Commission can take the case to the Court of Justice of the European Union. If a member state does not comply with a CJEU judgment, the court may impose a lump sum or penalty payment to ensure compliance. Both may be imposed simultaneously.⁵

Compliance with EU law is a core principle of EU membership. All member states are expected to comply with EU regulations and directives uniformly. Consequently, the uniform application of the EU law should lead to the consolidation of a unique and independent European political model. However, the EU is a complex entity that comprises diverse countries with unique cultures, political structures, and methods of setting priorities and organizing their political affairs. While there are efforts to apply EU laws uniformly across member states, institutional responses differ in each country, resulting in different forms of differentiation.⁶ In the context of EU integration, differentiated integration can be observed when certain member states choose not to participate fully in specific areas of integration for various reasons. This behavior can lead to asymmetries where some member states may be more prone to infringe than others, as they have opted out of particular policies or regulations. Due to many centrifugal tendencies in the EU member states, we currently experience increasing heterogeneity among the Member States commitments vis-à-vis the EU institutions.⁷

We believe that the region of the Visegrad Group can be an excellent laboratory for investigating this phenomenon, as the political development of the Czech Republic, Hungary, Poland and Slovakia shows certain divergent movements.⁸ The compliance performance of these countries and their infringement record can illustrate the internal political dynamics within the Visegrad Four (V4) in relation to European integration. This paper aims to map the current state of EU law implementation in the V4 countries. We seek to examine problematic policy areas and key challenges these countries face in EU law application. To achieve these objectives, we use statistical data from the EC Single Market Scoreboard and the Annual Report on monitoring the application of EU law. In this paper, we are concerned with purely quantitative evaluation of the mentioned issue. Our analysis presents the most recent data available, which is reported mostly for the year 2022 or previous years and does not focus on historical data.

1 Literature review

The Visegrad Group, formed shortly after the end of the Cold War, represented an important element in the process of democratic and economic transition for these countries. It served as a platform for fostering political dialogue, promoting economic reforms, and sharing experiences in the journey towards liberal democracy and a market-oriented economy, which were fundamental aspects of their post-communist transformations.

⁴ SCHIMMELFENNIG F. – LEUFFEN D. – RITTBERGER B. (2015): The European Union as a system of differentiated integration: Interdependence, politicization and differentiation, p. 767.

⁵ FALKNER, G. (2016): Fines against member states: An effective new tool in EU infringement proceedings?, p. 40.

⁶ NAVRATIL, M. (2019): Differentiated Integration in the Defense Cooperation in Europe, p. 3.

⁷ ZIĘBA, R. (2018): The Euro-Atlantic Security System in the 21st Century. From Cooperation to Crisis, pp. 207–208.

⁸ PAKULSKI, J. (2016): Introduction, pp. 9–12.

Even though the Visegrad Group served as a valuable instrument for aligning positions in specific domains after their EU accession in 2004, it has failed to establish a cohesive stance or representation of Central European perspectives.⁹ However, there were rare moments when the V4 countries spoke with one voice. Their political representatives reached a consensus during the migration crisis of 2015–2016. They firmly opposed the mandatory quotas and the open-door policy advocated by Germany, Sweden, and the European Union.¹⁰ In this regard, despite the ongoing refusal to meet the allocated refugee admission quota, the Slovak Republic was the only V4 country that submitted a plan to the EC for future refugee reception. Therefore, Slovakia avoided an infringement procedure, unlike the Czech Republic, Hungary, and Poland.¹¹

At the same time, the V4 countries have differing views on issues affecting the EU's functioning, pursuing different policies on various issues.¹² The relationships within the Visegrad Group have shifted due to internal divisions over the EU's future, with Poland and Hungary taking a conservative and sovereigntist stance, while the Czech and Slovak governments have remained more pragmatic.¹³ The Russian invasion of Ukraine further deepened the apparent differences between the individual V4 countries. The responses of the V4 countries towards Ukraine and their positions have resulted in a fragmented group with inconsistent policies.¹⁴

Despite expectations that EU enlargement in 2004 would lead to a decline in compliance with EU law, data on infringements of EU law indicate that the eight post-communist countries (EU8) had better compliance records during their first four years of membership than the original EU15 countries.¹⁵ Enlargement in the European Union has not resulted in a decline in compliance with EU law, with new member states generally complying better than old member states, except for the Southern enlargement in the 1980s. The good performance of post-communist Central and Eastern European (CEE) new member states after the Eastern enlargement in the 2000s can be attributed to the use of pre-accession conditionality.¹⁶ Also other academic studies on europeanization after the EU's eastward enlargement suggests that implementation and application of EU law in CEE are not problematic and that these countries have shown consistent compliance with EU rules in competition and cohesion policies.¹⁷

Earlier research indicates that the infringement proceedings that are officially reported only represent suspected cases of non-compliance, which is just a "tip of the iceberg" of overall non-compliance.¹⁸ Some experts highlight that the impressive performance of CEE countries is

⁹ TÖRÖ, C. – BUTLER, E. – GRÚBER, K. (2014): *Visegrád: The Evolving Pattern of Coordination and Partnership After EU Enlargement*, p. 390.

¹⁰ CSANYI, P. – KUCHARCIK, R. (2022): *Central European Leaders' Attitude Towards the Migration and the Migration Crisis*, p. 22.

¹¹ KAJÁNEK, T. (2022): *The Migration Strategies and Positions on the EU Migration and Asylum Agenda: Evidence from the Visegrad Group Countries*, p. 208.

¹² GLIED, V. – ZAMEČKI, L. (2021): *Together, but Still Separated? Migration Policy in the V4 countries*, p. 282.

¹³ NIČ, M. (2016): *The Visegrád Group in the EU: 2016 as a turning-point?*, p. 281.

¹⁴ MESEŽNIKOV, G. (2022): *Stance of the V4 countries towards Russian military aggression against Ukraine*.

¹⁵ SEDELMEIER, U. (2008): *After conditionality: post-accession compliance with EU law in East Central Europe*, p. 822.

¹⁶ BÖRZEL, T. A. – SEDELMEIER, U. (2017): *Larger and more law abiding? The impact of enlargement on compliance in the European Union*, pp. 211–212.

¹⁷ LINDSTROM, N. (2021): *Aiding the State: Administrative Capacity and Creative Compliance with European State Aid Rules in New Member States*; VUKOV, V. (2020): *More Catholic than the Pope? Europeanisation, Industrial Policy and Transnationalised Capitalism in Eastern Europe*; BACHTLER, J. – MENDEZ, C. – ORAŽE, H. (2014): *From Conditionality to Europeanization in Central and Eastern Europe: Administrative Performance and Capacity in Cohesion Policy*; TOSHKOV, D. (2012): *Compliance with EU Law in Central and Eastern Europe*.

¹⁸ HARTLAPP, M. – FALKNER, G. (2009): *Problems of operationalisation and data in EU compliance research*, p. 292.

accompanied by a “systematic non-compliance during the enforcement and application stages”.¹⁹ This results to a number of shortcomings in national judicial and enforcement systems, including the weakness of civil society organizations, and insufficient administrative capacity.

We noticed that, except for older publications, no literature compares the compliance performance of the V4 countries. However, we present several essential outputs devoted to EU law implementation in individual countries of the Visegrad Group.

While the Czech Republic, Hungary and Slovakia have had a good track record of transposing EU law into domestic law, Falkner has identified multiple obstacles that hinder the effective implementation of these legal provisions. These issues include the lack of adequate public resources and weak state institutions. Additionally, Falkner notes the presence of politicized decision-making processes and pick-and-choose tendencies towards the transposition of EU law into domestic law.²⁰

Bonelli investigated the potential of infringement procedure under Article 258 of the Treaty on the Functioning of the European Union (TFEU) as a tool to protect the EU founding values affirmed by Article 2 of the Treaty on European Union (TEU) in the case of Hungary and Poland. Even though Article 258 is not entirely toothless and can bring significant results, experience shows that any infringement action, however, framed, will never be able to address the root causes of constitutional backsliding in a top-down manner.²¹ Scheppele comes to similar conclusions. She cites the case of Hungary and points out that ordinary infringements are often too narrow to address the structural problems posed by persistently noncompliant states, particularly when a member state threatens the EU’s fundamental principles of democracy, the rule of law, and the protection of human rights, or consistently undermines the enforcement of EU law within its jurisdiction.²² Scheppele argues in favour of a systemic infringement procedure “bundling together a set of violations to capture a whole concerning practice and not just a component part of that practice”.²³

Several V4 countries have been struggling with the implementation EU environmental policy since accession, as evidenced by the growing number of infringement cases in this area. Moreover, these obstacles include delays in transposing, incorrect application of EU laws, and inadequate administrative capacity. In Czech Republic, apart from insufficient administrative capacity, lobbying efforts from affected economic interests and the ideological views of key political actors have also contributed to these problems. Additionally, the implementation of EU environmental regulations has been hindered by conflicts with national economic and infrastructure development plans.²⁴

Bíró-Nagy and Laki observed the trends regarding post-accession compliance performance in Hungary. Between 2004 and 2010, there were more infringement proceedings initiated against Hungarian governments committed to European integration than after 2010. This trend persisted regardless of whether the government was socialist-liberal or led by Orbán. While the right-wing government engaged in public battles with Brussels, the number of infringements referred to the Court stayed constant. The period of the third Orbán government, from 2014 to 2018, saw the highest proportion of proceedings before the Court. Economic

¹⁹ FALKNER, G. - TREIB, O. (2008): Three Worlds of Compliance or Four? The EU-15 Compared to New Member States, p. 308.

²⁰ FALKNER, G. (2010): Institutional Performance and Compliance with EU Law: Czech Republic, Hungary, Slovakia and Slovenia, p. 114.

²¹ BONELLI, M. (2022): Infringement Actions 2.0: How to Protect EU Values before the Court of Justice. p. 49.

²² SCHEPPELE, K. L. (2016): Enforcing the Basic Principles of EU Law through Systemic Infringement Actions, p. 109.

²³ *Ibid.*, p. 112.

²⁴ BAUN, M. – MAREK, D. (2013): The Implementation of EU Environmental Policy in the Czech Republic: Problems with Post-Accession Compliance?, p. 1893.

issues dominated cases under left-wing governments, while under right-wing governments, issues of justice and fundamental rights prevailed.²⁵

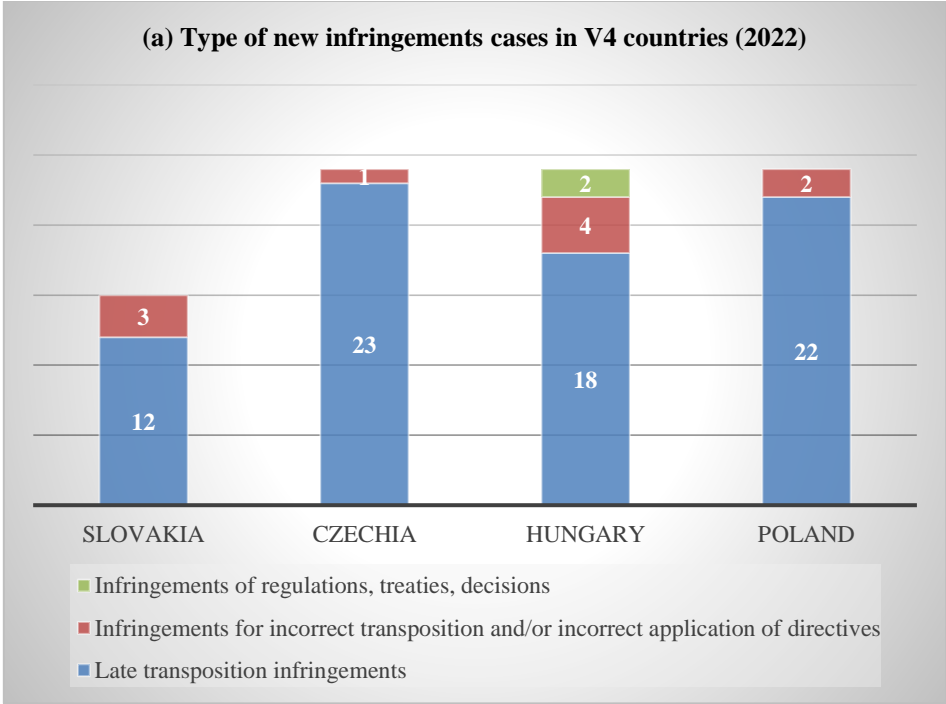
Based on the theoretic and empirical findings presented above, the present paper aims to respond to the following research question: Are there currently significant differences between the V4 countries in how countries approach the implementation of EU law from the perspective of their infringement and transposition records?

2 Results

Every year, the EC releases a report that examines how EU law has been applied by member states and the Commission’s efforts to enforce it in the previous year. The report for 2022 highlights the Commission’s most significant investigations and infringement procedures under its political priorities.²⁶

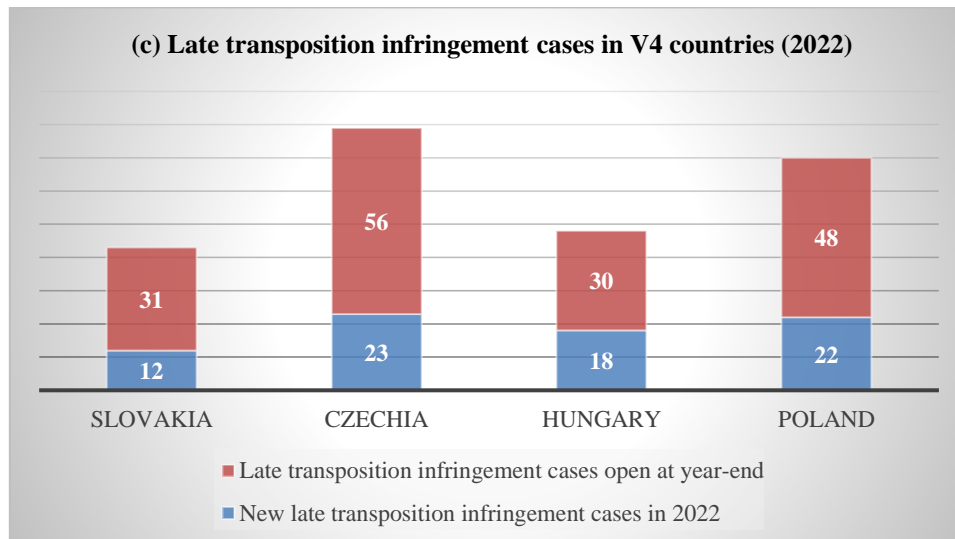
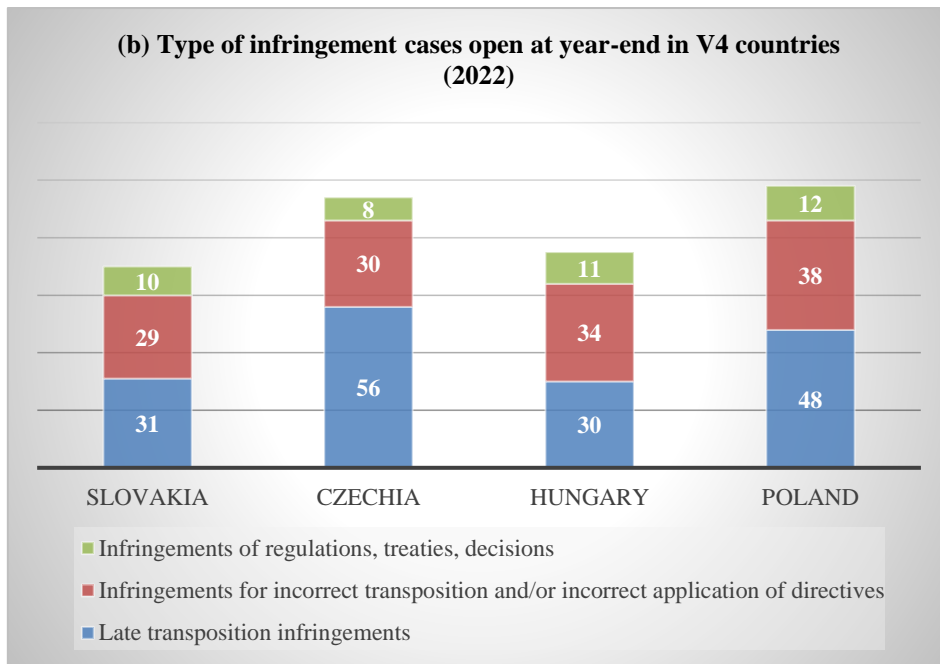
Figure 1 demonstrates that most infringement cases pertain to late transposition of directives. A relatively minor subset of cases involves incorrect application and/or transposition of directives. In contrast, the fewest number of cases fall within the category of infringements of regulations, treaties, and decisions. However, the results vary significantly between the individual V4 countries. In 2022, Slovakia had the best score among the Visegrad Four (V4) countries, with 15 new cases of infringements. The other three countries had roughly an identical number of new open infringements, each having 24 cases. Slovakia also had the least number of open infringement cases among all V4 countries at the end of 2022, totaling 70 cases. On the other hand, Poland had the highest number of open cases with 98, followed by the Czech Republic with 94 and Hungary with 75. Regarding late transposition, the best performers are Slovakia and Hungary again, with the fewest cases.

Figure 1: (a) Type of new infringements cases in V4 countries, (b) Type of infringement cases open at year-end in V4 countries, (c) Late transposition infringement cases in V4 countries. Data available for 2022.



²⁵ BÍRÓ-NAGY, A. – LAKI, G. (2022): Europeanization of Public Policy in Hungary: An Empirical Research, p. 122.

²⁶ EUROPEAN COMMISSION (2023): 2022 Annual Report on monitoring the application of EU law.



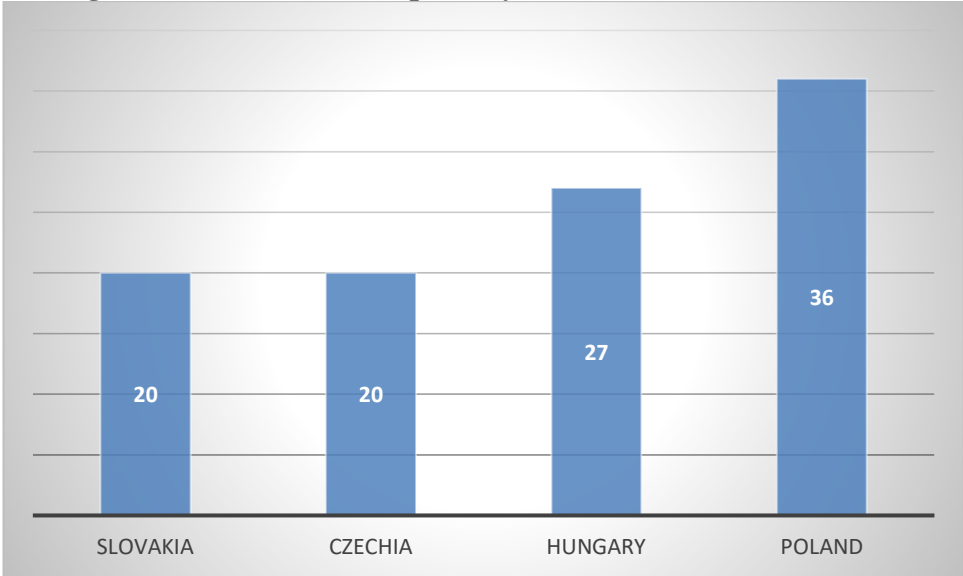
Source: Customized according to 2022 Annual Report on monitoring the application of EU law

The EU Member States are legally obliged to comply with Court judgments promptly. However, the compliance rate is only sometimes satisfactory. As of the end of 2022, there were still 84 infringement procedures under Article 258 TFEU and 16 under Article 260(2) TFEU open due to non-compliance with the CJEU rulings by Member States. Hungary had the highest number of open cases, with seven cases pending in different areas, including two in the Migration and Home Affairs sector. Poland had three open infringement cases related to environmental policies, justice, fundamental rights, citizenship, taxation, and customs union. Slovakia failed to implement the necessary measures to comply with a Court judgment in one environmental policy case.

The pre-infringement process “EU Pilot” is a tool the Commission uses where it is likely to lead to swifter compliance than a formal infringement procedure. This process is beneficial for obtaining factual and legal information required to evaluate a case. In 2022, the Commission closed 215 EU Pilot cases, with a resolution rate of 74 % without launching an infringement procedure, while 46 cases required further action through an infringement procedure. Figure 2

shows that Slovakia and the Czech Republic have consistently performed well in this category of cases. However, the Slovak Republic has achieved its highest score in open pilot cases at year-end in the last four years. The Czech Republic has maintained the same level of open pilot cases for two consecutive years. In Poland, open pilot cases have remained stable over the last three years, while in Hungary, the number of open pilot cases has been steadily increasing for the last three years, with a 68.75 % increase in 2022 compared to 2020. Notably, the low number of pilot cases handled annually in the Visegrad Group countries makes it challenging for these states to make significant progress in reducing the backlog of such cases.

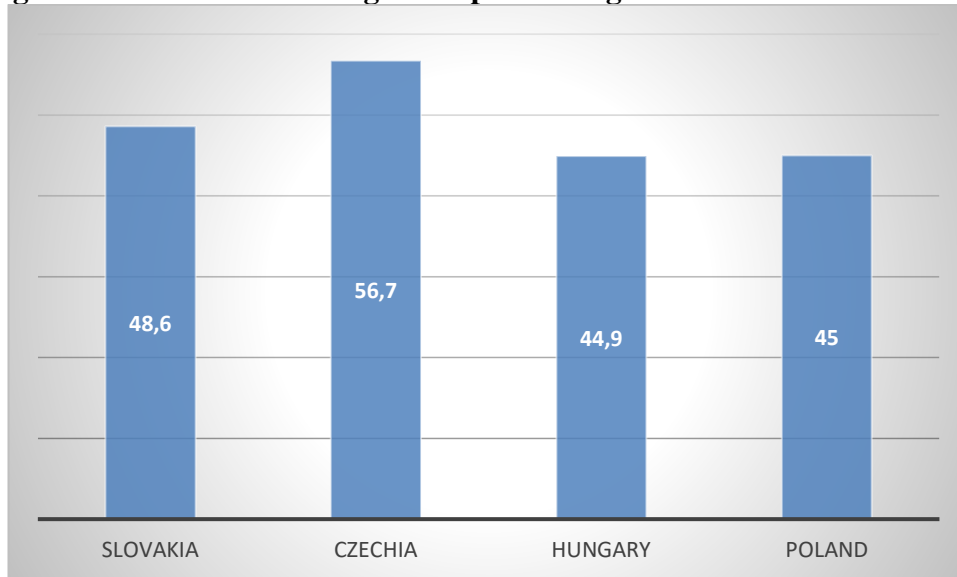
Figure 2: EU Pilot cases open at year-end 2022 in V4 countries



Source: Customized according to 2022 Annual Report on monitoring the application of EU law

One of the indicators we chose to investigate is the time perspective of EU law application in the V4 countries. We obtained this data from the EC Single Market Scoreboard. In Figure 3, we analyze the duration of infringement proceedings, which provides data on the infringement proceedings of the single market initiated by December 1, 2022. We state that these statistics do not include cases of late transposition. We examined the cases of late transposition through countries' transposition delays in Figure 4 showing the data since December 2019.

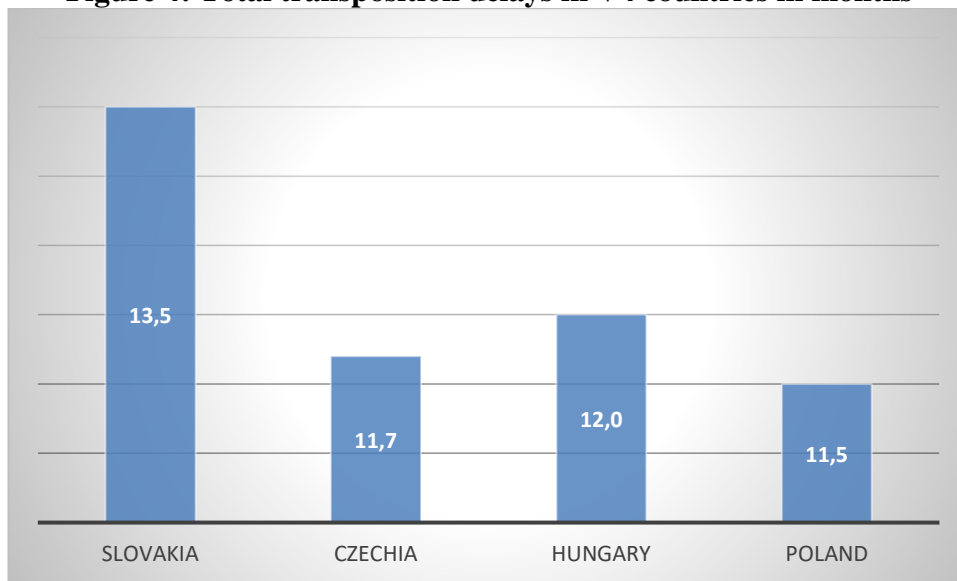
Figure 3: Duration of infringement proceedings in V4 countries in months



Note: Pending infringement cases not yet sent to the Court (i.e. at the pre-litigation stage) on 1 December 2022. Average duration is calculated in months from when the letter of formal notice is sent.

Source: Customized according to Single Market Scoreboard

Figure 4: Total transposition delays in V4 countries in months



Note: Bar gives the value in December 2022.

Source: Customized according to Single Market Scoreboard

Visegrad Group countries share a similar duration of infringement proceedings, hovering around the EU average of 47.9 months, as seen in Figure 3, except for the Czech Republic, which achieves a higher duration. Slovakia has a relatively lower number of infringement cases compared to other Visegrad Group countries but struggles with the duration of infringement proceedings and total transposition delays, as shown in Figure 4. Although Slovakia has a better record in terms of the number of infringements, their resolution and transposition into domestic law take a longer time on average. Notably, most member states have experienced an increase in transposition delays, resulting in an average delay of 12.6 months for outstanding directives, which is a significant increase from 8.6 months observed a year ago.

Our analysis revealed the policy areas in which the most infringement cases occurred between 2020 and 2022. We observed certain common features and tendencies across the Visegrad Group (Figure 5). In 2020, infringement procedures in the areas of environment, energy, health and food safety were launched more frequently across the entire V4 group compared to other monitored years. In 2022, the most challenging policy areas, in terms of the highest number of infringement cases, were environment, justice, fundamental rights and citizenship, mobility and transport. In general, the environment area was highly represented in all countries for the entire three-year period, with Slovakia facing the most problems in this area in terms of the transposition of EU law.

The latest Environmental Implementation Review report by the EC indicates that Slovakia is struggling to implement environmental policies effectively and is not performing well in the transition towards a resource-efficient economy across various environmental sectors.²⁷ The report also highlights that EU financing is supporting Slovakia in addressing the implementation gap, with a total of EUR 6.3 billion in grants earmarked for Slovakia under its Recovery and Resilience plan from 2021 to 2026 and EUR 12.3 billion under the cohesion policy from 2021 to 2027.²⁸ Czech Republic is still facing a high number of infringement cases related to environmental issues, particularly in the area of air quality and water management. Although the country has made progress in enhancing its environmental infrastructure, it needs to aim for higher levels of ambition to tackle the remaining challenges. For instance, Czechia has a low score in the water exploitation index, which shows that there is a need for improvement to reach a good water status of all water bodies.²⁹ It is important to stress out that despite recording a relatively low number of new environmental violations last year, Hungary's environmental policies have been subject to criticism due to the lack of significant progress in individual areas and several persistent gaps of serious concern. The country faces a high risk of failing to meet its post-2020 emission reduction commitments, particularly in the context of climate change. Hungary's environmental governance structure is largely decentralized, with no dedicated environment ministry, resulting in the division of responsibilities for environmental issues among three different ministries.³⁰

Mobility and transport policies are notorious for having numerous open infringement cases, not just in CEE countries. These cases are highly diverse and stem from various technical domains. Recent cases in V4 countries have involved the transposition of directives on posting drivers on the road, road infrastructure safety management, recognition of third-country certificates, and updates to certain vehicle category designations.³¹

²⁷ EUROPEAN COMMISSION (2022): Commission Staff Working Document. Environmental Implementation Review 2022: Country Report – Slovakia, p. 3.

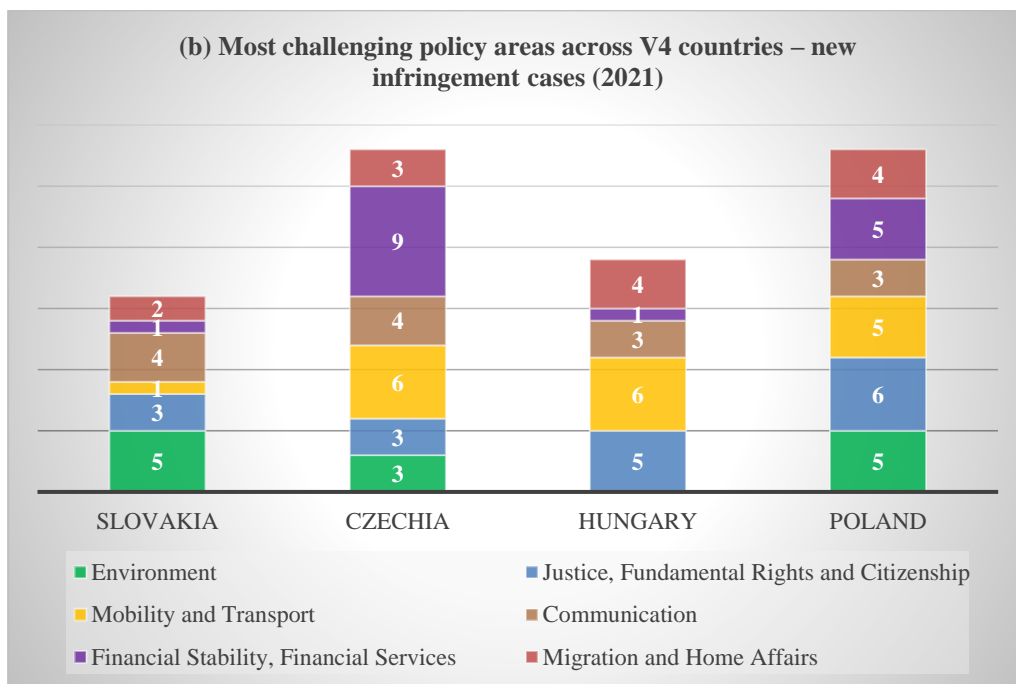
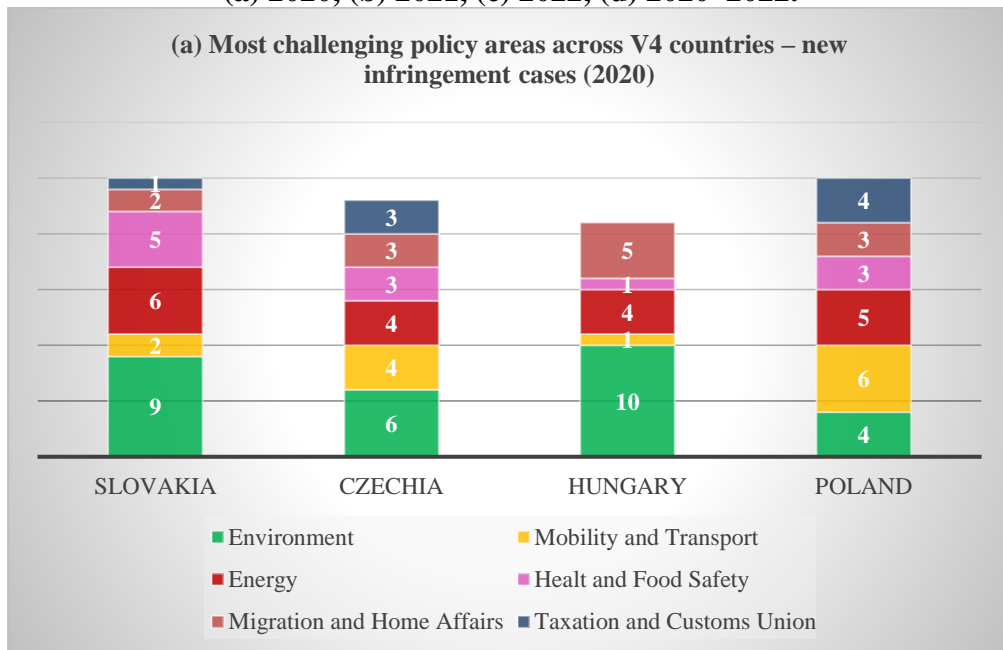
²⁸ Ibid., p. 3

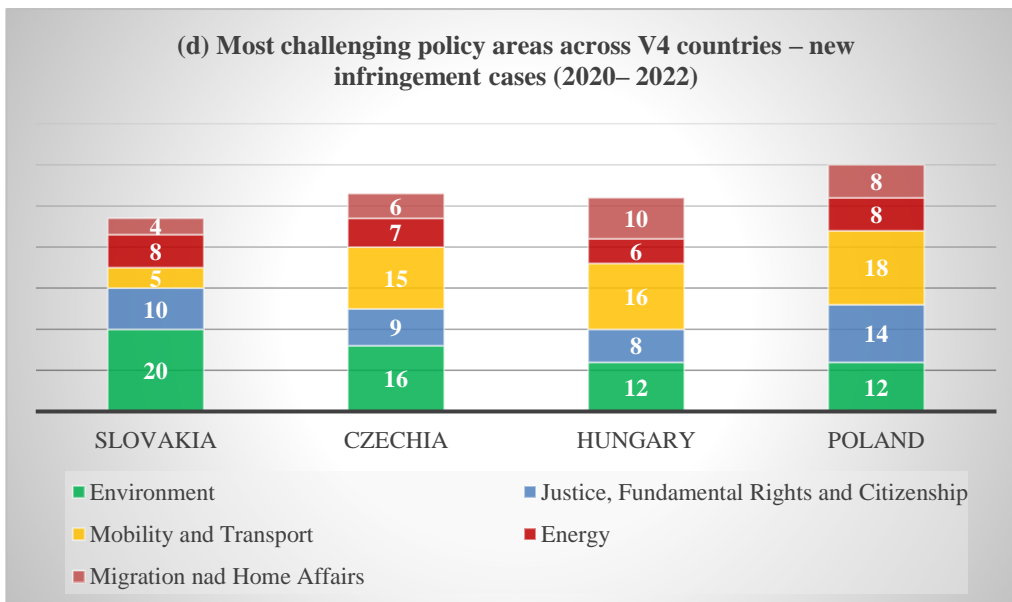
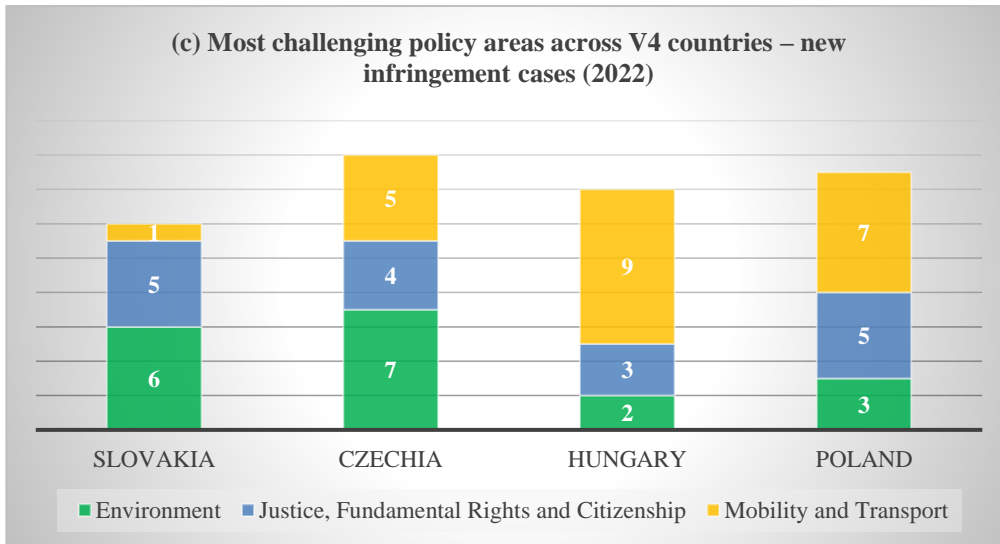
²⁹ EUROPEAN COMMISSION (2022): Commission Staff Working Document. Environmental Implementation Review 2022: Country Report – Czechia, p. 3.

³⁰ EUROPEAN COMMISSION (2022): Commission Staff Working Document. Environmental Implementation Review 2022: Country Report – Hungary, p. 3.

³¹ EUROPEAN COMMISSION (2023): Monitoring the application of European Union law 2022 Annual Report, p. 23.

Figure 5: Most challenging policy areas across V4 countries – new infringement cases in (a) 2020, (b) 2021, (c) 2022, (d) 2020–2022.





Source: Customized according to 2022 Annual Report on monitoring the application of EU law

Throughout 2022, the European Commission focused on addressing a range of rule of law concerns via infringement procedures, particularly those pertaining to judicial independence and fundamental principles of EU law. One notable example was the adoption of measures by the Council, based on a proposal from the Commission under the Conditionality Regulation, to safeguard the EU budget against violations of rule of law principles in Hungary. Additionally, the Commission referred Hungary to the Court of Justice for its discriminatory national rules concerning sexual orientation and gender identity, which were deemed to violate numerous EU regulations, including single market rules and individual fundamental rights, specifically those of LGBTIQ individuals, as well as the common values that underpin the EU. Meanwhile, the Commission pursued an infringement procedure against Poland over the Polish Constitutional Tribunal and its case law. Also, it continued to demand the payment of daily penalties in a separate case against Poland, as ordered by the Vice-President of the Court of Justice. In this particular infringement procedure, the Commission had requested urgent interim measures to safeguard the independence of Polish judges.³²

³² Ibid., pp. 27–28.

Conclusion

This paper has provided an analysis of the implementation of EU law within the Visegrad Group (V4) countries, comprising the Czech Republic, Hungary, Poland, and Slovakia. The research focused on examining their compliance with EU regulations and, most of all, directives, as well as their performance in addressing infringement cases. Several key findings have emerged from our analysis:

1. *Differentiated compliance.* The V4 countries have demonstrated varying degrees of compliance with EU law. While all EU member states are legally obligated to adhere to EU regulations uniformly, the V4 countries have exhibited differentiated approaches to implementation and transposition.

2. *Infringement cases volumes a non-compliance records.* The disparities among individual V4 countries are noteworthy. Slovakia emerges as a standout performer in 2022, boasting the lowest number of new infringement cases among all V4 nations and maintaining the fewest open cases by the end of the year. In contrast, Poland leads with the highest number of open cases, followed closely by the Czech Republic and Hungary, indicating more pronounced challenges in these countries.

3. *Duration of infringement proceedings and transposition delays.* The V4 countries generally align with the EU average in the duration of infringement proceedings. However, there are some differences among them, with Slovakia facing challenges in transposition delays and resolving cases efficiently.

4. *Permanent gaps and challenges in environmental policy.* Environmental policies have consistently posed significant challenges for each of the V4 countries, especially for Slovakia and Czechia, with frequent infringement cases related to issues such as environmental protection, air quality, water, and waste management.

Overall, the study highlights the complex landscape of EU law implementation within the V4 countries and the considerable heterogeneity in their compliance with EU directives. The differences in the types and number of infringement cases among the Visegrad Group suggest that they are not just passive recipients of EU law, but rather play an active role in the shaping of European integration. For instance, the study reveals that some V4 countries violate EU policies related to environmental protection, fundamental rights, or justice more frequently. This may be due to their specific stances in these areas of European integration. The findings also show that certain countries perform better in the pre-infringement “EU Pilot” process, indicating their proactive role in shaping their own compliance standards within the broader framework of EU law.

Our paper highlights the dynamic and multifaceted nature of EU member states’ involvement in the European integration process. The connection between infringement records and differentiated integration underscores the need for a nuanced approach to the enforcement of EU law, considering the specificities of each member state.

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THE DEATH OF ABENOMICS: JAPAN'S ROAD TO "NEW CAPITALISM"

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Abstract: For almost a decade, Japan was dominated by Abenomics, which was synonymous with the struggle against the ongoing Lost decade. Even after the departure of Prime Minister Abe, the new government led by Yoshihide Suga maintained a course of economic reforms. However, with the arrival of Prime Minister Fumio Kishida, Japan's economic policy is changing. The paper maps the actual results of Abenomics as a starting point for the new government and defines the basic pillars of the new capitalism in Japan.

Keywords: Japan, economic policy, new capitalism, Abenomics, Fumio Kishida

JEL: H10, H50

Introduction

Perhaps there is currently no economic policy that is both praised and criticised at the same time as Shinzo Abe's economic policy. In 2012, Abe introduced a series of economic measures for which the characteristic name was used - Abenomics. Abenomics aimed high - it wanted to fight the economic problems that Japan had been facing since the Lost decade. Its ambitious goals began to be fulfilled shortly after its introduction, so praise was not spared. After almost a decade, however, many assess the results of Abenomics as insufficient.

Fumio Kishida, Japan's new prime minister from the ruling Liberal Democratic Party, bids farewell for Abenomics, so it seems that there will be a departure from the neoliberal economic policies. Fumio Kishida stated that Abenomics failed to ensure broader growth and failed to create a virtuous cycle and his goal will be to reduce the gap between the poor and the rich. He based his economic plan - the path to new capitalism - on a relatively forceful statement of departure from the economic policy of his party predecessor. However, will his ambitious goals really be that different?

The aim of the paper is to evaluate the degree of fulfilment of the individual goals of Abenomics as a starting point for Kishida's new economic policy. Although Fumio Kishida does not come across as a revolutionary, he clearly dissociates himself from the idea of continuing the expansionist policy of the past decade bringing the focus on the equal distribution of income. In the paper, therefore, we are thinking about the formulation of the individual measures of the new Japanese prime minister.

1 Literature Review

The literature dealing with Fumio Kishida can be divided into two groups - economic and political. Economy researchers highlight the new program, emphasizing the solution to Japan's most serious economic problems. Political literature mainly deals with the change in the nature of foreign and security policy compared to his predecessor, Abe, but also in the context of the current global situation.

Although it still very early to evaluate Fumia Kishida, several researchers are already estimating the trajectory of his economic policy. Grigoryevich' paper examines the continuity

of Kishida's steps with the expiring Abenomics¹. Lamp and Limt² deal with the contrasts of the domestic economic plan and a more forceful foreign policy, especially a stronger defence. Katz, on the contrary, uses very strong statements about „empty words“ and promises in relation to Kishida.³ Azuma studied Kishida's speeches, from which one can read the future direction of his politics.⁴ Lee examined inequality in Japan and how new economic policies can respond to it.⁵ Rhyu⁶ emphasized the new security strategy associated with the change in the Prime Minister's chair.

2 The real achievements of Abenomics

Abenomics was introduced in 2012 after the two lost decades marked with the major slowdown in growth. It helped to accelerate the growth, even though it did not reach the set target. The policy created a favourable base for withstand the corona-crisis shock. Abenomics highly benefited large-scale companies, the profitability of these companies rose significantly. Abe succeeded in attracting foreign investors and introduced new corporate governance.

By the massive monetary easing Abe tried to push the inflation and fight the deflation spiral. Although inflation started to grow prospectively shortly after the announcement of the three arrows of Abenomics, it was more the expectations of investors and the effect of a new promising breath for the Japanese economy. However, the inflation target was not met. The unemployment rate fell from 4 % at the start of his second tenure in 2012 to just 2.4 % before the pandemic took hold. The Nikkei 225 doubled in 7-year period since 2012.

One of his key reforms, which was part of the structural package, was to attract women to the labour market. This policy was also referred to as Womenomics and was partially successful. In 2019, women occupied 3 million more positions than in 2012, but these were mainly part-time jobs, and thus gender underemployment continues to persist in Japan. Abe failed to raise wages, achieve inflation or sustainable economic growth. However, he was able to improve the profits of Japanese companies, bring new investments to Japan, and improve stock markets. In foreign policy, his priority was the Transpacific Partnership, which, however, failed to be fulfilled. Abe has not managed to eliminate the structural problems of the Japanese economy, nor has he miraculously solved the problem of an aging population by reducing the government debt. However, he revived the business quite well and brought Japan a stable position on world markets. So Kishida entered the dark post-covid times, but not with a worse starting line than Abe.

¹ GRIGORYEVICH, S.V. (2023): Fumio Kishida's First Year in PM Office: Is Abenomics to End or Stay? In *Russian Japanology review*, 2023, 1, pp. 5-26.

² LAMP, E., LIMT, W. (2022): The Kishida Administration in Japan: New Capitalism at Home, tougher Defence Posture Abroad? EAI Background Brief No. 1622. [online]. [Cit. 01.11.2023].

³ KATZ, R. (2022): The Sad Tale of Japan. In *International Economy: The Magazine of International Economic Policy*. summer 2022.

⁴ AZUMA, S. (2023): Japanese Prime Minister Fumio Kishida: Examining his Speech Style through Sociolinguistic Lens. In *Athens Journal of Mass Media and Communications* 2023, 9: pp. 1-16.

⁵ LEE, Y.J. (2021): Does Income Inequality Matter in Japan? In *Japan Decides 2021*. Palgrave Macmillan, Cham.

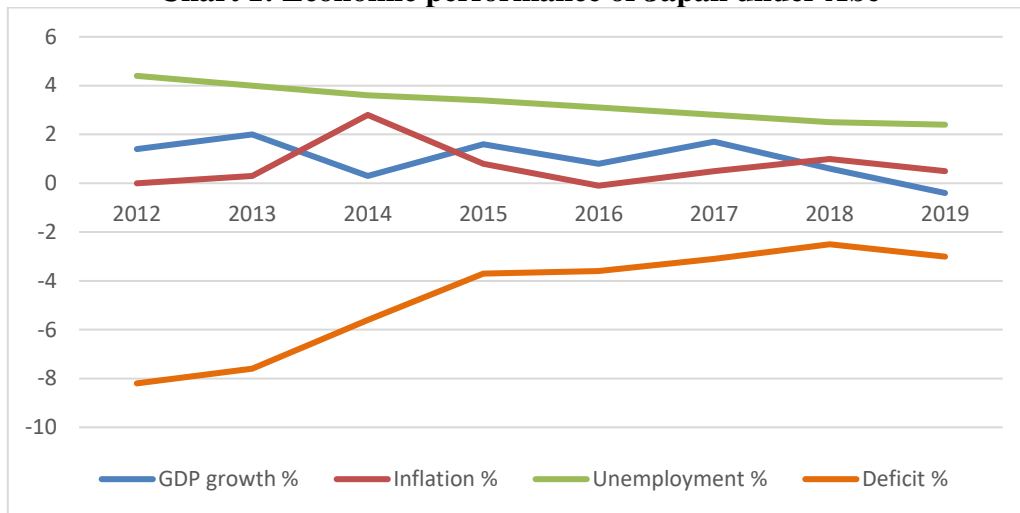
⁶ RHYU, S.Y. (2022): Abe's Death, the Declining Economy, and a New Security Strategy. In *Asian Survey*, Vol. 63, Issue 2. pp. 186-198.

Table 1: Economic performance of Japan under Abe

<i>Year</i>	<i>GDP growth %</i>	<i>Inflation %</i>	<i>Unemployment %</i>	<i>FDI bil.</i>	<i>Deficit %</i>	<i>Debt %</i>
2012	1.4	0	4.4	117.09	-8.2	226.65
2013	2.0	0.3	4.0	145.04	-7.6	229.68
2014	0.3	2.8	3.6	118.17	-5.6	234.38
2015	1.6	0.8	3.4	133.16	-3.7	233.28
2016	0.8	-0.1	3.1	137.66	-3.6	231.37
2017	1.7	0.5	2.8	154.95	-3.1	230.30
2018	0.6	1	2.5	134.93	-2.5	234.18
2019	-0.4	0.5	2.4	218.52	-3.0	234.80

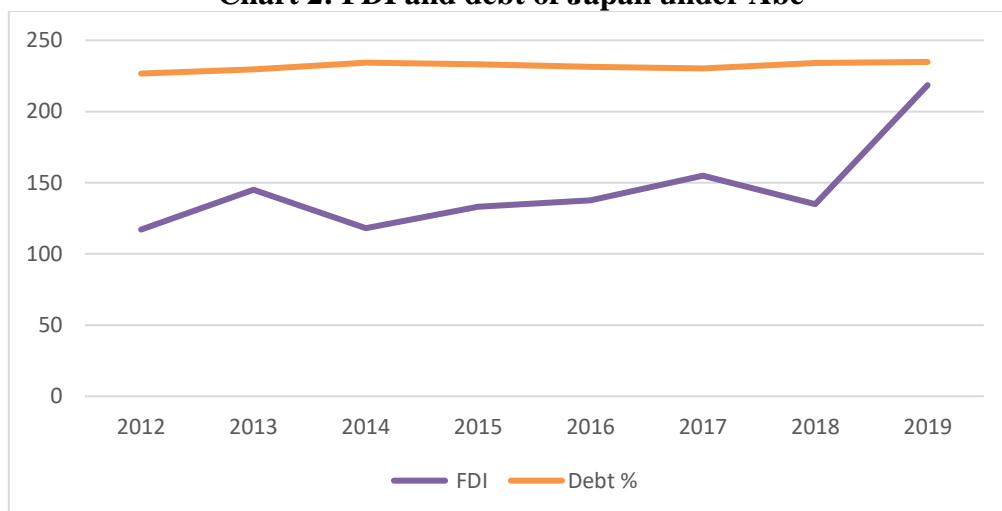
Source: Data from World Bank, OECD, own processing

Chart 1: Economic performance of Japan under Abe



Source: Data from World Bank, OECD, own processing

Chart 2: FDI and debt of Japan under Abe



Source: World Bank, OECD Data from World Bank, OECD, own processing

3 Japan's new capitalism

The Japanese economy faces structural problems that the new government of Fumio Kishida must address. Massive debt and an aging population, along with weak economic growth and the effects of the COVID-19 pandemic, have made the Japanese economy even more vulnerable. Although Japan was able to face the pandemic better than other countries, the collapse of the economy accentuated the already persistent problems. Fumio Kishida's new capitalism aims at the stakeholders, rather than shareholders. As Kishida stated, the new economic policy should create virtuous cycle that ensures more sustainable economic growth. During the campaign, Kishida focused on the three main priorities, namely income redistribution, inclusion and social impact of the reforms.

Income redistribution should be secured by the increase in the taxation for wealthy (as the opposite to Abe's cuts of taxes for business), system of social benefits and free access to some government services, e.g., education.⁷

As for the inclusion, Kishida's plans are quite ambitious – the greater involvement in the labour market for the excluded groups such as women or migrants is nothing new either. Shinzo Abe's third arrow (structural reform package) claimed to solve exactly the same. More or less without any significant success.

One of the greatest Japan's structural economic problems is the decline in the growth of Total Factor Productivity (TFP). The performance of the Japanese economy was very good in the 1980s, growing at a much higher rate than the benchmark 2 %. However, after the bursting of the bubble on the real estate market and the crisis, the growth of the Japanese economy slowed down so much that it still hasn't recovered from the so-called Lost decade. Thus, the fear of most developed countries was fulfilled, when after a deep crisis it is not possible to restore economic growth in the long term and the country enters a deflationary spiral. Part of this slowdown is due to a decline in TFP growth. Over the 1983 – 1991 period, TFP grew at a more than respectable rate of 2.4 %. It fell to an average of 0.2 % for 1991 – 2000.⁸ Kishida's cabinet focuses with the new economic plan not purely on raising the productivity, but rather the well-being of the ordinary people.

The base of this redistributive economic policy is to force businesses to think long-term - and therefore not about short-term profits but about long-term sustainable growth and development. Kishida's statements and the entire plan were labelled as vague, insufficient, unclear in several media.^{9,10,11} Therefore, currently in September of this year (2023), Kishida introduced the new package for wage increases and support for price increases. He pledged to encourage domestic investment in areas such as semiconductors, to help and rapidly counter birth rates and population and ensure strengthened defence and disaster prevention. However, it is not clear, how he will finance this package. A lot of criticism as well as unclear financing opened the debate about the early elections. Kishida denied such a scenario and called for a focus on economic reforms, while the announced September package should be quickly implemented already in October, which many also consider to be populism.¹² The strengthened role of the state as well as the very concept of new capitalism means that Kishida's

⁷ SHVYDKO, V.G. (2023): Fumio Kishida's First Year in PM Office: Is Abenomics to End or Saty? In *Russian Japanology Review*, 2023, 1, pp. 5-26. DOI: 10.55105/2658-6444-2023-1-5-2.

⁸ HAYASHI, F., PRESCOTT, C. (2002): The 1990s in Japan: A Lost Decade. In *Review of Economic Dynamics Volume 5*, Issue 1, January 2002, pp. 206-235.

⁹ LEWIS, L. (2023): The problem with Kishida's 'new capitalism' philosophy. In *Financial Times*. [online]. [Cit. 4.10.2023].

¹⁰ TAKAO, K. (2022): *A Critique of Kishida's "New Capitalism"*. [online]. [Cit. 23.9.2023].

¹¹ OI, M. (2021): *How Japan's new PM is promising a 'new capitalism'*. BBC News. [online]. [Cit. 3.10.2023].

¹² YAMAGUCHI, M. (2023): *Japan's Kishida unveils the gist of a new economic package as support for his government dwindles*. [online]. [Cit.29.9.2023].

administration can be characterised as left-wing. However, a strong leader and relatively populist rhetoric were not an exception even with former leader Abe.

4 Kishida's foreign policy

During Abe's second term as a PM, Kishida served as the head of the foreign policy. At that time, his actions were described as moderate and liberal, in contrast to Abe's conservatism. Kishida became prime minister at a time when the international environment was changing. Japan still perceives a strong threat from China - not only military, but also economic. China is Japan's main trading partner, so it is necessary to be cautious in rhetoric and continue constructive dialogue. Chinese trade and investment barriers, cyberattacks and supply chain disruptions however create fears about Japan's economic security. So, the moderate approach changed to more assertive, as China is becoming more assertive in maritime claims, in the relations with Taiwan as well as security issues or its influence in south-east Asia.¹³

As for rising tension in the region coming from China as well as the North Korea, there is more space for Japan's foreign policy to be involved in region's security and promotion of democratic values. The Japan should strengthen the ties with US and be more proactive in security, mainly rising the defence spending. Kishida must maintain active cooperation with Australia and India. Moreover, China's threat is not only a military one, but it is also about political influence, i.e., the predominance of a democratic or authoritarian approach in the region.

In an exclusive interview with the Time, Kishida pledged to increase defence spending to 2 % of GDP by 2027, making it the third largest defence budget in the world.¹⁴ Because, unlike Abe, Kishida has so far been a moderate and has been attributed with a dovish nature, he can push through these reforms more easily. However, there are also critical voices that see this as a violation of the pacifist constitution to which Japan committed itself after the Second World War and, on the other hand, the possibility of growing tensions in the Southeast Asian region.

Conclusion

With the arrival of a new prime minister, Japan is definitely moving away from the trajectory of Abenomics. Fumio Kishida's new capitalism is aimed at ordinary people and the main goal is the redistribution of income with the aim of long-term growth. The question is to what extent the policy will be concrete. Kishida's ambitions are reminiscent of Japan's Income Doubling Plan of Minister Ikeda from 1960, but many criticize the new economic capitalism as a populist plan with overly vague measures that ultimately do not bring anything new anyway. The new package presented in autumn 2023 promises prompt implementation of the measures and is intended to silence critical voices predicting early elections. Despite the rather bold rhetoric about changing the economic policy, the prime minister is not very popular. He is much more active in foreign policy than during his ministerial mandate. It will be interesting to see how it copes with regional security threats. However, one thing is certain, success in foreign policy will not gain him popularity as long as economic problems persist at home.

¹³ TAKANA, H.(2021): The China Challenge and US-Japan Relations under Fumio Kishida. In *East Asia Insights*.

¹⁴ CAMPBELL, Ch. (2023). Exclusive: Prime Minister Fumio Kishida Is Giving a Once Pacifist Japan a More Assertive Role on the Global Stage. In *Time*. [online]. [Cit. 5.10.2023]. Available at: <https://time.com/6278122/fumio-kishida-japan-prime-minister-interview-g7/>

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MIGRATION IN THE CONTEXT OF GLOBALIZATION AND THE ROLE OF THE REPUBLIC OF MOLDOVA'S MIGRATION PHENOMENON IN THE CONTEXT OF EU ENLARGEMENT

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Abstract: This research highlights and analyses the nature of international migration processes from the perspective of their influence on the contemporary development of the Republic of Moldova. Today, in an increasingly interconnected world, international migration has become a reality that touches almost all corners of the world, the country of origin, transit or destination distinctions often becoming obsolete. Considering, however, the constraints of ensuring internal security, states allocate significant amounts for migration control, especially in terms of border control and monitoring migratory flows, both at the external borders and at the internal level, obviously these aspects have different degrees of social impact and perception public. The theoretical and practical value of the research -in the context of the scientific novelties of the work given, we can find that: The essence of the migration factor as a colossal problem was established - The functional attributions of the state institutions in the field of migration management were researched.

Keywords: labor force, globalization, management, migrant worker, protection of the rights and freedoms of migrant workers, political-legal measures, international and national legal regulations.

JEL: A13

Introduction

It is well known that migration has become a global phenomenon faced by countries in all regions of the world, with internal and international migration being directly proportional to the complexity of political, social, financial, economic, ecological and humanitarian developments at the micro or macro-geographical level. The countries' response to this challenge depends on their ability to adapt rapidly to new realities. The degree of concern for finding viable solutions decreases from countries of destination to countries of transit and finally to migrants' countries of origin.

Migration has evolved into a widespread global occurrence, encompassing approximately 3% of the world's population. Every nation is now involved in international migration, serving as a country of origin, transit, destination, or even fulfilling all these roles at once. According to the UN report on international migration for 2022, which does not contain exact figures on labour migration, international migrants have reached 244 million, and 76 million have settled in Europe; the average age of migrants is 39, which means that they are employable.¹

Nowadays, practically all countries in the world are involved in the complex process of labour migration, being part of the overall picture either as countries of destination, origin or transit, but in all cases being influenced by this phenomenon. These influences have both advantages and disadvantages for all those involved in the phenomenon: from the migrants themselves and their family members, the migrants' home and destination communities, the

¹ World Migration Report 2022 [online].

branches of the economy in which they have worked and are working during migration, the population remaining in the country of origin and the population in the country of destination, the economies of the countries of origin and the economies of the countries of destination, spreading to the entire world economy.

Therefore, we observe that migration has emerged as a global phenomenon impacting countries across all geographical regions. How countries address this challenge relies on their capacity to swiftly adapt to evolving circumstances. The level of urgency in seeking effective solutions diminishes progressively from destination countries to transit nations and ultimately to the countries from which migrants originate.

Addressing the migration process in a comprehensive, innovative and long-term manner is an imperative that undoubtedly takes into account migration criteria, admissibility and integration, the labour market, the protection of human rights with regard to migrants and refugees, control, prevention and distribution, dialogue and sharing between the host and home countries of migrants, and last but not least, long-term efforts to improve economic and political conditions in countries of origin.²

1 Labour migration has become a mass social phenomenon that is impossible to ignore

Migration is the movement of a population from one region to another to settle there. It is therefore movement and settlement. To migrate means to leave one's own country to settle in another. To immigrate is the activity of entering a country other than one's own in order to settle there. Contemporary migrants travel in a world where international law has begun to affect domestic law and international organisations monitor and intervene in migration processes. The extent to which both infrastructures and regulations reach inter-regional or trans-continental levels will affect and shape the very globalisation of migration.

Contemporary migration is influenced by many economic, social and political variables. This category includes a number of structural factors, stemming from uneven economic and demographic developments across the globe: the persistence of major differences in income and unemployment levels from one country to another; the ageing of the population in economically advanced countries, while the birth rate is rising in most developing regions - Central and Eastern Europe being a notable exception to this rule; the accessibility of international transport and telecommunications services as a result of technical and technological progress, etc.³

The current stage of global economic globalization has led to the emergence of new trends in processes associated with international workforce migration. The economic consequences of the impact of international workforce migration on the economies of workforce -exporting/importing countries are controversial and sufficiently complex for an unambiguous evaluation. The consequences of the impact of international workforce migration on labour-exporting economies must be emphasized. The primary factor in international workforce migration that significantly impacts the economies of migrant-origin countries is the remittance flows from migrants, which make a significant contribution to the GDP of labour-exporting countries, represent a valuable source of foreign currency for governments, and play a role in stabilizing the current account⁴.

The second most important factor to note is the positive impact of workers leaving for labour markets in countries with an abundance of labour, as worker emigration reduces

² VIRGINIA COJOCARU, ALEXANDRU GRIBINCEA, Migration – a major problem for members of the European Union and neighboring countries. *Fundamental and Applied Economics Journal* No. 2, p. 37.

³ GRIBINCEA ALEXANDRU. European economy and migration problems. In: International conference "Development of modern economic systems: challenges and alternatives of the XXI century" November p. 38.

⁴ News Europa [online].

unemployment levels, improves the labour market situation, and reduces social tension in the home country. The impact of international migration on the economies of labour-importing countries has similar serious consequences as for migrant-origin countries.

However, the impact of migration on host countries is also controversial and complex enough to be evaluated without ambiguity. Labour imports have both positive and negative consequences for labour-importing countries. The most significant factor affecting the economies of host countries is the impact of migration on the local labour market, wages, and local population employment levels. It is evident that in the near future, the volume of migration will either increase or at least not decrease. This will be facilitated by three reasons. Firstly, persistent inequalities between rich and poor countries will continue to drive a large number of people to move in search of a better standard of living. Secondly, political or ethnic conflicts in various regions will facilitate large-scale movements of refugees.⁵ Thirdly, the creation of new free trade zones will also facilitate labour mobility.

2 Labour migration from Republic of Moldova

Labour migration from Moldova became possible with the fall of the 'Iron Curtain' and the liberalisation of entry and exit policies, removing restrictions on Moldovan citizens leaving the country. The break-up of a large state with a centralised and militarised economy based on an administrative command system and the transition to a market economy have generated structural unemployment.

Temporary labour migration remains the most widespread form of emigration from Moldova. Since the late 1990s, migration from Moldova has been directed towards two regions: the Commonwealth of Independent States (CIS), predominantly Russia (with more than 55% of Moldovan migrants in 2020), as well as Western Europe, particularly Italy and the United Kingdom (comprising more than 15% of Moldovan migrants in 2020)⁶.

The primary influencing factor for Moldovan migrants is economic: poverty, lack of employment opportunities, and low wages, while the standard of living abroad appears much more attractive.

The Government, through its national migration policy, currently pays more attention to this phenomenon, both because it has a significant impact on the development of all sectors of society and in line with the goals set by the Republic of Moldova for EU accession. Managing migration flows in Moldova is a major challenge for the country's government and its international partners, including the International Organization for Migration (IOM). Increasing awareness of migration as a phenomenon that can have not only negative social costs but also positive development outcomes for the country, along with a commitment to addressing the challenges and opportunities of migration, has led to various legislative and policy activities by the Moldovan government.

The downside is that high emigration rates have had a direct impact on population dynamics and its age structure, particularly in rural areas, which experience higher rates of dependency and aging, further emphasizing rural-to-urban migration. Since 2014, Moldova has experienced demographic decline, with mortality rates surpassing birth rates. Even more damaging is the impact of migration on the availability of certain professional profiles, especially in the healthcare and education sectors. In 2019, there were 25.6 doctors and 65.3 health workers per 10,000 inhabitants, well below the EU average (37 doctors and 130 health workers per 10,000 inhabitants). In rural areas, the situation is even worse, with an average of 5.6 doctors and 20.8 health workers per 10,000 inhabitants. Teachers and researchers are two other groups strongly attracted to migration opportunities. In an IOM study titled "The

⁵ Report on migration factors in the Republic of Moldova [online].

⁶ Information of International Organization for Migration (IOM) [online].

Impact of Migration on Teachers and Researchers in Moldova," over half of the interviewed teachers expressed their intention to leave (40.3% of respondents indicated a desire to work temporarily abroad).

The COVID-19 pandemic has significantly impacted Moldova's economy, largely due to the country's high dependence on remittances from migrants. Unlike other countries, the pronounced reduction in remittance inflows recorded in Moldova in the second quarter of 2020 (a decrease of over 20%) was only partially balanced in the third and fourth quarters. Another potential direct effect of the COVID-19 pandemic on migration is the potential return of a large number of migrants to Moldova and its impact. Up to 30% of foreign migrants have expressed their intention to return, which amounts to 255,000 people, with 67% (170,000 people) stating their desire to return as soon as possible. Thirty-one percent of those intending to return (79,000 people) indicated that they intend to stay in Moldova for a longer period.⁷

Creating a favourable investment climate in Moldova, attracting and stimulating investments both from the European Union and the Republic of Moldova; promoting employment policies in the country. The focus should be not only on creating new jobs, but also on raising wages to a decent standard of living. This must be the key point of practical occupational policies. Otherwise the new jobs created will not be in demand. Promoting flexible migration policies by labour migrant-receiving countries. The legitimization of migrants, the acceptance for Moldova of the possibilities, offered today to candidate countries in the European Union, will include Moldovan labour migration in the legal space of behaviour, values and attitudes.

3 The negative consequences of labour migration in the Republic of Moldova

Today, we can say that Moldova has become a bridgehead for illegal migration to the West. The lack of effective administrative instruments to regulate and counter illegal migration is a direct challenge to both regional security and the security of Europe as a whole.

Labour migration (by migrants going abroad in search of sources of livelihood for the active segment of the Moldovan population and the arrival (transfer) of money, hard currency, accumulated by migrants abroad, their use for food, payment of utilities, maintenance of migrants' families, etc.) minimises social conflict in the country, acute forms of civil disobedience of the population.

Among the negative consequences, we will highlight:

Economic. An outflow of labour, which outweighs the inflow, impoverishes the local labour force, especially in the regions, further stimulating the emigration of an increasing number of people. There are already places in Moldova where there are no women left. They have gone abroad to work. And men, funny or sad as this may sound, are forced to dance at weddings with men.

Social. The social consequences of labour migration are vast. Families are separated for a long period of time. Long-term absence of spouses has a negative effect on relationships and sexual behaviour and often creates conflict within the family.

As families are often broken up, children's views and values are also affected. Trafficking in women, an area in which Moldova holds the lead among CIS countries and which is becoming a national tragedy, aggravates the situation.

Political. External political risks. Labour migration negatively affects relations between labour migrant-sending and receiving countries. The majority of Moldovan migrant workers are in the destination country illegal, violating existing legislation, either

⁷ Country sheet on migration and skills Moldova [online].

overstaying their visa or without a work permit. Considering the rather large number of Moldovans in some countries, such as Italy, Portugal, the Czech Republic, Greece, etc., it can be assumed that there is little chance for Moldovans, especially the unemployed, to be welcomed and respected by the locals. In addition to the serious disruption that migrant workers create in the host country's labour market, there are criminal problems, including theft, increased crime, drug and women trafficking. At the same time, language barriers and illegal status make it very difficult for migrant workers to integrate into the foreign environment. All these factors undermine the image of Moldova and its citizens.

Internal political risks. After spending a long time abroad, migrant workers change their views, values and social position diametrically. They become more active, independent and ready to take risks. At the same time, they become alienated in their home countries and do not participate in local political processes, having no interest in voting or making decisions. As a result, the share of the non-migrant population, the elderly, who, being nostalgic for their communist past, become more influential in decision-making, in the political process become more influential in decision-making, in the political process. This threatens the democratisation process and prevents the removal of ideological barriers between Moldova and its Western neighbours.

Conclusion

We can mention that in order to stop the phenomenon of mass migration of the population, during the years 2011-2022 a number of active measures have been taken, aiming to increase the employment rate, including among young people, such as:

- granting subsidies for opening individual businesses and jobs in the rural sector from the Unemployment Fund,
- stimulating labour mobility,
- stimulating employers to hire unemployed people from categories that need support for employment, etc.

At the same time, measures are being taken to legally regulate the labour migration of citizens of the republic. Over the last few years various memoranda, cooperation contracts, international agreements, etc. have been concluded.

Although considerable efforts have been made recently to curb illegal migration, explain the phenomenon of migration, reveal the trends of regulated migration and its impact on the republic. Despite the latest efforts, however, there is a need for studies focused on the given problem, including sociological ones, which would assess the social-economic, political and cultural consequences of this phenomenon for our country today and tomorrow.

Based on the results of transformations in society, positive and negative experience of reforms in the Republic of Moldova, at the beginning of 2000s in the country the idea that it is time to stop experimenting and move from survival tactics to concrete and effective things, to the consolidation of society, civic peace and sustainable development strategy of society has become more and more pronounced.

This is why the European Community's support is needed to strengthen the institutional capacities of the Republic of Moldova to manage migration flows, which is also in its interest.

In concrete terms, this support can take the form of:

- Implementation with the support of the European Community, in particular the European Commission, the EC Development Bank and the Stability Pact in South-Eastern Europe of projects aimed at preventing and combating illegal migration from and to the Republic of Moldova;

- Implementation with the help of the same Pan-European structures of projects for the social reintegration of former migrant workers, victims of human trafficking, etc.;

- Implementation of a modern system of recording and control of migration flows at the state border;
- Development and strengthening of collaboration and partnership relations with IOM, Council of Europe, UNHCR and ILO;
- Initiating and developing partnership relations with the International Centre for Migration Policy Development, the Budapest Group, the European Trade Union Confederation, the Union of Industrial and Employers' Confederations of Europe.

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POSITION OF THE HOLY SEE IN DIPLOMATIC RELATIONS

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Abstract: Vatican diplomacy plays an important role in international relations, where it is an important source of soft power. Establishing dialogue, seeking compromise, not getting involved in disputes between states and maintaining neutrality during military conflict are the hallmarks of the Holy See's diplomacy. On the basis of the analysis and deduction, we conclude that the Holy See actively promotes the disarmament of countries, the reduction of arms production and trade, but at the same time, in the event of a military conflict, does not deny the possibility of using the armed forces to protect the civilian population.

Keywords: Vatican's diplomacy, Holy See, Soft Power

JEL: F51, Z12

Introduction

The Catholic Church is a unique religious body that has its own professional diplomatic service. Papal diplomacy is timeless and still plays an important role in international relations. As history shows, despite significant geopolitical and institutional changes in the world, the tradition of state representatives turning to the Pope and the Holy See for support and advice does not lose its relevance. The Papal Vatican still maintains its position as one of the main centers of international diplomatic activity.

Rich experience in the field of negotiation and mediation between church and state at the highest level and unquestionable personal authority place the Pope among influential figures on the international scene. Nevertheless, the significant role of Holy See diplomacy is not based solely on the position of the Pope, but owes much to the strong local presence of the Church around the world.¹

The simultaneous promotion of spiritual values and the achievement of ethical and political goals characterizes the diplomacy of the Holy See as a unique phenomenon. The main focus of the diplomacy of the Holy See is the protection of the freedom and the independence of the church, search for peace and rejection of war, support of solidarity, justice and sharing.²

The aim of this contribution is to characterize the foreign diplomatic service of the Holy See and its structure, as well as the implementation of Vatican diplomacy in the event of a war conflict. In the context of the set goal, we consider it appropriate to point out the unique aspect of the foreign policy of the Holy See, which is shown in Article 24 of the Lateran Pacts (Treaty of Conciliation): „the Holy See declares that it desires to take, and shall take, no part in any temporal rivalries between other States, nor in any international congresses called to settle such matters, save and except in the event of such parties making a mutual appeal to the pacific mission of the Holy See, the latter reserving in any event the right of exercising its moral and spiritual power.“³ The stated principle of neutrality and non-interference in a war conflict will be analyzed in more detail in chapter 4 of this paper.

¹ JOUBERT, B. (2017): La diplomatie du Saint-Siège, pp. 47-61.

² Ibid.

³ SADOW, J. – SARRO, Jr. T. (1977): The Coins and Medals of the Vatican, pp. 106-114.

1 Review of the literature

In the scientific article *Holy See Diplomacy*, Bruno Joubert points out the specifics of church diplomacy implemented by the Holy See. According to the author, it is diplomacy that implements all available sources of international negotiations for the protection of democratic values.

The author Troy in *The Pope's own hand outstretched: Holy See diplomacy as a hybrid mode of diplomatic agency* characterizes the diplomacy of the Holy See as "a form of behavior created by a set of mixed secular and religious norms in which agents are guided by practice." In the publication, the author examines the hybrid activity of diplomats of the Holy See and their influence on international relations.

Artur Favereaux deals with the issue of soft power and public diplomacy of the Holy See in *The diplomacy of the Holy See: a micro-state that keeps pace with great powers*. The author notes that the Church may have lost its original appeal, especially in Europe, but the position of the Pope and his influence remain unchanged and significant. The diplomacy of the Holy See points to the great importance of even smaller entities in international relations.

The Holy See, according to Jace Bartz (*The Holy See: An Institution Like No Other*) is a global institution that has elements of a sovereign state and is also a church institution. It realizes the duality of its activity, especially soft power, to achieve the goals and interests of the Catholic Church in the broadest sense of the word.

2 Foreign Service of the Holy See

The Holy See, as the government of the Roman Catholic Church, is a special subject of international relations, distinct from the Vatican City State, which grants the Holy See territorial sovereignty, and from the Catholic Church to which 1,300 million believers subscribe.⁴ So, under the term "Vatican diplomacy" we will understand the diplomacy of the Holy See, and not the Vatican City State.⁵

In accordance with the Code of Canon Law, the Holy See includes the Roman High Priest, the State Secretariat, the Council for Public Affairs of the Church and other institutions of the Roman Curia.⁶

The government of the Pope is exercised through departments called congregations of the Roman Curia. Each congregation is represented by a college of cardinals headed by the Cardinal Secretary of State, who informs the Pope about the results of the collegial meetings. Based on the given results, the Pope makes the final decision.

The exclusive competences of the Pope include: the international representation of the Holy See, the conclusion, ratification and termination of international treaties, the reception of diplomatic representatives of foreign states and the appointment of Vatican ambassadors abroad.

The State Secretariat, headed by the cardinal, is responsible for Vatican diplomacy. He is usually a career diplomat appointed by the Pope. The cardinal performs his function *ad tempus indefinitum* (for an indefinite period), which means that he is not subject to the usual five-year rotation of diplomats. The State Secretary represents the Holy See in negotiations with other countries and meets regularly with the ambassadors of the countries in question. The social issue of the Holy See is dealt with by the "Pontifical Council for Justice and Peace" (*Justitia et Pax*). The body in question is in charge of human rights issues, ensuring peace and disarmament.

⁴ OSTBERG, R. (2023): *Holy See*.

⁵ ÖSTERREICHER J. - KRÁKOROVÁ I. (2015): *The Holy See as a soft power actor*, pp. 383-390.

⁶ KLUČKA, J. (2008): *Mezinárodní právo veřejné (všeobecná a osobitná část)*, p. 90.

In parallel with the "Pontifical Council for Justice and Peace", the "Pontifical Council Cor Unum" (one heart) operates, which is focused on the field of development.

As we can see, the Pope delegates certain competences and issues of foreign policy to other bodies of the Holy See, but the main word remains with him. The Pope has not only a representative function in Vatican diplomacy, but also executive power.⁷

3 Foreign Council of the Holy See

Currently, the Holy See has established diplomatic relations with 183 countries, including the European Union and the Sovereign Military Order of Malta.⁸ The extensive diplomatic network of the Holy See, which is second only to the US,⁹ only emphasizes the great and global influence of papal diplomacy.

The foreign missions of the Holy See are divided into two categories:

1) Nunciatures and representations in international organizations that have a diplomatic character. The apostolic nunciature is headed by an apostolic nuncio or apostolic internunciator.

2) Apostolic delegations, which have a non-diplomatic character and are headed by an apostolic delegate.

The most numerous type of foreign missions of the Holy See are precisely apostolic nunciatures, with the help of which bilateral relations are established and maintained and information about the receiving country is obtained. According to international law, nunciatures have the same status and status as embassies. Diplomatic missions of the Holy See, unlike other states, are few in number and, in addition to the head of the mission (apostolic nuncio or apostolic internuncius), its member is an adviser or secretary, sometimes an auditor.

In the case of solving particularly important issues, the Holy See also sends ambassadors with a special mission (Ambassador at large), who are most often high-ranking officials of the Vatican administration. This happens mostly in the case of international tensions, such as the territorial dispute between Argentina and Chile in 1978 – 1984¹⁰, the political tension between the USA and Cuba¹¹, and the current military conflict in Ukraine. In given situations, the Holy See prefers to implement its diplomatic mission not by means of permanent nunciatures, but by sending legates specifically intended for a specific case.

Currently, there are more than 200 legates appointed by the Pope at the head of the diplomatic missions of the Holy See.¹² The status and tasks of the legates of the Roman Pontiff are enshrined in the 1983 Code of Canon Law, Book II, Chapter V. The legates are obliged "to strive for the promotion of what serves peace, progress and cooperation between nations" and also "to promote and develop relations between the Apostolic See and state authorities, to discuss questions concerning the relations between the Church and the state."¹³

A characteristic feature of the papal legate is dualism in his activities, as he acts simultaneously as a diplomat and a church dignitary. According to the Vienna Convention on Diplomatic Relations from 1961, Art. 41, the papal legate as a diplomat has the duty "to observe the laws and regulations of the receiving state" and also "not to interfere in the internal affairs of this state".¹⁴ But on the other hand, according to the Code of Canon Law, they are obliged to "cooperate with bishops in developing appropriate relations between the Catholic Church and

⁷ ZONOVA, T. V. (2004): *Diplomatija inostrannyh gosydarstv*, p. 288.

⁸ HOLY SEE PRESS OFFICE (2022): *Informative Note on the diplomatic relations of the Holy See*.

⁹ The USA has established diplomatic relations with 188 countries of the world.

¹⁰ LINDSLEY, L. (1987): *The Beagle Channel Settlement: Vatican Mediation Resolves a Century-Old Dispute*, pp. 435–55.

¹¹ GAYTE-LEBRUN, M. (2018): *Far from an Alliance: The United States and the Holy See's Approach vis-à-vis Havana since the Cuban Revolution in Light of Pope Francis's Mediation*.

¹² FAVEREAUX, A. (2016): *The diplomacy of Holy See: a micro-state that keeps pace with great powers*, p. 5.

¹³ KATOLICKÁ CIRKEV NA SLOVENSKU (1996): *Kódex kánonického práva CIC*.

¹⁴ SLOV-LEX (1964): *Vyhláška ministra zahraničných vecí o Viedenskom dohovore o diplomatických stykoch*.

other churches or ecclesial communities, even non-Christian religions" and to inform local bishops about the position of the Holy See on current affairs.¹⁵

Similar non-diplomatic activities of the legates of the Holy See arouse suspicion and even hostility in the governments of other countries. The result may be the sending of an apostolic nuncio from the country, as was the case in Vietnam, Cambodia or Nicaragua.¹⁶ For this reason, the Holy See currently emphasizes that the ecclesiastical interests, which the nuncios are obliged to protect, do not conflict with the political and social interests of the receiving country.

The current Pope of the Catholic Church Franciscus (lat. Franciscus) has made a significant contribution to the expansion of the diplomatic network of the Holy See. He actively initiates dialogue with the countries of the Islamic world, as evidenced by his visit to the Council of Muslim Elders as part of the Bahrain Forum on November 4, 2022. The Pope emphasized the importance of meetings of "religious leaders" and pointed to the common task - "to bring humanity to re-satisfy itself with of this ancient wisdom, to bring believers anew to worship the God of heaven and to the people for whom he created the earth".¹⁷

Francis also supports maintaining diplomatic contacts with states that do not have official ties with the Holy See, such as China and North Korea.¹⁸ But on the other hand, an interesting fact is that a foreign state must show interest in establishing diplomatic relations with the Holy See, never the other way around.¹⁹

4 The influence of the Holy See on international relations

The Holy See demonstrates active participation in the activities of many international organizations. It is represented in intergovernmental organizations such as: UN, WHO, ILO, UNESCO, FAO, WTO, UNCTAD, International Atomic Energy Agency (IAEA), Council of Europe (CE) and many others. He is also a member of non-governmental international organizations (Universal Postal Union, International Telecommunication Union and others).²⁰

Despite the fact that the Holy See is not a member of the UN and consequently does not have the right to vote, it largely uses its "observer" status to express its opinion on issues of international relations on the international stage. The Holy See emphasizes that all UN member countries are equal and have the right to protect their independence and cultural identity through peaceful means using juridical instruments. War is always unacceptable.

The Pope is trying to promote the philosophy of international relations at the UN, the goal of which is: "a gradual decrease in military expenditure; effective disarmament; respect for cultures and religious traditions; solidarity with the poorer countries, helping them to be the architects of their own development."²¹

According to the Holy See, it is not possible to achieve the set goals on a bilateral level: a global approach and the political will of all governments are necessary. Only constant dialogue between all members of the international community can establish international peace and security. The UN is a unique international forum capable of providing a platform for dialogue and compromise.

In this context, preventive diplomacy is of particular importance in the foreign policy of the Holy See. Adherence to the principle of justice in international relations is a necessary factor

¹⁵ KATOLICKÁ CIRKEV NA SLOVENSKU (1996): Kódex kánonického práva CIC.

¹⁶ CONFIDENCIAL (2022): Expulsion of apostolic nuncio "seriously undermines relations" with the Holy See.

¹⁷ VATICAN NEWS (2022): Pápež Moslimskej rade starších: Naše zbrane sú modlitba a bratstvo.

¹⁸ VATICAN NEWS (2018): Pápež František vyjadril ochotu navštíviť Severnú Kóreu, potvrdil kard. Parolin.

¹⁹ FAVEREAUX, A. (2016): The diplomacy of Holy See: a micro-state that keeps pace with great powers, p. 6.

²⁰ PERMANENT OBSERVER MISSION OF THE HOLY SEE TO THE UNITED NATIONS: Diplomatic Relations Of The Holy See.

²¹ TAURAN, J.-L. (2002): The presence of the Holy See in the international organizations.

for the prevention of armed conflicts. The responsibility for upholding this principle rests with the governments of sovereign countries. The Holy See calls diplomatic activity aimed at preventing armed conflicts from its side "teaching peace" (pedagogia della pace).²²

The use of force is not absolutely ruled out, but is seen as a last resort that can only be used in the most extreme circumstances. During the 20th century, there were two occasions when the Holy See joined international calls for the use of force: in Rwanda and the former Yugoslavia. The reason was the realization that the alternative to the use of force at the time was the mass slaughter of the civilian population.

In the Compendium of the Social Doctrine of the Church, published in 2004 by the Pontifical Council for Justice and Peace, referring to the Catechism of the Catholic Church, it is said: "A war of aggression is inherently immoral. At that tragic moment when war breaks out, the leaders of the attacked state have the right and duty to defend the country, even using force of arms." The use of force is legal if it meets certain strict conditions: "damage caused by the aggressor to a nation or community of nations, was long, difficult and indisputable; all other means of laying this land proved impossible or unsuccessful".²³

The current Pope Francis sees the dumping of the military industry as one of the main causes of military conflicts in Europe and around the world. In this context, the diplomats of the Holy See regularly emphasize the necessity of the disarmament process, and at the same time the ineffectiveness and lengthiness of the given process.

Great emphasis is placed on the current danger of the development and implementation of nuclear weapons. According to the Holy See, "the very possession of nuclear weapons is immoral."²⁴ At the 67th General Conference of the International Atomic Energy Agency (IAEA) in Vienna, the Under-Secretary of the Holy See for Relations with States and International Organizations emphasized the necessity of monitoring and control by the IAEA of Iran's nuclear disarmament and of the DPRK's nuclear program, which "threatens the integrity of the nuclear non-proliferation regime". The diplomat also pointed out the unprecedented nature of the military attack on the atomic power plant in the city of Zaporizhzhia in Ukraine: „Never before has a nuclear power plant been exposed to the risk of being damaged by military action and has been repeatedly shut down“.²⁵

We can come to the conclusion that the Holy See promotes the disarmament of countries, the reduction of production and trade in weapons, but at the same time, in the event of a military conflict, it does not deny the possibility of using the armed forces to protect the civilian population.

Conclusion

Establishing a dialogue, seeking compromises, not getting involved in disputes between states, building a long-term strategy for the future: these are some of the characteristics that define the diplomacy of the Holy See and make it unique.

The position of neutrality of the Holy See represents a considerable advantage and ensures the role of mediator in the dispute between the parties to the conflict. The important speech of Benedict XV, in which the Pope condemns the First World War and calls it a "meaningless massacre", became the starting point of the Vatican's peace policy. From that moment on, maintaining peace, security and stability in international relations became one of the main priorities of the foreign policy of the Holy See.

²² MARTINO, R. R. Pontificio consiglio della giustizia e della pace.

²³ LIBERIA EDITRICE VATICANA, CITTÀ DEL VATICANO (2008): *Compendium socialnoji doktryny cervy*, p. 305.

²⁴ KOCUR, T. (2023): Archijepyskop Gallagher v OON pro kryzu vzajemnoji doviry ta aktualni kryzy v sviti.

²⁵ KOCUR, T. (2023): Svatyj Prestol u MAGATE: svit bez jadernoji zbroji mozhlyvyj i neobchodnyj.

Peace is understood by the Holy See not only as the absence of war. Peace is something that requires constant efforts by all world actors. Papal diplomacy puts into the concept of peace its specific understanding of justice and the common good, based on respect for basic human rights such as the right to life, security and freedom of religion. The extensive diplomatic network of the Holy See, the position of neutrality and the exalted position of the Pope on the international stage provide extraordinary opportunities for the Holy See to achieve these statutory goals.

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NATURE PROTECTION IN THE EUROPEAN UNION: CASE C-661/20 COMMISSION V SLOVAKIA

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Abstract: Nature protection is an integral part of the European Union's environmental policy. Through the Habitats Directive and the Birds Directive, as well as the Natura 2000 network, the European Union coordinates the protection of species and habitats in all the Member States of the European Union. Based on an analysis of the infringement procedure initiated by the European Commission against the Slovak Republic in relation to the protection of a large forest bird capercaillie, the paper points to the insufficient implementation and enforcement of legislation in this area by the Member States.

Keywords: European Union law, nature protection, infringement, Slovakia

JEL: K32, K39

Introduction

The European Union (EU/ Union) shares competence in the field of the environment with the Member States. The current powers of the EU to legislate in respect of the environment are set out in the Treaty of the Functioning of the European Union (TFEU).¹ Cooperation covers all areas of environmental policy, such as air pollution, water, waste management, climate change and protection of nature and biodiversity. EU environmental law imposes legal obligations on Member States, which are responsible for their implementation. The paper deals exclusively with nature protection in the EU context and its implications for Member States. The first part of the article explains the legal basis for nature protection in the EU. It further analyses the infringement procedure initiated by the European Commission (EC/ Commission) against the Slovak Republic (Slovakia) concerning the protection of a large forest bird capercaillie (*Tetrao urogallus*), in which the Court of Justice of the European Union (CJEU) ruled that the Slovakia had infringed EU law. The research method used in this article is a qualitative method using primary data sources obtained directly from the official websites of EU and Slovak institutions and secondary data in the form of a literature review.

1 Nature protection in the EU context

“Nature and landscape protection can be understood as the care of wild plants, wildlife, inanimate elements, habitats, ecosystems, as well as the care of the appearance and use of the landscape”.² The EU is historically rich in biodiversity and wildlife and includes a wide range of ecosystems. Since the beginning of the twentieth century, pressure on these ecosystems (such as growing global population, urban development, climate change, agriculture) has led to the rapid decline of species and habitats on the European continent. Due to the transnational interdependence of ecosystems and the resulting need for coordinated nature and biodiversity

¹ EUROPEAN UNION (2016): Consolidated version of the Treaty on the Functioning of the European Union, Article 4 (2) (e), Articles 191-193.

² INŠTITÚT ENVIRONMENTÁLNEJ POLITIKY (2022): Národné parky pre 21. storočie, p. 9.

conservation, the EU has become involved in ecosystem management. The EU has played a central role in slowing and in some cases even reversing this decline of species and habitats.³

The EU has various instruments to protect Europe's wild fauna and flora. The most recent strategic document is the EU Biodiversity Strategy for 2030.⁴ The key legal documents in this area are the Habitats Directive⁵ and the Birds Directive.⁶ The aim of the Habitats Directive is to ensure biodiversity through the conservation of natural habitats and of wild fauna and flora⁷ and the Birds Directive relates to the conservation of all species of naturally occurring birds in the wild state⁸, both in the European territory of the Member States. In general terms, the protection provided by these two Directives is divided between habitat protection measures, which require Member States to identify, designate and protect conservation areas for certain habitat types and for the habitats of certain species, and species protection measures, which require EU Member States to protect certain species wherever they are found in the wild on the territory of the Member States.⁹ To ensure the long-term survival of Europe's most valuable and threatened species and habitats listed in these Directives, the Union established Natura 2000 network of protected sites. The European Natura 2000 network consists of special areas of conservation (selected for the conservation of habitats and species listed in Annexes I and II of the Habitats Directive) and special protection areas (selected to protect bird species listed in Annex I of the Birds Directive). It covers almost 20 % of terrestrial land and 10 % of marine waters in the EU.¹⁰

However, according to the EU, in recent years nature protection has been incomplete, habitat and species restoration has been small-scale, and the implementation and enforcement of legislation has been insufficient.¹¹ There is considerable tension between the EU and many Member States, including Slovak Republic, regarding implementation of EU legislation and programmes in this area. This is also because of major impact of Natura 2000 network on land use and property law regimes in EU Member States.¹²

Nature protection is enforced by Commission, which uses the infringement procedure set out in the TFEU¹³ to ensure compliance with EU rules in this area. This procedure consists of a first, administrative phase and may continue up to court proceedings. In this second phase, the CJEU plays an important role in enforcing EU law. Although there has been a decline in the number of environmental infringement proceedings in recent years, the Commission has

³ VAN ZEBEN, J. – ROWELL, A. (2021): EU Guide to EU Environmental Law, p. 159-160.

⁴ EUROPEAN COMMISSION (2020): Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions EU: Biodiversity Strategy for 2030 – Bringing nature back into our lives.

⁵ COUNCIL OF THE EUROPEAN UNION (1992): Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora.

⁶ EUROPEAN PARLIAMENT – COUNCIL OF THE EUROPEAN UNION (2009): Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds.

⁷ COUNCIL OF THE EUROPEAN UNION (1992): Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, Article 2(1).

⁸ EUROPEAN PARLIAMENT – COUNCIL OF THE EUROPEAN UNION (2009): Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds, Article 1(1).

⁹ JACKSON, A. L. R. (2018). *Conserving Europe's Wildlife*, p. 3-4.

¹⁰ EUROPEAN ENVIRONMENT AGENCY (2020): State of nature in the EU: Results from reporting under the nature directives 2013-2018, p. 9.

¹¹ EUROPEAN COMMISSION (2020): Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions EU: Biodiversity Strategy for 2030 – Bringing nature back into our lives, para 2.

¹² VAN ZEBEN, J. – ROWELL, A. (2021): EU Guide to EU Environmental Law, p. 160.

¹³ EUROPEAN UNION (2016): Consolidated version of the Treaty on the Functioning of the European Union, Articles 258-260.

not completely abandoned bringing infringement actions against Member States.¹⁴ The Commission has initiated legal proceedings in long-standing cases concerning nature protection, such as Kaliakra and Belite Skali (Bulgaria)¹⁵, Białowieża Forest (Poland)¹⁶, and spring hunting of male common eiders (Finland).¹⁷ In the following section, we will explain the substantive and legal aspects of the Commission's infringement procedure against the Slovak Republic in the case of failure to assess the impact of sanitary logging on Natura 2000 sites and failure to take measures for the protection of the capercaillie.

2 Case Commission v Slovakia: protection of the capercaillie

Protection of Slovakia's territory is implemented in the national, European (Natura 2000) and international system of protected areas.¹⁸ The European Natura 2000 network in Slovakia includes 642 special areas of conservations and 41 special protection areas with an area of 14 633 km², which represents about 30% of the area of the Slovak Republic.¹⁹ According to the Commission, Slovakia has one of the largest Natura 2000 systems, but there are still gaps in the designation of sites and the adoption of management plans.²⁰ Habitats and species conservation, especially in forest, meadow and wetland ecosystems, are among the biggest environmental problems in the Slovak Republic. In particular, the Commission has criticised the lack of protection of rare habitats and species in forest ecosystems (such as capercaillie), the alignment of their protection with economic development, the legal protection of rare habitats (e.g. beech primeval forests) and insufficient transposition of EU directives to the Slovak legal system in relation to nature protection and conservation of forests.²¹ The country has set the objective of preventing the deterioration of protected species and habitats. At least 15% of degraded ecosystems should be restored by 2030.²²

Slovak forests in Natura 2000 sites are subject to high levels of logging, especially sanitary logging, which is a response to forest disturbance such as bark beetle infestation or storm damage.²³ Sanitary logging is a standardised forest management tool. According to the Commission, sanitary logging represented approximately 52% of the total volume of logging carried out in Slovakia in 2017, which is an extremely high volume.²⁴ In recent years, it has been increasingly used in Slovakia to legalise large-scale logging, often to cover up commercial logging from forests and even from protected areas, and sometimes even used as a pretext for illegal logging.²⁵ NGOs have, for a long time, pointed out the fact that sanitary logging in many

¹⁴ JACKSON, A. L. R. (2018). *Conserving Europe's Wildlife*, p. 224.

¹⁵ COURT OF JUSTICE OF THE EUROPEAN UNION (2016): Case C-141/14, *Commission v Bulgaria*.

¹⁶ COURT OF JUSTICE OF THE EUROPEAN UNION (2018): Case C-441/17, *Commission v Poland*.

¹⁷ COURT OF JUSTICE OF THE EUROPEAN UNION (2020): Case C-217/19, *Commission v Finland*.

¹⁸ INŠTITÚT ENVIRONMENTÁLNEJ POLITIKY (2022): *Národné parky pre 21. storočie*, p. 9.

¹⁹ MINISTERSTVO ŽIVOTNÉHO PROSTREDIA SLOVENSKEJ REPUBLIKY: *Natura 2000*.

²⁰ EUROPEAN COMMISSION (2022). *Commission Staff Working Document. Environmental Implementation Review 2022: Country Report – Slovakia*, p. 3.

²¹ MINISTRY OF THE ENVIRONMENT OF THE SLOVAK REPUBLIC (2019): *Greener Slovakia: Strategy of the Environmental Policy of the Slovak Republic until 2030*, p. 7.

²² MINISTRY OF THE ENVIRONMENT OF THE SLOVAK REPUBLIC (2019): *Greener Slovakia: Strategy of the Environmental Policy of the Slovak Republic until 2030*, p. 11.

²³ EUROPEAN COMMISSION (2020): *Nature: Commission decides to refer Slovakia to the Court of Justice of the EU over failure to assess the impact of sanitary logging on Natura 2000 sites and failure to take measures for the protection of a bird species*.

²⁴ COURT OF JUSTICE OF THE EUROPEAN UNION (2022): Case C-661/20, *Commission v Slovakia*, para 38.

²⁵ EUROPEAN WILDERNESS SOCIETY (2017): *Special report: Sanitary logging is often legalising timber harvesting!*

cases could be performed in breach of law.²⁶ World Wide Fund for Nature analysis shows that “corruption, nepotism and the involvement of politicians is seen as an aggravating factor for forestry crime in Slovakia, along with a lack of political will to improve this situation.”²⁷

The Habitats Directive requires Member States to “take appropriate protective measures to preserve the ecological characteristics of sites which host natural habitat types.”²⁸ It therefore provides that any plans and projects not directly connected with or necessary to the management of a Natura 2000 site but likely to have a significant effect thereon, undergo an appropriate assessment of their implications for the site before their implementation.²⁹ However, Slovak legislation has not ensured that sanitary logging activities, which could have a significant impact on Natura 2000 sites, were subject to such an assessment. At the same time, forest management plans have not been subject to an appropriate assessment of their implications since 1 January 2015.³⁰ The Commission therefore considered that Slovakia had not correctly transposed its obligation under the Habitats Directive.

Furthermore, during 2017, the Commission received a number of complaints alleging that forests in the 12 special protection areas designated for the conservation of the capercaillie in Slovakia were being overexploited and that the overexploitation was allegedly affecting the conservation status of this protected species.³¹ In the territory of the Slovak Republic, there has been a significant decrease in the abundance of the capercaillie in recent decades: 3 697 (in 1972), 1 612 (in 2000), 1 097 (in 2015). Thus, the population of the capercaillie has declined by approximately 70% over the last four decades.³² The main cause of the disappearance of local populations and the decline in the total of the local population, however, is demonstrably the destruction and degradation of suitable habitats, which occurs mainly as a result of forest management measures, in particular logging.³³ After the accession of the Slovak Republic to the EU, the population of the capercaillie in 12 Special Protection Areas classified for its protection under the Birds Directive, mainly in the Low Tatras (Nízke Tatry), has halved between 2004 and 2019. Intensive felling of timber across large areas and the use of pesticides to combat bark beetles contributed to a significant decline in the population of that species.³⁴ The current population size of the capercaillie in Slovakia is estimated at 646 - 866 individuals.³⁵ Based on the development of the current status associated with the degradation of the habitats of the capercaillie, it is extremely important to preserve all currently documented important habitats of the species in Slovakia, because if the population falls below the level of 500 individuals, it is threatened with collapse and subsequent extinction.³⁶ Although in April

²⁶ WORLD WIDE FUND FOR NATURE (2021): Recommendations for the improvement of law enforcement in relation to forestry crime, p. 39.

²⁷ WORLD WIDE FUND FOR NATURE (2020): EU forest crime initiative. Gap Analysis: Slovakia, p. 34.

²⁸ COURT OF JUSTICE OF THE EUROPEAN UNION (2018): Case C-441/17, Commission v Poland, para 107.

²⁹ COUNCIL OF THE EUROPEAN UNION (1992): Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, Article 6(3).

³⁰ COURT OF JUSTICE OF THE EUROPEAN UNION (2022): Case C-661/20, Commission v Slovakia, para 63.

³¹ COURT OF JUSTICE OF THE EUROPEAN UNION (2022): Case C-661/20, Commission v Slovakia, para 16.

³² ŠTÁTNA OCHRANA PRÍRODY (2018): PROGRAM ZÁCHRANY Hlucháňa hôrneho (*Tetrao urogallus* Linnaeus, 1758) na roky 2018 – 2022, p. 6.

³³ ŠTÁTNA OCHRANA PRÍRODY (2018): PROGRAM ZÁCHRANY Hlucháňa hôrneho (*Tetrao urogallus* Linnaeus, 1758) na roky 2018 – 2022, p. 10.

³⁴ COURT OF JUSTICE OF THE EUROPEAN UNION (2022): Case C-661/20, Commission v Slovakia, para 103-104.

³⁵ ŠTÁTNA OCHRANA PRÍRODY (2018): PROGRAM ZÁCHRANY Hlucháňa hôrneho (*Tetrao urogallus* Linnaeus, 1758) na roky 2018 – 2022, p. 7.

³⁶ MY SME LES: Zhrnutie vedeckých poznatkov o úbytku biotopov hlucháňa hôrneho.

2018 Slovakia adopted a plan for the conservation of the capercaillie³⁷ in which it acknowledged its decline and outlined measures to halt it [in particular in the field of legislation, practical care, monitoring, education and cooperation with the public, rescue of an endangered protected species in conditions outside its natural habitat (ex situ)], the measures were not implemented and logging in forests with capercaillie has continued. In this case, Slovakia has failed to take appropriate measures for the prevention of the deterioration of the habitats and of significant disturbance in the special protection areas designated for the conservation of the capercaillie under the Habitats Directive.³⁸ In addition, it has failed to adopt the special conservation measures applicable to the habitat of the capercaillie in order to ensure its survival and reproduction in its area of distribution under the Birds Directive.³⁹

As the Commission considered that the Slovak Republic was not complying with EU law in this matter, it initiated infringement proceedings (INFR(2018)4076). In July 2018, the Commission sent a letter of formal notice to the Slovak Republic for failing to ensure adequate protection of protected areas, causing a significant decline in bird numbers, followed by a reasoned opinion in January 2019. On 5 December 2020, the Commission brought an action against the Slovak Republic before the CJEU for incorrect transposition and non-implementation of the above-mentioned provisions of the Habitats Directive and the Birds Directive. On 22 June 2022, the CJEU ruled in favour of the Commission's action, finding that Slovakia had infringed both Directives.⁴⁰

The subsequent enforcement of a declaratory judgment of the CJEU finding an infringement depends almost exclusively on the Member State. However, should the Slovak Republic fail to comply with the judgment, this allows the Commission to initiate a further round of proceedings against the Member State⁴¹, in which the Member State may be sued a second time before the CJEU. If the CJEU finds that the Member State concerned has not complied with its original judgment, it can impose financial sanctions on it.

The Slovak Republic took a number of measures to comply with EU law before the CJEU ruling. Amendments to the Forest Act⁴² and Nature Protection Act⁴³ adopted in 2019 have tightened the conditions for sanitary logging from 1 January 2020. Certain changes have been introduced in the reporting of sanitary logging, so that all reported cases of sanitary logging in protected areas must be assessed by the State Nature Conservancy, which may authorise, restrict or prohibit it in the event that it may conflict with nature conservation activities. Prior to that, the decision to start sanitary logging was taken from the top down and trees could be harvested without proper assessment.⁴⁴ Slovakia has also taken steps to address specific problems with sustainable forest management in protected areas. National park reform is intended to contribute to this. A prerequisite for modern nature conservation is the unified management of national parks under nature conservation organisations.⁴⁵ Before the reform,

³⁷ ŠTÁTNA OCHRANA PRÍRODY (2018): PROGRAM ZÁCHRANY Hlucháňa hôrneho (*Tetrao urogallus* Linnaeus, 1758) na roky 2018 – 2022.

³⁸ COUNCIL OF THE EUROPEAN UNION (1992): Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, Article 6(2).

³⁹ EUROPEAN PARLIAMENT – COUNCIL OF THE EUROPEAN UNION (2009): Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds, Article 4(1).

⁴⁰ COURT OF JUSTICE OF THE EUROPEAN UNION (2022): Case C-661/20, *Commission v Slovakia*.

⁴¹ EUROPEAN UNION (2016): Consolidated version of the Treaty on the Functioning of the European Union, Article 260 (2).

⁴² NÁRODNÁ RADA SLOVENSKEJ REPUBLIKY (2005): Zákon 326/2005 Z. z. o lesoch.

⁴³ NÁRODNÁ RADA SLOVENSKEJ REPUBLIKY (2002): Zákon 543/2002 Z. z. o ochrane prírody a krajiny.

⁴⁴ WORLD WIDE FUND FOR NATURE (2021): Recommendations for the improvement of law enforcement in relation to forestry crime, p. 39.

⁴⁵ INŠTITÚT ENVIRONMENTÁLNEJ POLITIKY (2022): Národné parky pre 21. storočie, p. 18.

the management of state-owned land in national parks was carried out by the organisations subordinated to the Ministry of Agriculture and Rural Development of the Slovak Republic organisations, which covered forestry, hunting and agriculture. Nature protection was under the responsibility of the Ministry of the Environment of the Slovak Republic.⁴⁶ On 14 December 2021, an amendment to the Nature Protection Act was approved⁴⁷, under which, as of 1 April 2022, national parks will gradually take over the management of all state-owned land (including forests) in their territory. It ensured that the management of land in national parks will also be the responsibility of the Ministry of the Environment of the Slovak Republic. In particular, the reform is intended to prevent further logging or disturbance in protected areas, which were not a priority for foresters.

Conclusion

Although the causes of habitat degradation and species decline in the EU are diverse, in the Commission's infringement procedure against the Slovak Republic concerning the protection of the capercaillie, the main pressure comes from forestry. Even after the CJEU judgment, the Commission has not yet formally closed the case. However, representatives of the Slovak Ministry of the Environment believe that the measures Slovakia has taken are sufficient to avoid secondary legal proceedings and the imposition of a financial sanction, which could be substantial.

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⁴⁶ INŠTITÚT ENVIRONMENTÁLNEJ POLITIKY (2022): Národné parky pre 21. storočie, p. 13.

⁴⁷ NÁRODNÁ RADA SLOVENSKEJ REPUBLIKY (2002): Zákon 543/2002 Z. z. o ochrane prírody a krajiny.

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COUNTERMEASURES IN INTERNATIONAL LAW – NEW NORMS IN THE MAKING?

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Abstract: Among other consequences, the ongoing Russian invasion of Ukraine has shifted attention to some theoretical aspects of application of countermeasures under international law. This issue has been highly topical especially in the context of contemplating the potential use of Russian sovereign assets for the purposes of reconstructing Ukraine. As widely reported, members of the coalition aiming to help Ukraine fend off Russian invasion have been examining available legal options that would serve both the purpose of hindering Russian war machine's ability to continue its military efforts against its neighbour as well as contributing to the pool of resources required for alleviating the widespread damages caused by the aggression. As the law on countermeasures falls into the realm of customary international law that has not yet been codified, it allows for the emergence of various often competing legal interpretations by the members of the international community. This paper aims to analyse whether these developments may signal the emergence of new interpretations or even new norms of customary international law pertaining to the application of countermeasures under international law.

Keywords: countermeasures, customary international law, immunity of sovereign assets, Russian invasion of Ukraine

JEL: K33

Introduction

Russian aggression against Ukraine that is approaching its two year anniversary has initiated many shifts in global geopolitical relations. There is an overwhelming consensus that peremptory norms of international law have been breached by the Russian invasion of Ukraine in February 2022 and thus, Russia through its unlawful use of force has engaged in unacceptable actions in breach of international law. The UN General Assembly's 2 March 2022 vote on the resolution titled „Aggression against Ukraine“¹ showed with 141 votes in favour, 35 abstentions and only 5 votes against (Russia, Belarus, North Korea, Eritrea, Syria) that there is indeed a consensus of the international community on the fact that the actions of Russian Federation against Ukraine comprise indeed the breach of the basic peremptory norms of international law.

However, the mere fact of establishing Russian Federation's international legal liability for the breach of international law could not stop its illegal actions. Due to the paralysis of the UN Security Council for evident reasons, the international community found itself left with few legal options to exercise any effective pressure on the State committing an internationally wrongful act with the aim of inducing the aggressor state to comply with its legal obligations. Countermeasures² are an instrument of (customary) international law that have not been codified but the International Law Commission has taken on the work of drafting the text of the

¹ United Nations General Assembly Resolution ES-11/1.

² ILC Draft Articles on Responsibility of States for Internationally Wrongful Acts, 2001 with commentaries.

Articles on Responsibility of States for Internationally Wrongful Acts. This document has been widely accepted by the international legal community as reflecting the content of customary international law on this issue. Its exact application, however, has been subject to ongoing theoretical debates and the current developments appears to signal the evolution of the content of this legal instrument.

1 Countermeasures and their evolving interpretation

According to ILC Articles on Responsibility of States for Internationally Wrongful Acts, countermeasures are measures that can only be taken by an injured state „against a State which is responsible for an internationally wrongful act in order to induce that State to comply with its obligations“.³ For further clarification, it needs to be stated that the ILC Articles further stipulate that „any State other than an injured State is entitled to invoke the responsibility of another State in accordance with paragraph 2 if: (a) the obligation breached is owed to a group of States including that State, and is established for the protection of a collective interest of the group; or (b) the obligation breached is owed to the international community as a whole.“⁴ As in the case of the Russian aggression against Ukraine, the unlawful use of force constitutes a breach of a peremptory norm of general international law with effects *erga omnes*, i.e. it constitutes a breach of an obligation owed to the international community as a whole. Thus, the right to invoke the responsibility of Russia for its military aggression lies with all members of the international community.

In addition, the ILC Articles provide that „the wrongfulness of an act of a State not in conformity with an international obligation towards another State is precluded if and to the extent that the act constitutes a countermeasure taken against the latter State in accordance with chapter II of part three.“⁵

The issue of application of countermeasures has been further discussed in the 1997 ICJ’s *Gabcikovo-Nagymaros Project* case, where the court concluded that for a countermeasure to be justifiable, it must be taken in response to a previous intentional wrongful act of another state and must be directed against that state, the injured state must have already called upon the state committing the wrongful act to discontinue its wrongful conduct or to make reparation, but the request was refused, the countermeasure must be commensurate with the injury suffered, taking into account the rights in question and the purpose behind evoking the countermeasure is to induce the wrongdoing state to comply with its obligations under international law. Therefore, the measure must be reversible.⁶

As regards the application of countermeasures by the international community in the case of Russian aggression against Ukraine, one of the widely discussed means is the freezing and potential use of Russian sovereign assets located on the territory of foreign states. According to the EC President Ursula von der Leyen, the value of Russian sovereign assets currently held in the territory of the European Union is 211bn euros.⁷

While there is now a wider consensus on the issue of the legality of „freezing“ Russian sovereign assets held in the accounts of EU financial institutions, a wider range of legal opinions emerges when it comes to further using these assets to help with the reconstruction of war damages Ukraine. Ursula von der Leyen announced that the European Commission was

³ Ibid. Article 49.

⁴ Ibid. Article 48.

⁵ Ibid. Article 22.

⁶ ICJ *Gabcikovo-Nagymaros Project Case*.

⁷ Reuters, October 29, 2023: Moscow will confiscate EU assets if Brussels ‘steals’ frozen Russian funds, putin ally says.

working on a proposal to utilise some of the profits derived from frozen Russian state assets for the purposes of Ukraine's post-war reconstruction.⁸

According to the ILC Articles on State Responsibility, it remains a fact that „the responsible State is under an obligation to make full reparation for the injury caused by the internationally wrongful act.“ And „Injury includes any damage, whether material or moral, caused by the internationally wrongful act of a State.“⁹

Yet, as discussed above, the countermeasures are justifiable only if they are reversible and a confiscation and later utilisation of these assets (not their mere „freezing“ that implies the possibility of subsequent „unfreezing“) would make that measure irreversible. In addition, even if Russia had not complied with its obligation to make full reparation of any damage caused by its illegal conduct, that does not automatically allow for the „set-off“ of this obligation with European member states' obligation to preserve Russia's assets held in their territory.

Moreover, the issue of sovereign immunity comes into play as well, although this has lately been a widely discussed issue within the legal community especially with respect to the immunity pertaining to the central bank assets.

Based on analysis of several judicial decisions on application of immunity on central bank assets, some legal scholars have concluded that the Swedish and U.S. Court's decisions are leaning towards „a high level of immunity from measures of execution for central bank assets invested abroad“, but they also suggest that “assets unrelated to central banking functions will not be entitled to immunity”. However, due to the fact that the central banking functions allow for a broad definition, the issue of central bank assets immunity remains without a clear general conclusion.¹⁰

There have been, however, several occasions in the past that seem to challenge the established presumption of automatic immunity of central bank assets held abroad. Apart from the case of frozen Russian sovereign assets, the U.S. has also frozen some Iranian, Cuban, Afghan, Venezuelan and Syrian central bank assets. However, there are still ongoing litigations in various US courts with respect to the freezing and use of these assets by the US authorities. These cases, however, also have very different backgrounds as for example in the case of Taliban or the Venezuelan government, the United States do not recognize these governments as legitimate. Thus, the US operate on the presumption of lack of clarity regarding the ownership of the assets due to the legitimacy issues of the respective government.¹¹

The United States, the European Commission and various EU member states, especially Belgium, where the majority of Russian central bank assets are located, are well aware of the limits that the rules on sovereign assets immunity places on their options to use these assets for the sake of helping Ukraine cope with the effects of Russian aggression. In the meantime, the Belgian government made very cautious first steps aimed at securing at least some proceeds from Russian central bank assets towards helping Ukraine. It seems, however, that the proceeds are not going to cut from the Russian central bank assets themselves, as in fact, the Belgian government agreed to create a USD 1.8bn fund for Ukraine using tax revenue from profit generated by seized Russian central bank assets.¹²

As for the use of the frozen Russian central bank assets themselves, the Belgian Prime Minister stated that “We are looking with the G7 countries and the European Commission to have a structural solution for the frozen assets which doesn't destabilize the international

⁸ Ibid.

⁹ Ibid. at 2, Article 31.

¹⁰ WUERTH BRUNK, I.: Central Bank Immunity, Sanctions, and Sovereign Wealth Funds, Working Paper Number 23-12, George Washington Law Review, 2023.

¹¹ Ibid.

¹² The Wall Street Journal, October 11, 2023: Belgium plans 1.8billion Ukraine Fund Using Taxes on Frozen Russian Assets.

financial system. ... You need a legal basis and it's clear that Belgium can not provide this legal basis on its own."¹³ It is clear that adherence to established norms of international law are still regarded as highly relevant component of overall stability including the stability of the financial markets.

Conclusion

Although the rules of customary international law including the law on countermeasures are subject to evolution, the confiscation and use of central bank assets carries with it a non-negligible risk that it will amount to an act potentially contradictory to international law. There are certain limits in the perception of state immunity that are, however, lately being scrutinized. So far, the countries of the „West‘ are reluctant put the established customary norms to a test. It is without doubt that stability – which also includes the stability of the financial markets – relies on the application of established norms of international law. Should the international community – or at least a part of it represented by the G7 group come to a conclusion that the material conditions have been met to shift the interpretation of the established norms of customary international law towards greater benevolence with respect to applying the rules on state immunity – it will not be without risk of a destabilizing effect on global economic processes.

So far, history has proven that the most effective and at the same time legally sound way to obtain reparations from a party that violates international law and thereby causes material or immaterial damage to another state and its citizens is an agreement to create a fund for the reconstruction of the affected country as part of the terms of the peace agreement concluded by the parties involved in the conflict and its resolution.

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ENSURING EQUAL PAY BETWEEN MEN AND WOMEN: THE CASE OF THE REPUBLIC OF MOLDOVA

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Abstract: Equal pay is a fundamental element of gender equality. It ensures that men and women are treated fairly and with equal respect in the workplace, regardless of their gender. This principle is essential for promoting a more just and equitable society.

International society has adopted a series of regulations that require equal pay for equal work. The Republic of Moldova, as a subject of international law, has strengthened its efforts to adjust national legislation to international standards. Understanding the reasons for inequality in wage payments is a complex issue. However, some of the justifications offered include the belief that women will abandon their careers to raise children or spend less time at work to care for their families. However, other factors such as gender discrimination also contribute to this situation. Stereotypes such as women are often seen as less capable than men, unable to perform on par with their male counterparts, or deserving of lower pay because men are traditionally seen as the breadwinners and heads of the household.

Keywords: equal, pay, remuneration, labor market, discrimination, women, man
JEL: F50, K33

Introduction

Gender pay gaps represent one of today's greatest social injustice. According to the ILO Global Wage Report 2018/19, women earn on average about 20 per cent less than men.¹

The Global Gender Gap Report 2023 notes that although women have (re)entered the labor force at higher rates than men globally, leading to a small recovery of gender parity in the labor force participation rate since the 2022 edition, the gaps remain large overall and are evident in several specific dimensions. The state of gender parity in the labor market remains a major challenge. Not only has women's labor market participation globally declined in recent years, but other indicators of economic opportunity have also shown substantial differences between women and men.²

Since 1919, the right to equal pay has been discussed during the preparation for the establishment of the International Labor Organization³ (hereafter - ILO), scholars have made efforts to explore potential solutions to the pay gap between women and men. The 1980s saw an explosion of economic research on wage determination and the sociological analysis of the market and occupational structures. The causes of the gender pay gap have been attributed to differences in the productivity characteristics of men and women, the characteristics of

¹ Global Wage Report (2023), p. 6.

² The Global Gender Gap Report (2023), p. 9.

³ International Labor Organization (2023).

businesses and sectors employing men and women, the jobs held by women and men, the number of hours spent on paid work and pay discrimination.⁴

Pay equity also has many proven benefits, notably: better recruitment and selection practices. Equity remuneration makes the recruitment and selection process more effective. It improves continuing education, raises employment rates retention of new employees after their trial period and improves the performance of new employees. Identifying ignored job requirements female predominance. Recruitment taking these into account requirements translates into better products and services quality and greater flexibility internally and allows identify skills that can be transferred between predominantly female jobs and jobs with male predominance.⁵

1 International regulations applicable to the Republic of Moldova

The Republic of Moldova is party to a series of international regulations in the field of social protection, and in recent years it has been strengthening its efforts to harmonize national legislation with international standards, especially in the segment of equal pay.

Analyzing equal pay between men and women, we must mention the ILO Convention no. 111 on discrimination (employment and occupation) from 1958,⁶ Maternity Protection Convention,⁷ The ILO Declaration on Fundamental Principles and Rights at Work⁸ and the United Nations Convention on the Elimination of All Forms of Discrimination Against Women,⁹ the Convention on the Rights of Persons with disabilities.¹⁰

According to art. 7 para. (1) lit. a), (i) of the International Covenant on Economic, Social and Cultural Rights " *Fair wages and equal remuneration for work of equal value without distinction of any kind, in particular women being guaranteed conditions of work not inferior to those enjoyed by men, with equal pay for equal work.*"¹¹

The ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, regulates the "basic workers' rights" – the prohibition of forced labour and child labour, freedom of association, the right to organize and bargain collectively, equal remuneration for work of equal value and the elimination of discrimination in employment.¹²

The Republic of Moldova ratified the European Convention on Human Rights on July 24, 1997.¹³ On November 8, 2001, Moldova ratified the Revised European Social Charter (hereinafter- European Social Charter or ESC or Charter) accepting 63 of the 98 Charter's paragraphs. It has not accepted the Additional Protocol to the European Social Charter Providing for a System of Collective Complaints.¹⁴

⁴ Cher Weixia Chen, The International Instruments on Gender Pay Equity (2008), p. 1.

⁵ Egalité de remuneration. Guide d'introduction (2013), p. 6.

⁶ ILO Convention no. 111 on discrimination (1958).

⁷ Maternity protection Convention (2000).

⁸ The ILO Declaration on Fundamental Principles and Rights at Work.

⁹ United Nations Convention on the Elimination of All Forms of Discrimination Against Women.

¹⁰ UN Convention on the Rights of Persons with disabilities.


¹¹ International Covenant on Economic, Social and Cultural Rights.

¹² ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up.

¹³ European Convention on Human Rights.

¹⁴ The Additional Protocol to the European Social Charter Providing for a System of Collective Complaints.

Table 1.1: The Republic of Moldova ratified the Revised European Social Charter accepting 63 of the 98 Charter’s paragraphs¹⁵

 Table of accepted and non-accepted provisions by the Republic of Moldova

Grey = Accepted provisions

1.1	1.2	1.3	1.4	2.1	2.2	2.3	2.4	2.5	2.6	2.7	3.1
3.2	3.3	3.4	4.1	4.2	4.3	4.4	4.5	5	6.1	6.2	6.3
6.4	7.1	7.2	7.3	7.4	7.5	7.6	7.7	7.8	7.9	7.10	8.1
8.2	8.3	8.4	8.5	9	10.1	10.2	10.3	10.4	10.5	11.1	11.2
11.3	12.1	12.2	12.3	12.4	13.1	13.2	13.3	13.4	14.1	14.2	15.1
15.2	15.3	16	17.1	17.2	18.1	18.2	18.3	18.4	19.1	19.2	19.3
19.4	19.5	19.6	19.7	19.8	19.9	19.10	19.11	19.12	20	21	22
23	24	25	26.1	26.2	27.1	27.2	27.3	28	29	30	31.1
31.2	31.3										

Source: Council of Europe, Situation of Republic of Moldova and the European Social Charter, (2023)

By payment, it is to be understood: salary, allowances, overtime pay. In the decision of 2007, the Court of Justice of the EU, mentioned that the principle of equal pay precludes not only direct discrimination but also any unequal treatment through the application of criteria unrelated to sex where such unequal treatment affects considerably more women than men and cannot be justified by objective factors wholly unrelated to discrimination based on sex.¹⁶

2 National regulations concerning the equal pay between women and men:

Article 43 of Constitution provided the right to work and labour protection „Everyone has the right to work, to freely choose work, to fair and satisfactory working conditions, as well as to protection against unemployment.”¹⁷

Pursuant to the Article 1 of the Labor Code: equal work is the work performed on the same positions according to the identical requirements imposed to education, professional training and training, competence (skills), efforts, responsibility, the performed activities, nature of objectives and working conditions; work of equal value is the work performed on different positions or line items, but recognized equivalent based on the identical requirements imposed to education, professional training and training, competence (skills), efforts, responsibility, the performed activities, nature of objectives and working conditions.¹⁸

The Labor Code have been amended, especially by LP107 of 21.04.22, MO141-150/13.05.22 (art.254), in effect since May 13, 2022. The amendments are in many regards progressive and complete legal definitions of remuneration, equal work and work of equal value.¹⁹

Remuneration is defined as monetary remuneration that includes the basic salary (tariff salary, salary of the position), as well as all additions, increments, awards and other incentive and compensation payments granted to the employee by the employer based on the individual employment contract for the work performer.

In 2023, in the Global Gender Gap Index Ranking 2023, Republic Moldova has the 19th position.²⁰

¹⁵ Law No. 484 of 28 September 2001 for partial ratification of the revised European Social Charter.

¹⁶ Case nr. 87/7 Ursula Voß v Land Berlin (2007).

¹⁷ Constitution of the Republic of Moldova (1994).

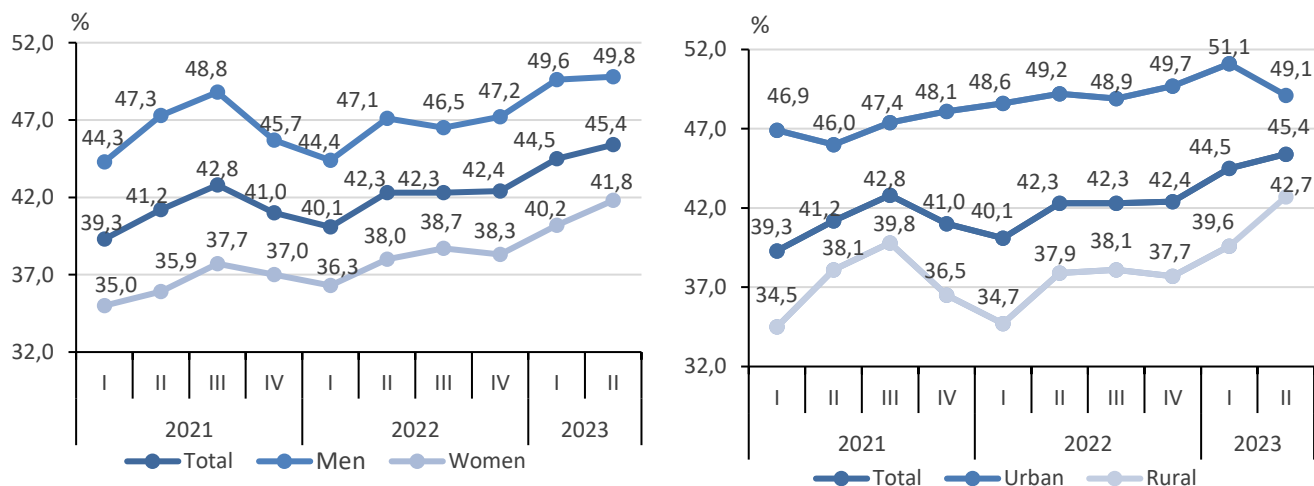
¹⁸ Labor Code of the Republic of Moldova (2003).

¹⁹ Law no. 107 of April 21, 2022 for the modification of some normative act (2022).

²⁰ Global Gender Gap Index Ranking (2023), Table 1.1.

Analyzing the data presented by the National Bureau of Statistics, we notice that the number of employed men is higher than that of women.

Table 1.2: Evolution of the labor force participation rate by sex and average, 2021 – 2023 years



Source: National Bureau of Statistics of Republic of Moldova

The Labour Code has undergone essential changes, including enhancing gender equality. The most important ones implemented the principle of equal remuneration for men and women for equal work and work of equal value through ensuring the transparency of salaries. At the same time, in order to ensure the balance between personal and professional life, changes were introduced that offer both parents the opportunity to participate in raising and caring for children (paternal leave,²¹ the possibility to work up to 36 weeks of pregnancy,²² the possibility to work and to receive allowances for raising a minor child, alternative childcare services up to the age of 3,²³ etc.).

Based on the report presented by the Equality Council, for the year 2022, in the field of work, most acts of discrimination took place based on the criteria of opinion (23 %), disability (15 %) and pensioner status (15 %).²⁴

Notably, these attitudes are typically not targeted at all workers but rather directed at those who occupy higher positions of responsibility and status. Recent data from the National Bureau of Statistics reveals that women in the Republic of Moldova earn wages that are 15-17 % lower than those of men. Furthermore, the gap between salaries paid to men versus those paid to women averages 14 % year-over-year,²⁵ while the year-over-year salary growth rate averages 11 %. The smallest gap occurred in 2015, with a ratio of 13.2 %. Also, in 2021 the difference was 13.6 %.

Understanding the reasons for the inequality in salary payments is a complex issue. Nevertheless, some of the justifications presented include the belief that women will abandon their careers to raise children or spend less time at work to care for their families. However, other factors also contribute to the situation, such as gender-based discrimination. Women are often viewed as less capable than men, incapable of performing on par with their male

²¹ Article 124¹, Labour Code (2023).

²² Article 76¹, Labour Code (2023).

²³ Law No. 367 of 29 December 2022 regarding alternative childcare services (2022).

²⁴ Equality Council Report for 2022, p. 5.

²⁵ National Bureau of Statistics, The statistical portrait of men and women in the Republic of Moldova (2023).

counterparts, or deserving less pay because men are traditionally seen as the breadwinners and heads of families.

One way to measure the efficacy of a salary is to consider the minimum subsistence (MS). The Law on Minimum Subsistence calculates the size of the MS by summing the value of the food basket, expenses for the purchase of industrial goods and services, as well as premiums and mandatory contributions. According to the National Bureau of Statistics, the average salary per gender, regardless of economic activity, covers an average of 284 % of the MS for women, ranging from 244 % in 2015 to 330 % in 2019. In contrast, for men, the average salary, regardless of economic activity, covers an average of 330 % of minimum needs, ranging from 281 % in 2015 to 384 % in 2019.²⁶

In the information and communications sector, employees have achieved the highest level of coverage of the subsistence minimum for the working population, while those in agriculture, forestry, and fishing have the lowest. Over the past years, the minimum subsistence has increased by 17%, or 297.10 MDL, from 1734.10 MDL in 2015 to 2031.20 MDL in 2019. The average increase of the minimum subsistence was 4%, but it only rose by 2 % in 2018 and by 7% in 2019, 3500 MDL in 2022 and 4000 MDL in 2023.²⁷ It is important to note that women have consistently earned less than their male counterparts over the last eight years.

In terms of economic activity, men dominate in construction (94.5 %/5.5 %), transportation and communications (70.1% / 29.9 %), and agriculture, forestry, and fishery (62.9 % / 37.1 %). On the other hand, women outnumber men in public administration, education, health, and social work (70.7 % / 29.3 %). While men are more active in the labor market, the difference in participation levels has gradually decreased over time. Between 2003 and 2022, the activity rate of men feels slightly faster than that of women, leading to a certain convergence of participation levels.

The manifestation of higher economic activity in the male labor market is evident in the form of greater unemployment among men than women. The level of constant unemployment has been consistently higher among men, but this gap has recently narrowed. However, this reduction in unemployment is not a long-lasting trend and typically characterizes periods of economic growth and a general decrease in unemployment levels across the national economy. During times of economic shock, the gap in unemployment rates between men and women widens considerably, mainly due to a sharp increase in unemployment levels among men. Conversely, the gender gap gradually narrows during periods of economic growth, with the unemployment rate in men decreasing faster than that of women.

The economic crisis of 2009, for instance, witnessed a doubling of the unemployment rate in men from 5.5 % to 9.9 % in two years, while that of women increased from 3.8 % to 6.4 %. A similar scenario occurred in 2015, but the subsequent gender gap narrowed to just 1.2 percentage points. However, the COVID-19 pandemic's economic shock is expected to widen the gap once again.

The pandemic has affected both genders, highlighting their various vulnerabilities, albeit in different proportions. The COVID-19 pandemic and accompanying isolation measures have emphasized one of the weakest links, which is care. Women have taken on the majority of household and childcare tasks, limiting their interactions with individuals outside their families. In contrast, men have been more affected in terms of their rights at work, with many unable to benefit from social or health insurance systems. Women have been more exposed to anxiety and frustration during the pandemic crisis and have been forced to retire from work due to inequity in the division of care responsibilities. The pandemic crisis has also affected the

²⁶ The National Bureau of Statistics, The statistical portrait of men and women in the Republic of Moldova.

²⁷ Decision No. 854/2022 of 07.12.2022 to amend point 1 of Government Decision no. 670/2022 on establishing the amount of the minimum wage per country.

possibility of women and men to obtain income, with the sudden reduction of remittances and salary incomes being two channels of financial vulnerability.²⁸

Compared to women, men have had a higher rate of migration for employment abroad due to increased economic activity. However, from 2008 onward, the number of men involved in external migration processes increased almost in tandem with women. Despite this, women's migration rate increased slightly faster. Over the decade spanning 2008-2018, the number of men migrating for work increased by 38.4 %, while that of women increased by 43 %. Prior to 2008, the number of men who went abroad far exceeded that of women, creating a higher proportion of men in the total population abroad. However, from 2008-2018, the proportion of men in the population abroad remained relatively stable at around 65 %.²⁹

Workers' right to equal pay for men and women for equal work or work of equal value is governed by Article 10, paragraph 2, letter (g) and Article 128, paragraph 2 of the Labour Code. Article 8 of the Labour Code prohibits direct or indirect discrimination against employees on different grounds including sex. The report did not provide information requested by the Committee on the following subjects: the definitions of equal pay and pay for work of equal value; legal enforcement of the principle of equal remuneration in practice; availability of pay comparisons across companies in the private sector; statistical data on the pay gap.

An important amendment to Law no. 121/2012 on ensuring equality, which modifies the purpose of the Law and extends the protected criteria. Moreover, the legislator redefined the terms "discrimination", "direct discrimination", "indirect discrimination", being completed art. 1 with the notions of "continuous discrimination", "prolonged discrimination". Law no. was also completed. 121 by provisions prohibiting discrimination regarding affiliation or access to an organization of employees or employers, or in any organization whose members exercise a certain profession.³⁰

As per the calculations of the Center of Partnership for Development according to the National Bureau of Statistics of the Republic of Moldova, in 2022, women in the country earned 13.6 % less than men. What is more, women received lower wages than men in most economic activities. In 2022, the largest differences were recorded in: IT - 42.8 % and financial and insurance field - 40.9 % less.³¹ The indicators were similar for 2021.³² According to data published by The National Bureau of Statistics of the Republic of Moldova in 2021, the monthly gross average earnings in lei was 8.353,1 for women and 9.672,6 for men,³³ which means women earned 13,64 % less than men.

Conclusions

The principle of equal pay for equal work or equal rights between men and women is not only a matter of justice and fairness but also a key driver of social progress, economic prosperity, and gender equality. It is a fundamental principle that is crucial for creating inclusive, diverse, and equitable societies and workplaces.

The Republic of Moldova has taken important steps in order to harmonize national legislation with international standards. We note that at the moment, there is still no clear mechanism regarding the calculation of remuneration, in the segment of the gender dimension,

²⁸ UN Moldova, Childcare, Women's employment and the impact of COVID-19: The case of Moldova (2021), p. 12.

²⁹ World Bank, Moldova Country Gender Action Plan (2017).

³⁰ Law of Republic of Moldova no. 121 regarding ensuring equality (2012).

³¹ Partnership Center for Development, (In)equality in wages and pensions between women and men in 2022 Progress and opportunities to improve measures to ensure equal pay for equal work, (2023), p. 4.

³² Genderpuls, Earnings and the wage gap by sex (lei/month and percentages).

³³ National Bureau of Statistics, Gender statistics.

so that several criteria are taken into account: skills, attributions, actual workload, to determine pay and possibly equality discrepancies.

The statistical data provide figures that emerge from the salaries of women and men, in general, without being analysed according to data disaggregated by type of activity.

Currently, the pay gap between women and men in the Republic of Moldova remains over 14 %.

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THE 2023 SNAP ELECTIONS IN SLOVAKIA¹

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Abstract: The 2023 early parliamentary election was held in Slovakia on September 30, 2023. Most public opinion polls indicated that the populist SMER-SSD party, led by three-time former prime minister Robert Fico, would come first. SMER-SSD left office in 2020, after eight years in power, following the surprise victory in that year's parliamentary election of the self-proclaimed anti-corruption movement Ordinary People and Independent Personalities (OLaNO). Most of the other political parties in Slovakia's fragmented political scene tried to stop SMER-SSD, a party under which organized crime thrived, from returning to government. The election campaign focused on corruption scandals, social values, political infighting,² the country's economic outlook, and Slovakia's support to Ukraine following Russia's invasion. The election was won by the opposition SMER-SSD (23%), followed by Progressive Slovakia (PS) (18%) and HLAS-sociálna demokracia (14.7%). As no political force achieved a parliamentary majority, SMER-SSD needed to find coalition partners in order to form a government. In post-election talks, populists and liberals were battling for the support of HLAS in order to form a government and set the course for Slovakia over the next four years. When HLAS rejected the liberals, Fico had a smooth path to his fourth premiership. He formed a parliamentary majority by signing a coalition government deal with the leftist HLAS political party and the ultranationalist Slovak National Party (SNS).

Keywords: Slovakia, snap election, political parties, politics

JEL: N40

Introduction

For the past year, since the fissiparous coalition formed in March 2020 came apart at the seams, pollsters have been dutifully reporting the fortunes of Slovakia's political parties from the perspective of an impending early election. Inevitably, narratives have emerged. The main story is the revival of SMER-SSD. This protean party, which would like you to think of it as "social democratic", is now a right-wing populist party, one with no vision, but an extremely gifted leader.

Back in 2012 SMER-SSD achieved the astonishing feat (in a fully proportional electoral system) of winning an absolute majority in parliament. It then proceeded to do precisely nothing with it, at least on the surface. Numerous investigations, prosecutions, witness testimonies and convictions since 2020 suggest that a great deal of activity was going on at the time, allegedly to corrupt parts of the police, the justice system and various organs of the state for the benefit of business tycoons close to SMER-SSD's leadership. But when it came to the economy, it adopted a 'steady as she goes' approach that left the free-market reforms of the 1998-2006 SDKÚ-DS-led governments largely in place.

The election night in Slovakia began with two exit polls that predicted a win for the liberal force Progressive Slovakia (PS) in the early election, but as the night went on, live results

¹ The paper was written within the scientific project registered as VEGA 1/0842/21: Development of Cooperative Security and Position of the Slovak Republic.

² European Sources Online (2023): Slovak parliamentary election, September 2023.

hinted at and eventually confirmed a different scenario: the return of SMER-SSD governments have been prosecuted and charged with corruption. Despite of these facts, SMER-SSD, led by former three-time PM Robert Fico, who pledges to cut any support to Ukraine except for humanitarian aid, won the snap election in Slovakia.

Slovakia's early parliamentary election result 'disappointing' for right

SMER-SSD's 44 percent support of 2012 duly sank to 28 percent in 2016, which was still enough to keep it in government. However, the fallout from the murder of journalist Ján Kuciak and his fiancée Martina Kušnírová in 2018 accelerated its decline and helped drive the party from power in 2020, when it attracted just 18 percent. After Peter Pellegrini subsequently split from founder Robert Fico to set up a new party, HLAS, many predicted SMER-SSD was headed the way of the Movement for a Democratic Slovakia (HZDS), the electoral juggernaut of the 1990s that later evaporated. Fico, a three-time prime minister, has instead staged a remarkable comeback and, after two years during which Pellegrini seemed ascendant, regained SMER-SSD's lead in the polls. It's a significant political achievement, one that has leveraged the failures of the post-2020 government(s) and some extraordinarily conspiratorial messaging.

The 2023 elections in Slovakia does not only decide who rules Slovakia, but will show whether the rejection of aid to Ukraine could become a mainstream political position in Europe. Slovakia was the first country to send an air defense system and its old fighter jets to Ukraine. However, before the September 30 elections, the SMER-SSD party and the far-right 'hostile' to the government in Kyiv were growing in popularity. SMER-SSD chair Robert Fico promised to stop Slovak arms supplies to Ukraine, condemned sanctions against Russia and railed against NATO despite the country's membership in the alliance.

The turnout this year was the highest since the 2002 parliamentary election, reaching 68.51 percent. The voters decided that SMER-SSD won the election on September 30 with 22.94 percent. Interesting fact is that a similar figure was forecast for Progressive Slovakia (PS) in one of the exit polls. PS ended in second place with 17.95 percent.³ Six single parties and one coalition party have gotten into the 150-seat parliament, according to the official results.

HLAS, a left-wing party established three years ago by SMER-SSD renegades led by ex-PM Peter Pellegrini, the self-declared anti-corruption movement OĽaNO chaired by ex-PM Igor Matovič, the liberal party SaS, as well as two returnees, the Christian Democratic Movement (KDH) and the ultranationalist party Slovak National Party (SNS), will sit in parliament as well. This election was not short of political surprises such as the end of the far-right movement Republika and the populist movement We Are Family (Sme Rodina), led by Speaker Boris Kollár, in parliament.

The parties that gained at least three percent of all the votes in the September 30 early election will receive a state contribution. In total, the parties will receive more than €92 million in contributions from the state budget.⁴ Among these are the far-right movement Republika and Hungarian minority party - Aliancia. Moreover, the parties that gained more than 2 percent of votes will get back their €17,000 deposit for running in the election. Find out how much money individual parties will receive.

After the elections Robert Fico was appointed by President Zuzana Čaputová to form a government. There were several options: he might form a coalition government with HLAS and SNS (what was the most likely option).⁵ Besides, with KDH, such a coalition would have reached the constitutional majority. SMER-SSD could swap SNS for KDH, which would grant the SMER-SSD-led government 81 seats in the National Council. In 2010, when Fico won his

³ POLITICO (2023): Slovakia – 2023 general election.

⁴ BEŇO, M. (2023): Robert Fico has 14 days to form government.

⁵ VANČO, M. (2023): A Smer government is not the only option. There are two plausible alternatives.

second parliamentary election, most parties refused to cooperate with him and he did not become the prime minister. If the situation happened again, Progressive Slovakia could try to form a liberal-conservative government with KDH, SaS, and HLAS.

It is also interesting to look at the final exit-polls before the election. The results were slightly different, but would have also brought a different negotiation positions for some political parties. According to the Focus exit poll seven political parties might get into parliament: Progressive Slovakia came first in the poll receiving 23.5 percent, followed by SMER-SSD with 21.9 percent. The left-wing party HLAS, the populist conservative coalition party OĽaNO-KÚ-ZĽ, the liberal party SaS, the far-right party Republika and the Christian Democratic Movement (KDH) would have also won parliamentary seats, getting over a 5-percent threshold (7 percent in the case of OĽaNO-KÚ-ZĽ). The populist party Sme Rodina and the ultranationalist Slovak National Party (SNS) would not have on any seats, either.⁶

Table 1: Results of Parliamentary Election in Slovakia

Political Party:	Percentage %:
SMER-SSD	22,94%
Progressive Slovakia (PS)	17,96%
HLAS-sociálna demokracia	14,7%
OĽaNO-KÚ-ZĽ	8,89%
Christian Democratic Movement (KDH)	6,82%
Freedom and Solidarity (SaS)	6,32%
Slovak National Party (SNS)	5,62%

Source: Statistics Office: Voľby do Národnej rady Slovenskej republiky 2023

Table 2: Distribution of seats in the National Council

Political Party:	Seats:
SMER-SSD	42
Progressive Slovakia (PS)	32
HLAS-sociálna demokracia	27
OĽaNO-KÚ-ZĽ	16
Christian Democratic Movement (KDH)	12
Freedom and Solidarity (SaS)	11
Slovak National Party (SNS)	10

Source: RTVS: Parlamentné voľby 2023

HLAS leader and ex-prime minister Peter Pellegrini promised to respond to a generous offer given to him by Progresívne Slovensko (PS), a liberal party that came second in the September election. The liberals offered Pellegrini the possibility of becoming prime minister and his party an equal partner in the potential government. PS was even willing to negotiate on who should become the next interior minister. PS was refusing to give up on this post before.

PS has attempted to form a government with HLAS, the liberal party Freedom and Solidarity (SaS) and the Christian Democratic Movement (KDH), in order to prevent SMER-SSD from taking power again. However, Pellegrini's responded differently as PS had expected. His party decided to continue further negotiations with SMER-SSD and Andrej Danko's ultranationalist Slovak National Party. Danko, another politician with pro-Russian views, thinks that Putin is a friend of Slovakia.

As the election winner, Robert Fico was asked by President Zuzana Čaputová to start formal negotiations on forming a coalition government with other political parties. In this,

⁶ DLHOPOLEC, P. (2023): Progresívne Slovensko wins exit polls, Smer is second.

Čaputová, who is suing Fico over lies he continues to spread about her, decided to follow constitutional tradition. The SMER-SSD leader had until October 16, 2023 to prove to the president he could muster a majority in parliament and to brief her on who might sit in his cabinet. The president could refuse to appoint some of his potential candidates for ministers.

Fico has so far not commented on the negotiations with HLAS and the SNS. His relationship with Pellegrini remains far from friendly. After the defeat in the 2020 election, Pellegrini called on Fico to step down as SMER-SSD leader, but he refused to do it. In response, Pellegrini and 10 well-known SMER-SSD MPs, who became known as “Pelle’s Eleven”, quit the political party. Pellegrini could no longer imagine a political future in tandem or cooperation with Robert Fico in some joint project, even under different conditions and he was describing the world of Fico’s as a “world of the past”, while his was a “world of the future”. Their relationship was not great during Pellegrini’s premiership from 2018 to 2020 either. SNS leader Andrej Danko, one of SMER-SSD’s then-coalition partners, complained about Pellegrini and Fico’s contradictory statements on a variety of matters.

Even, during this year’s election campaign, despite their common past and closeness on social and economic issues, Pellegrini continued to refer to SMER-SSD and Fico as something that belongs to the past, while Fico suspected HLAS of cooking up a coalition with liberal parties. Danko, on the other hand, kept alive the dream of a future government that would be formed by SMER-SSD and HLAS. He also managed to convince smaller ultranationalist parties to join the SNS’s slate for the election in an effort to stop “liberalism”. The tactics helped the party pass the threshold to enter parliament.⁷

Actually, SNS only has one MP, its pro-Russian leader and former speaker Andrej Danko. The butt of numerous jokes inspired by his way of communicating, Danko shook hands with Putin, took a selfie with Russian State Duma Chair Vyacheslav Volodin, and published an open letter several weeks before Russia invaded Ukraine in which he addressed Russian Foreign Minister Sergei Lavrov as “my dear friend”. In addition, Danko opposes military aid for Ukraine.

Pellegrini, who sees Slovakia’s future firmly in the EU and NATO, has claimed that Slovakia has not got much military material that could be donated to Ukraine left, but he supports Slovak arms companies in the production of weapons as they create jobs. Danko, like Fico, also favors the politics of Hungarian Prime Minister Viktor Orbán. Just like Orbán, they have said that they are ready to criticize the EU and NATO whenever it is necessary to defend Slovakia’s interests.⁸

The SNS nominally obtained 10 seats in parliament, but the remaining nine seats will be taken by people who are not SNS members and have their own parties and agendas. Some are notorious faces from the disinformation scene, others consider bears to be biological weapons or enjoy taking pot shots at the LGBT+ community, and some have entered parliament on the slate of a far-right party in the past. After the elections, SNS announced that its caucus would be united and that the SNS would only support a government that would be led by Fico. Even SNS would also be open to supporting a SMER-SSD-led government of which HLAS and KDH, not the SNS, would be members in order to stop liberal parties from taking power.

Despite of the wrangling between the potential coalition partners, especially between SMER-SSD and HLAS, all three political parties has found a consensus and decided to form a coalition government. Slovakia’s president swore in a new government on October 25, 2023, led by a former populist prime minister poised to end the country's military aid for Ukraine as it fights Russia's invasion. Robert Fico returned to power and took over as prime minister for the fourth time after his leftist SMER-SSD party won Slovakia’s September 30 parliamentary

⁷ DLHOPOLEC, P. (2023): Slovak election winner's future hangs on a 'traitor'.

⁸ GOSLING, T. (2023): Slovakia election: Strongman Robert Fico's return to power.

election.⁹ The party won 42 seats in the 150-seat Parliament after campaigning on a pro-Russian and anti-American platform.

Fico formed a parliamentary majority by signing a coalition government deal with the leftist HLAS party and the ultranationalist Slovak National Party. HLAS, led by Fico's former deputy in SMER-SSD, Peter Pellegrini, gained 27 seats. Pellegrini parted ways with Fico after the scandal-tainted SMER-SSD lost the previous election in 2020 and replaced Fico as prime minister after he was forced to resign following major anti-government street protests resulting from the 2018 killing of journalist Jan Kuciak and his fiancée. The reunion of Fico and Pellegrini was key for the creation of the new government. The third partner, the Slovak National Party, is a clearly pro-Russian group; it won 10 seats in the legislature.¹⁰

Today the whole country is waiting for Fico's next steps. According to him Slovakia has bigger problems than the war in Ukraine and that he does not support any further military aid to his country's eastern neighbor, although he promises to not turn Slovakia's foreign policy upside down. Yet he said he is ready to criticize the EU if necessary – and support cooperation among the Visegrad Group, which also includes Hungary and Poland, as well as Czechia – and that he will sack the current police chief and special prosecutor. The two men are in charge of ongoing investigations and prosecutions of people linked to SMER-SSD and its former governments, including Fico himself. He would also like to adopt a decree to restore controls on the border with Hungary due to the illegal migration, and Slovakia would use force to tackle the migrant issue.

A pro-Russian former prime minister, who is loyal to Moscow and rejects military aid to Ukraine is returning to power in Slovakia. Reports with similar wording appeared in several pro-government Russian media outlets immediately after the Slovak election. The Russian media also talk about the "traditional warmth of many Slovaks towards Russia", about fatigue with the war in Ukraine, but also about the fact that Russia should be even more concerned with Slovakia after the election, in order to win it over to its side – or at least make it neutral towards Moscow.

Robert Fico's victory could undermine European unity towards Ukraine and it could put an end to military aid. He campaigned on a pro-Russian and anti-American message. His views reflect the traditional warm feelings of many Slovaks towards Russia, which have grown on social networks since the beginning of the conflict in Ukraine. Fico's promise to stop supplying arms to Ukraine and to push for peace talks, bringing him closer to the Hungarian PM, Viktor Orbán.

The election was a test for Slovakia's support for neighboring Ukraine in its war with Russia, and a win by Fico could strain a fragile unity in the European Union and NATO. The return to power of former Prime Minister Robert Fico in Slovakia's snap election would signal a potentially significant crack in European support for Ukraine, because SMER-SSD party and its coalition partners all represent voters with a nationalist outlook, affinity for Russia, and skepticism about Slovakia's Western orientation. Fico has promised them to oppose sanctions on Russia as well as military aid and NATO membership for Ukraine.

Today, debates about the foreign policy impact of Fico's return to power center on his "pragmatism." Many points optimistically to his earlier terms in office, during which, despite his pugnacious rhetoric at home, he sought to position Slovakia within the "core" of the EU and as a reliable NATO ally.¹¹ Fico's focus, in any case, has always been at home.

⁹ World News (2023): Slovakia swears in a new Cabinet led by a populist ex-premier who opposes support for Ukraine.

¹⁰ The Associated Press (2023): Slovakia swears in a new Cabinet led by a populist ex-premier who opposes support for Ukraine.

¹¹ TERENZANI, M. (2023): Election tested Slovakia; Fico could strain EU and NATO unity.

Nevertheless, expecting Fico to revert to form on foreign policy could prove disappointing. The world has changed since Fico was last in power in 2018, and he is a master at adapting to political context. Factors that could drive Fico toward a more contentious relationship with Allies and fellow EU members, especially on Ukraine.

While the war in Ukraine will decide few votes, it has animated the pro-Russia voters who support SMER-SSD and its likely coalition partners. This public will easily grasp the binary nature of military support for Ukraine, sanctions against Russia, and NATO membership for Ukraine, thus constraining Fico's room to diverge from his rhetoric. Over the five years since Fico last led Slovakia, the populist style of politics has burgeoned globally. Fico, long practiced in the style, has exploited the trend. He fueled his remarkable political resurrection with issues inflaming global disinformation—COVID, the Ukraine war, and, an old standby, migration.

When Fico and Hungarian PM Orbán overlapped earlier in power, their relations suffered from their competing nationalist attitudes towards Slovakia's history in the Hungarian kingdom and its large, present-day ethnic Hungarian minority. Relations are now much closer, with each publicly expressing respect for the other. On Ukraine/Russia and perhaps other issues, Fico and Orbán could wind up shielding each other from isolation within the EU and NATO. The Orbán factor informs debate about whether a Fico government could or would pursue an authoritarian domestic agenda putting it at odds with other Western governments. Fico, for example, has long had a fiercely antagonistic relationship with Slovakia's dynamic independent media. His earlier governments did not do so, even when SMER-SSD ruled alone from 2012 to 2016. But, again, the global political landscape has changed. One factor that has not, however, is the resistance Fico would face from Slovakia's formidable civil society. Slovak activists and NGOs cut their teeth in response to Slovakia's authoritarian government of the 1990s and demonstrated their enduring strength after the Kuciak murders in 2018.¹²

With a Fico-led coalition of nationalist, Russia-favoring parties, the tangible impact on Ukraine might be modest. Slovakia has limited weapons stocks left that it could transfer to Ukraine, significant EU sanctions are already in place, and NATO accession lies down the road. A modest tangible outcome on Ukraine would not, however, be trivial. The turnaround in Slovak government rhetoric brought by a Fico government would in itself weaken international cohesion in support of Ukraine. Slovakia's Western friends must be ready for what may prove a more difficult relationship with Slovakia ahead.

Conclusion

Slovakia was going to the polls to choose its fifth prime minister in four years after seeing a series of shaky coalition governments. On September 30, 2023, voters elected the 150 members of Slovakia's National Council. The left-wing and pro-Russia SMER-SSD party finished first and the pro-Western Progressive Slovakia was second. The two parties exemplify the political polarization in the country.¹³ The HLAS party emerged early as potential kingmaker.

A SMER-SSD-led government could have serious consequences for the region. Slovakia is a member of both NATO and the European Union, was among the handful of European countries pushing for tough EU sanctions against Russia and has donated a large amount of military equipment to Ukraine. However, this will likely change under Robert Fico, who has blamed "Ukrainian Nazis and fascists" for provoking Russia's President Vladimir

¹² JOCHECOVA, K. (2023): Robert Fico to become Slovakia's new prime minister.

¹³ LOPATKA, J. and HOVET, J. (2023): Pro-Russian ex-PM Fico wins Slovak election, needs allies for government.

Putin into launching the invasion, repeating the false narrative Putin has used to justify his invasion.

Fico previously served as Slovakia's prime minister for more than a decade, first between 2006 and 2010 and then again from 2012 to 2018. He was forced to resign in March 2018 after weeks of mass protests over the murder of investigative journalist Jan Kuciak and his fiancée, Martina Kušnírová. Kuciak reported on corruption among the country's elite, including people directly connected to Fico and his party SMER-SSD.

While in opposition, Fico became a close ally of Hungary's Prime Minister Viktor Orbán, especially when it came to criticism of the European Union. There is speculation that, after his return to power, Fico and Orbán could gang up together and create obstacles for Brussels. Even if Poland's governing Law and Justice party managed to win a third term in Polish parliamentary elections (what did not happen), this bloc of EU troublemakers could become even stronger. Meanwhile, the liberal PS party had been pushing for a completely different future for Slovakia – including a continued strong support for Kyiv and strong links with the West.

After the parliamentary elections' results and negotiations between the political parties, SMER-SSD political party signed a declaration of cooperation with the ultranationalist Slovak National Party (SNS), led by the virulently pro-Russian leader Andrej Danko, and his former political partner and now chair of the center-left HLAS political party, Peter Pellegrini. All three already ran the country during 2016-2020. Pellegrini had an opportunity to throw his hat in with a pro-Western coalition with liberal parties and the Christian Democrats and become PM, but he decided not to, because of the differences over LGBT rights and similar matters.¹⁴

This will be Fico's fourth term in office, and follows his resignation as PM in 2018 after massive protests erupted calling for political change after the murder of investigative journalist Ján Kuciak and his fiancée, Martina Kušnírová. Kuciak had been investigating the activities of the Italian mafia in Slovakia, as well as corruption in the dealings of local tycoon Marián Kočner, and was killed because of his work. Fico and other ministers in his cabinet at the time resigned after some 50,000 people demonstrated on the streets.

The cabinet formation did not go smoothly. For example, President Čaputová refused to back climate-change denier Rudolf Huliak from the rightist-populist SNS as environment minister. Fico's decision to govern with the SNS prompted the Party of European Socialists to suspend SMER-SSD from their ranks, along with its other coalition partner, the social-democratic HLAS.¹⁵

After the successful attempt to form the new cabinet, PM Robert Fico reiterated that his government will not support Ukraine militarily and will call for a peace solution instead. According to him it is naive to think that Russia, a nuclear superpower, can be defeated with conventional weapons. He and his government will support every peace plan, but they are also aware that it is unrealistic to think that Russian units will leave Ukrainian lands. Fico repeated that the war in Ukraine, in his opinion, is a conflict between the USA and Russia, and that the European Union has become a project that kills people in Ukraine.

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¹⁴ INOTAI, E. and DLHOPOLEC, P. (2023): Democracy digest: Slovakia's borscht cabinet.

¹⁵ DEME, D. (2023): Winner of Slovak Elections Threatened with Expulsion from EP Group.

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AFGHANISTAN'S POSITION IN THE CURRENT SYSTEM OF INTERNATIONAL RELATIONS¹

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Abstract: The reconstruction and consolidation of Afghanistan after the long-run war is being currently discussed by many experts on international relations, who are seeking to define the possibilities and limits regarding the reconstruction of the Islamic Emirate of Afghanistan. The debates are focused on addressing the internal aspects of its development. The priority given to the internal stabilisation of the country forms the fundamental basis for its return to the international community. This paper aims to define the main prerequisites for Afghanistan's inclusion in the global community, with an emphasis on the regional factor. It specifies the conditions under which individual countries in the region are willing to develop mutually acceptable relations with the Afghan regime. Given the multidisciplinary nature of the debated issue, the paper is based on the method developed by a French research professor Didier Bigo - international political sociology. It comprises and combines analyses and comparisons related to foreign and internal policy of the state as well as security, religious and socio-economic interactions influencing the resolution of the Afghan issue.

Keywords: Islamic Emirate of Afghanistan, Taliban, regional factor

JEL: F51, H56

Introduction

The second half of the 20th century, especially its end, saw the emergence of several new social, political, economic and cultural processes, which have significantly changed the world. International relations were profoundly influenced by religion.

The impact of religious ideology on a political system and state governance is an "obsolete" topic for most members of the global community. Secularism and modernity are fundamental features of political systems in the countries that claim to be Western liberal democracies. However, in countries where Islam is a major religion, political discourse related to social issues is considerably influenced by religious doctrines. We are also witnessing the penetration of political Islam into executive, legislative and judicial institutions in some countries, including Afghanistan.

The situation in Afghanistan is shaped by many different security and development problems that affect the country and its neighbours as well. In international indices, Afghanistan ranks among the poorest countries in the world. It is facing a lot of problems that encompass various cultural, anthropological, historical, socio-economic, demographic, political, religious, institutional, geostrategic and other dimensions, which are closely associated but have their own logic and dynamics.

Since the Taliban's return to power in 2021, Afghanistan has been facing the threat of terrorism, cross-border crime, increased drug cultivation and production as well as the humanitarian crisis. Afghanistan is perceived as a failed state that will pose a significant threat

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especially to the Middle East, Central and South Asia as well as the wider international community. These threats are too real to be ignored. Given the likely future scenarios, a call for caution is justified. In today's interconnected world, the echoes of the decades-long crisis in Afghanistan will sound for a very long time.²

As we have already mentioned, the Islamic Emirate of Afghanistan is now facing a range of security and development problems, some of which, such as the humanitarian crisis, require a response from the international community. Solutions to other problems, like creating a model for sustainable economic development, will take many years or even decades.³

The current situation in Afghanistan enables us to talk only about prospects of minimising the threats and risks faced by the Afghan people, the neighbouring countries and the international community as a whole. The optimistic future scenarios are based on the assumption that this minimisation of risks, however difficult it may be, is possible as long as the internal and external players adopt realistic attitudes towards the balance of what should be and what is possible, shed unrealistic expectations and seek a reasonable compromise between them.⁴ Any compromise will not bring ideal solutions and each of its forms will be heavily criticised. Nevertheless, an imperfect compromise will be better than a new confrontation. It would be extremely naïve to believe that in a relatively short time, after the withdrawal of the international coalition forces, the situation in Afghanistan will change for the better. On the contrary, there are well-founded concerns about the possible exacerbation of its economic, social, political and many other problems. In any case, Afghanistan is going to face difficult times, even if its government and the major external players influencing the situation in the country do not make serious mistakes. The duration of an acute phase of the crisis and the country's development path might vary.⁵

The goal of this paper is to define the main preconditions for Afghanistan's successful integration into the international community, with an emphasis on the potential use of the regional aspect. The paper also specifies the conditions under which the countries in the region are ready to build mutually acceptable relations with the Afghan regime. Even partial success might reduce the risks for Afghanistan's neighbours and create opportunities for transforming the country into a significant platform for multilateral cooperation.

A shared positive vision of Afghanistan's future, which might be a significant motivating factor for various domestic political forces and foreign actors, would be an ideal solution. But is such a vision feasible? For now, the differences are enormous. In our opinion, this will be more a question of willingness to gradually build constructive relationships. If the country isolates itself from the inside, its return to the international community will be complicated. On the other hand, a certain degree of openness on the part of the Afghan regime might increase the chances of easing the internal political rigidity. It is very important that, in the near future, the main actors participating in an ongoing process of resolving the issues Afghanistan is facing, avoid making irreparable mistakes that might lead to a resumption of the civil war, a socio-economic collapse of the country and the long-term perpetuation of a dangerous hotbed of instability in the centre of Eurasia.

² Afghanistan's Security Challenges under the Taliban, 2022. [online].

³ ČECH, E. (2015): Vozmožnosti i predely razvitija ekonomiki Afganistana posle 2014 goda, pp. 85-95.

⁴ ČECH, E. (2023): Afganský islamský emirát pod správou Talibanu – vnutorná obnova ako predpoklad návratu krajiny do medzinárodného spoločenstva, p. 17.

⁵ ČECH, E. (2023): Afganský islamský emirát pod správou Talibanu – vnutorná obnova ako predpoklad návratu krajiny do medzinárodného spoločenstva, p. 17.

1 Internal stabilisation of Afghanistan as a prerequisite for changes in its status within the system of international relations

As mentioned earlier, Afghanistan is one of the poorest countries not only in Asia, but in the whole world despite its advantageous geographical location at the crossroads of the Eurasian trade routes, its vast natural resources (copper, gold, oil and gas, uranium, bauxite, zinc, coal, iron ore, rare earth elements) and soil suitable for agriculture.

At least half of Afghanistan's population lives in poverty. The country ranks first in infant mortality and one of the lowest in life expectancy (53 years). It has one of the fastest population growths in the world (2.33 %), with a population estimated at about 40 million. By the end of the 21st century, Afghanistan is expected to have 75 million inhabitants.⁶

The country remains practically excluded from the international division of labour. Its total "legal" exports, which are extremely limited (carpets - 45%, dried fruits - 31% and medicinal plants - 12%), barely exceed \$700 million per year. According to some estimates, external financing needs range between \$1 to 2 billion per month or \$12 to 24 billion per year. Afghanistan remains one of the main recipients of foreign aid. Over the past two decades, the country has been the largest beneficiary of the EU development assistance.⁷ Its foreign exchange earnings (\$2 to 3 billion) include also drug exports⁸ and transfers of Afghan diaspora money from abroad.

Decades of conflict in the country have taken a toll on the Afghan economy. This reality will have to be addressed by any government in Kabul, which will have to develop and implement a successful project aimed at socio-economic modernisation of the country. The lack of visible progress and improvement in standards of living will inevitably lead to a decline in the popularity of authorities, the strengthening of opposition forces and ultimately further regime changes. The success of socio-economic modernisation will depend on several internal factors, which are related to the dominance of the Taliban in Afghan society and the balance between religious ideology and political pragmatism in the movement's strategy and tactics.

By taking control of Kabul in August 2021, the Taliban fell into its own trap. On one hand, the government in Kabul is seeking international legitimacy, primarily because of the money the country needs so desperately. On the other hand, these followers of Deobandi Islam cannot make compromises with their own doctrine. This is mainly for internal political reasons as ideological relativisation would ultimately diminish their status. The more the Taliban adheres to its ideology, the less chance there is for regional partnerships; the more it declares its readiness for dialogue, the more it will be exposed to criticism – from the inside and from the outside as well. The potential deradicalisation of the Taliban can bring the movement new foreign-policy opportunities, but also problems related to domestic policy.

We consider the following to be the key factors of internal stabilisation:

- addressing the tribal factor;⁹
- solving the problem of strategic autonomy;
- carrying out the transformation of military victory into political power and control;
- ensuring the success of the Islamic Emirate's building by seeking national identity and guaranteeing that the new government will have representatives of all ethnic groups;
- resolving the Taliban versus ISIS-Khorasan and Al-Qaeda dispute;¹⁰
- addressing the threat of socio-economic collapse of the country;
- tackling the country's "drug addiction".

⁶ Population Pyramids of the World from 1950 to 2100. Afghanistan (2023). Afghanistan 2100. [online].

⁷ International Partnerships. Afghanistan. European Commission (2023). [online].

⁸ ČECH, L. (2020): Afganský drogový priemysel ako limitujúci faktor postkonfliktnej obnovy krajiny, pp. 7-11.

⁹ CREWS, R. D. (2021): The Challenge of Taliban Ideology for International Politics: Religious Competition, Counterterrorism, and the Search for Legitimacy.

¹⁰ GIUSTOZZI, A. (2018): The Islamic State in Khorasan: Afghanistan, Pakistan and the New Central Asian Jihad.

While the internal stabilisation of Afghanistan is the first prerequisite for its participation in the system of international relations, the second intermediate step the country must make in its efforts to establish standard relations with the international community is to engage more in regional politics, which has so far been overshadowed by the “Great Games”.¹¹

The current government declares its wish to establish normal relations with the international community. It respects the diplomatic missions that did not leave the country and handles other diplomatic contacts through its office in Doha. The Taliban delegations have visited Moscow and Ankara, and several foreign delegations have been to Kabul. The Taliban has been active in its communication with the UN. When it comes to its contacts with foreign officials, it declares that there is no threat to other countries from the Afghan territory and that it intends to wage the war on drugs. The government raises the question of recognition and establishment of international contacts and it calls for the unfreezing of Afghan foreign assets and the lifting of international sanctions against the Taliban. However, these declarations and statements about Afghanistan’s foreign policy have so far lacked more practical steps that would convince foreign countries of their sincerity.

2 The regional factor of the Afghan issue and the roles of individual actors

The situation in Afghanistan is often perceived through the prism of geopolitical confrontation between superpowers. After the withdrawal of international forces, the neighbouring countries became the major external players,¹² with Pakistan, China and Uzbekistan being the most active ones.¹³

Underestimation of the regional players (Pakistan, Iran, Central Asia and India) in resolving the Afghan crisis was one of the reasons why the international coalition had failed.¹⁴ Therefore, Afghanistan should actively seek cooperation with the regional multilateral security and development structures – the Shanghai Cooperation Organisation, participation in the New Silk Road project, the Asian Development Bank, the Eurasian Economic Union (EAEU) and the Collective Security Treaty Organisation (CSTO). It seems that multilateral formats enable a more flexible approach to cooperation with Afghanistan.¹⁵

Cooperation between these Eurasian multilateral structures and Afghanistan can be effective only after several obstacles are overcome. Attitudes of the actors involved with Afghanistan differ significantly over many issues, and their interaction with the Taliban is different as well. Russia, for example, claims a special role in ensuring the security of Central Asia. It prefers bilateral cooperation and focuses on those multilateral structures in which it is the undisputed leader (CSTO, EAEU).

Placing emphasis on the regional factor in addressing Afghanistan’s return to the system of contemporary international relations must go hand in hand with the clarification of attitudes that individual players take.

The United States declares its readiness to cooperate with the Taliban in its fight against ISIS-Khorasan and Al-Qaeda.¹⁶ However, specific forms of such cooperation remain unclear, as does the Taliban’s stance towards these prospects. To make matters worse, many US

¹¹ The Great Game was a strategic confrontation between the British Empire and the Russian Empire, later the Soviet Union, over the influence in Central Asia. It started in the 19th century and continued throughout the first half of the 20th century. Afghanistan played a significant role in it. The term “Great Game” is attributed to Arthur Conolly, a British intelligence officer, traveller and writer. It was popularised by Rudyard Kipling’s novel “KIM” (author’s note).

¹² KORTUNOV, A. (2021): Sosedskije otnošenija. [online].

¹³ TOLIPOV, F. (2021): Uzbekistan vis-à-vis Afghanistan: New Vision of Old Challenges. [online].

¹⁴ SOLANA, J. (2021): Three Lessons from a Two-Decade Failure. [online].

¹⁵ OMELIČEVA, M. Y. (2021): The Shanghai Cooperation Organization and Afghanistan: Old Fears, Old Barriers to Counterterrorism Cooperation. [online].

¹⁶ SINGMAN, B. (2021): Pentagon: 'Possible' US will work with Taliban against ISIS-K. [online].

politicians, particularly the Right Wing of the Republican Party, generally refuse to acknowledge the existence of any Taliban's social base. These politicians are not ready to accept the Taliban as a new legitimate government.¹⁷

Given the current situation, it is more likely (if the need arises for international assistance in confronting ISIS-Khorasan) that the Afghan authorities will turn to, for example, Pakistan rather than the United States or any other Western countries.

Russia's influence in the region has weakened. Even though the likelihood of Russian involvement in ensuring Afghanistan's security cannot be ruled out, its offensive campaign in Ukraine makes this scenario highly unlikely. Russia will probably not act against the Taliban but will rather support its moderate leaders. Interaction with the new government in Kabul by means of special services is quite possible. Cooperation between Moscow and Kabul could include the repairs of Russian (Soviet) military equipment.

China is most likely to play a leading role among Afghanistan's main economic partners. Experts are still debating whether the Taliban's victory presents a new opportunity or a new challenge to Beijing.¹⁸ China is interested in maintaining and expanding its access to the country's mineral resources. It also seeks to use Afghanistan for the implementation of its transport and logistics projects in Eurasia, for increasing its bilateral trade volumes, and so on. However, the Chinese government cannot ignore potential threats emanating from the Afghan territory, which have a destabilising effect on China's Xinjiang.

When it comes to the balance of China's interests in Afghanistan today, security comes first, and the economy comes second. The appropriateness of any Chinese economic projects in Afghanistan will, therefore, be judged through the prism of ensuring the PRC's national security. Positions on human rights (gender equality, the status of religious minorities, freedom of the media, etc.) will not set the agenda in Beijing-Kabul relations.¹⁹ We can also expect the Chinese official discourse to warn the international community, and the West in particular, against continuing attempts to impose on Afghanistan a model of development that does not correspond to the country's historical traditions and the real status quo in Afghanistan. It seems that China will have the lowest demands in the set of requirements that the international community is imposing on the government in Kabul.

According to some experts, the Taliban's rise to power might strengthen authoritarianism in *Central Asia* and reinforce Russia's role in ensuring the security of this region.¹⁹ This involves especially consolidation of the CSTO's structures and promotion of cooperation with the countries that are not its members, especially Uzbekistan.²⁰ However, the situation in Central Asia over the past two years is not fully in accordance with Moscow's scenarios. Despite the remnants of the past, several countries (especially Uzbekistan, Kazakhstan and Turkmenistan) have tried to pursue their national interests in relation to Afghanistan.²¹

Among a broad spectrum of bilateral political relations at the regional level, *relations with Pakistan* will be of particular importance for Afghanistan's future. Deepening cooperation with Afghanistan and the maintenance of the Afghan transit can give further impetus to several transport and logistics hubs in Pakistan, including the Gwadar Port, which is located in the

¹⁷ MACK, E. (2021): Sen. Lindsey Graham to Newsmax: Biden Only 'Person to Blame Here'. [online]; U. S. Relations With Afghanistan (2022): Bilateral Relations Fact Sheet. Bureau of South and Central Asian Affairs. [online].

¹⁸ MAUNG, D. (2021): China-Taliban Relations More A Problem than an Opportunity: Eurasia Group President. [online].

¹⁹ UMAROV, T. (2021): Do the Taliban Pose a Threat to Stability in Central Asia? [online].

²⁰ MANKOFF, J. (2021): Afghanistan Will Put Russia's Regional Ambitions to the Test. [online]; RUBIN, B. R. (2022): Afghanistan under the Taliban: Findings on the Current Situation. From-the-ground analysis of Afghanistan's internal and external relations new leadership. [online].

²¹ JUZA, P. (2020): Politické pohyby v Strednej Ázii; JUZA, P. (2021): Stredoázijské súvislosti 2020-2021.

south-west of the Pakistani province of Balochistan. What is more, in the wake of recent events, Pakistan has unexpectedly become the focus of attention to Western countries, which fear a new migration surge from Afghanistan and rely on Islamabad's ability to curb it.²² In terms of the potential Afghan migration, Pakistan is as important to the West as was Turkey during the Syrian refugee crisis in 2015 and 2016.

The Pashtuns, a “divided nation”, present a major challenge as far as the relations between Afghanistan and Pakistan are concerned.²³ It is hard to imagine that the Taliban leaders would be willing to recognise the Durand Line as an official border between the two states. In the early 21st century, Pakistan gave a sanctuary to the Taliban fighters who were hiding from the advancing coalition forces. In twenty years, the situation can be reversed, and the Taliban may provide groups of radicals from Pakistan with safe haven and patronage.²⁴ Even if we leave Pashtun separatists aside, the new regime in Kabul might still become a source of inspiration and a role model for ultraconservative fundamentalist movements in Pakistan, with all the resulting challenges facing the country's political system.²⁵

Nevertheless, we do not think that Pakistan and Afghanistan under Taliban rule are not capable of long-term cooperation. The common interests of the two states considerably outweigh the burden of historical conflicts and modern confrontations. Pakistan should become a mediator in an uneasy relationship between the new government in Kabul and the international community. No one can perform this role better than Islamabad.

The Taliban's return to power raises a lot of questions also in *the Islamic Republic of Iran*. Over the past two decades, economic ties with Afghanistan have been among the most important channels of interaction between Iran and the outside world. Afghanistan has remained a significant source of freely convertible currency: as much as \$1.5 billion in cash entered the country annually. Kabul was also a major consumer of Iranian non-energy exports, worth \$2 billion per year. Tehran has always perceived Afghanistan as a potential participant in major multilateral transport projects connecting Central and South Asia.²⁶

Iran-Afghanistan relations are also impacted by the problems related to the Shia minority in Afghanistan, whose fundamental human rights cannot be considered as guaranteed under Taliban rule (Mutch, 2021). The new Afghan government should demonstrate at least minimum religious tolerance, which is a prerequisite for internal political stabilisation and for the establishment of partnerships with its Western neighbour. This is particularly important given the fact that there are now approximately 3.5 million Afghans in Iran (Esfandiary, 2021),²⁷ including 780,000 refugees. Of course, Tehran should resist the temptation to use the Afghan Shia minority as a tool to influence political processes in the neighbouring country.

Tehran has been so far concerned about Saudi Arabia's increasing influence in Afghanistan under Taliban rule. There have been some worries over Riyadh's efforts to open the “second front” of confrontation with Iran in the east in order to divert its government's attention from the Persian Gulf.²⁸ The recent resumption of diplomatic relations between Iran and Saudi Arabia (suspended in 2016) indicates that there is hope of easing their mutual tensions in the future.

²² SAEED, S. (2021): Pakistan seizes chance to be Europe's best buddy in Afghan crisis. [online].

²³ SUBRAMANIAN, N. (2021): Durand Line: Friction point between Afghanistan and Pakistan. [online].

²⁴ HAASS, R. (2021): America's Withdrawal of Choice. Council on Foreign Relations. [online].

²⁵ DORSEY, J. M. (2021): Taliban victory threatens to be a double-edged sword for Pakistan and China. [online].

²⁶ BATMANGHELIDJ, E. (2021): The capture of Kabul: What the Taliban takeover will mean for Iran's economy. [online].

²⁷ ESFANDIARY D. The Taliban's Comeback Is a Conundrum for Iran. [online].

²⁸ DORSEY, J. M. (2021): Afghanistan may be a bellwether for Saudi-Iranian rivalry. [online].

Conclusion

Socio-political stabilisation and positive changes in Afghanistan's economic development might provide some solutions enabling its return to the current system of international relations.

Geographically, Afghanistan is still a natural bridge between Central and South Asia. However, on the map of Eurasian integration projects, this country is a large empty space, where the scope of greater continental cooperation remains limited for the time being. Under certain conditions, Afghanistan might give Eurasian integration projects necessary integrity. For example, Afghanistan can play a significant role in the historical competition between the Indo-Pacific Project and the Community of Common Destiny, also referred to as the Community with a Shared Future for Mankind.²⁹

The importance of Eurasian economic projects for Afghanistan itself should not be overestimated. Nevertheless, the SCO member states already account for more than half of Afghanistan's exports and almost 90 per cent of its imports.³⁰ These volumes are highly unlikely to change anytime soon. They will rather increase, especially if the Islamic Republic of Iran joins the SCO.

Afghanistan remains one of the last raw material bases in the very centre of Eurasia that are almost untapped. Its closest neighbours, in particular, will seek to change this. The fast-growing Asian economies guarantee the demand for Afghanistan's raw materials, especially fossil fuels, for decades to come. We can expect the launch of large-scale cross-border projects, including those that exploit the country's significant water resources as well as its renewable energy potential. Afghanistan can give new impetus to building new Eurasian transport corridors along the east-west and the north-south axes.

Afghanistan is of particular importance when it comes to the implementation of the China-Pakistan Economic Corridor initiative, which is extremely important to Pakistan. Under the previous government, China was very cautious about the numerous transport infrastructure development projects in the Wakhan Corridor (fearing an increase in US intelligence activities on its western borders). Now such worries are irrelevant, and if the situation in Afghanistan becomes more stable, the Wakhan Salient may resume its former role, being a natural link between China and West Asia.

Afghanistan may, provided the situation in the country is stable, end long-standing discussions about the construction of the TAPI pipeline, which will run from the gas fields of Turkmenistan through Afghanistan, Pakistan and India to marine terminals in the Indian Ocean. South Asia's demand for natural gas continues to grow and, under favourable conditions, TAPI could become an important link in a unified Eurasian gas transport system.

Stabilisation of the socio-economic situation in Afghanistan would give hope of reducing migration flows from the country. Although the majority of Afghan refugees (approximately 3 million people) are currently in Pakistan and Iran, 630,000 Afghans have applied for political asylum in EU countries in the past ten years. After the Taliban's rise to power, the number of such applications has increased dramatically. What is more, the United States and Canada are also under greater pressure due to this migration. Turkey remains the main recipient of refugees from Afghanistan: more than 285,000 people have entered the country illegally since early 2019.³⁰

The resolution of the "Afghan issue" can also give a new impetus to India-Pakistan relations as well as India-China relations. India has long avoided active engagement with the Taliban, seeing the movement as a tool in the hands of Islamabad.³⁰ It actively supported US actions in 2001 and it made significant contributions to international coalition operations. India

²⁹ KORTUNOV, A. (2021): Sosedskije otnosenija. [online].

³⁰ KHALIL, A., B. (2021): Afghanistan and the Shanghai Cooperation Organization. [online].

also invested three billion dollars in the country under the former rule, which also did not contribute to the interaction with the Taliban.

Pakistan often perceives the Taliban victory through the prism of Pakistan-India bilateral relations, more specifically as a failure of New Delhi's plans to open the "second front" against Pakistan on its northern border. Over the past 20 years, India has been actively expanding its economic, political and humanitarian presence in Afghanistan, which has been interpreted by the Pakistani government as an attempt to undermine Afghanistan-Pakistan relations and trigger the disintegration process in Pakistan. Islamabad believes that the Taliban victory could put an end to these attempts.³¹

New Delhi still interprets the events that are unfolding today in Afghanistan as the implementation of Pakistan's geopolitical project, which poses a threat to India and other countries in South Asia with significant Muslim populations. India's cautious attitude towards the Taliban has not changed even after the movement seized power in 2021.³² This explains New Delhi's continued reluctance to actively broaden cooperation with the Taliban. The real prospects for India's foreign policy towards Afghanistan remain unclear. In fact, India continues to adopt a wait-and-watch approach and it is assessing how different the new regime will be from the Taliban rule in the 20th century.³³

At the same time, New Delhi cannot fail to realise that a wait-and-watch attitude can further weaken India's position in Afghanistan and extend Pakistan's influence.³³ It goes without saying that any government in Kabul should be keen to deepen cooperation with New Delhi to counterbalance Islamabad's political influence in the country.³⁴ The first interactions between the Taliban and India give cause for cautious optimism. New Delhi is only beginning its debates about the nature of the modern Taliban and the importance of changes in its traditional approaches to Afghanistan as a whole. However, establishing a system of balance of power in the "Afghanistan-Pakistan-India" triangle within the framework of trilateral cooperation will be very difficult. Finding a common denominator in Afghanistan will be easy neither for India nor for Pakistan.

It is not clear yet what role the Arab states of the Persian Gulf can play in Afghanistan's development. On one hand, these countries have huge financial resources and they may sympathise with the Afghan *Sunni* fundamentalism. Saudi Arabia has been supporting the Afghan *mujahideen* since the early 1980s. On the other hand, the ongoing tensions between Saudi Arabia, the United Arab Emirates (UAE) and Qatar make it difficult for the Gulf Arab states to adopt a common position on Afghanistan.

However, if the countries of the Gulf Cooperation Council (GCC) manage to agree on their common stance towards Afghanistan, which would serve as an important precedent for multilateral interactions among the GCC member states focused on major global issues, they will create mechanisms that can be used in relation to other crises in the Middle East and Africa.

An effective and unique solution to the Afghan issue lies, among other things, in building mechanisms for balancing security and development tasks and creating a flexible system of positive (assistance) and negative (sanctions) stimuli, which the international community can use against radical political regimes.

Solving the Afghan issue may bring about political rehabilitation for Islamic regimes in the eyes of those who are now profoundly suspicious of them. Open or latent Islamophobia is still widespread in the modern world, especially in Eurasia. Any country in which Islam plays an active role in politics is often dubbed "Islamist". In one way or another, all major powers in Eurasia will have to tackle the issue concerning their stance on political Islam. In this regard,

³¹ KARIM, U. (2021): The Taliban Takeover in Afghanistan: Opportunities and Challenges for Pakistan. [online].

³² GUPTA, A. (2021): Do not Whitewash the Taliban. [online].

³³ SRIVASTAVA, D. P. (2021): Taliban's Victory: Implications for the Region. [online].

we find Gérard Bouchard's³⁴ opinion very interesting as he claims that we can overcome Islamophobia by getting closer to Muslims, and not running away from them. We need to bear in mind that, by the end of this century, Islam will probably have become the world's largest religion. If current trends continue, by 2050, there will be near parity between Muslims and Christians, when it comes to population size.³⁵ Are we ready to discuss general criteria for the legitimisation of Islamist regimes? In this regard, the “demythologisation” of the Taliban is of great symbolic importance, far beyond the scope of potential interactions between Afghanistan and the international community.

The events that unfolded in Afghanistan in 2021 overshadowed other global issues and threats. We believe that, under certain favourable conditions, Afghanistan's current controversies might act as a catalyst for the process that will trigger the country's inclusion in the system of international relations. We do not know the final answer as fulfilling this vision will not be easy. The solution might require a debate about the necessary increase in interactions between the United States and the West (including NATO, the European Union and the G7) and organisations such as the CSTO and the SCO. So far, there is little sign that this process is getting off the ground.

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³⁴ BOUCHARD, G. – TAYLOR, Ch. (2008): Building the Future, Time for reconciliation: Abridged Consultation Report. [online].

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IS THE ARAB LEAGUE DOOMED TO FAIL?¹

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Abstract: The ideas of pan-Arabism, mutual Arab unity and decolonisation were one of the central themes of post-war developments in the Middle East. The Arab League, which was founded in 1945, became the basic platform for coordinating the political and economic activities of the Arab countries during this period. The aim of this paper is to define the basic events shaping this organization as well as its several shortcomings and possible future scenarios for its further development. It is clear that the Arab League has lost ground over time, and it is therefore reasonable to expect its transformation or even its total demise.

Keywords: League of Arab States, International Organizations, International Security, Pan-Arabism

JEL: F50, F51, F53

Introduction

The period of the 20th century and especially the post-war development of the international community is marked by significant efforts of several nations and countries to acquire their own integrity and sovereignty. The process of decolonisation brought with it a new ordering of the international community. In addition to the new sovereign states, platforms for international and regional cooperation have come to the fore in the form of newly established organizations that have sought to coordinate the practices of countries in various fields at the supranational level. The Middle East region has undergone a similar transformation. The unifying element in this case was the voice of Arab unity, the so-called pan-Arabism, which was the precondition for the creation of an organisation uniting Arab countries across a region stretching from North Africa to the Gulf region.

The primary objective of this paper is to define the main problems currently facing the Arab League, while predicting possible future scenarios for the development of this organisation in the light of the growing critical views of it. Defining the key problematic events that have shaped the organisation over the years and to a large extent influence its current state can be considered as partial objectives.

1 Establishment and basic pillars of the Arab League

The emergence of the League of Arab States (the Arab League, LAS) as a regional organisation uniting the countries of the Middle East and the Maghreb region can be dated back to the period immediately after the Second World War. The founding charter of the organisation is the Covenant of the Arab League, the signing ceremony of which took place in March 1945 in the Egyptian capital - Cairo. Its founding members are the states of Egypt, Iraq, Saudi Arabia, Jordan, Lebanon, Syria, Yemen and Iraq. Over time, other countries began to join the organisation, not only in the Middle East region, but also in the North African region.²

¹ This article was elaborated within the VEGA project no. 1/0115/23 Applications of cooperative game theory models in economics and in international relations.

² League of Arab States: Historical Milestones, [online]. [Cited 8. 10. 2023].

The central body of the Arab League is the Council, which meets twice a year. Each member country has one vote. An important body overseeing the running of the organisation is the Office, headed by the Secretary-General. Within the internal structures there are also permanent commissions whose activities are focused on cultural and economic issues.³

Table 1: List of LAS member countries with year of accession

<i>Egypt</i>	<i>1945</i>	<i>Sudan</i>	<i>1956</i>	<i>UAE</i>	<i>1971</i>
<i>Iraq</i>	<i>1945</i>	<i>Morocco</i>	<i>1958</i>	<i>Mauritania</i>	<i>1973</i>
<i>Saudi Arabia</i>	<i>1945</i>	<i>Tunisia</i>	<i>1958</i>	<i>Somalia</i>	<i>1973</i>
<i>Jordan</i>	<i>1945</i>	<i>Kuwait</i>	<i>1961</i>	<i>Palestine</i>	<i>1976</i>
<i>Lebanon</i>	<i>1945</i>	<i>Algeria</i>	<i>1962</i>	<i>Djibouti</i>	<i>1977</i>
<i>Yemen</i>	<i>1945</i>	<i>Bahrain</i>	<i>1971</i>	<i>Comoros</i>	<i>1993</i>
<i>Syria</i>	<i>1945</i>	<i>Qatar</i>	<i>1971</i>		
<i>Libya</i>	<i>1953</i>	<i>Oman</i>	<i>1971</i>		

Source: League of Arab States: Historical Milestones, [online]. [Cited 8. 10. 2023] Available online: <http://www.leagueofarabstates.net/en/Pages/default.aspx>

The activities of the Arab League can be defined in terms of three strategic levels of cooperation between its members:

1. Political cooperation – providing a platform for the possible coordination of political activities of the member states, taking into account the preservation of the sovereignty and independence of its members. Emphasis is also placed on matters relating to nationality, the issuing of passports and visas or extradition and judicial dissolutions.

2. Economic cooperation – the activities of the organization emphasize the deepening of economic cooperation between countries, including issues related to financial matters, mutual trade, customs, currency, industry and agricultural production, as well as the coordination of mutual communication in the construction of infrastructure.⁴

3. Security cooperation – strengthening mutual security and coordination when individual member states of the organisation are attacked, as well as a commitment to resolving conflicts arising between individual members peacefully.⁵

It is also in the interests of the organisation to strengthen cooperation on cultural issues, social welfare matters and the protection of the health of its citizens.⁶

2 Major milestones shaping the organisation

The formation of the Arab League after the Second World War can be described as the result of pan-Arabist efforts to link Arab countries in a spirit of mutual unity. The beginning of this organisation, in which the United Kingdom also had a great deal to do with its creation, was accompanied by the first of a series of conflicts between the newly established Jewish state of Israel and the neighbouring Arab countries. The first Israeli-Arab conflict broke out immediately after Israel's declaration of independence in May 1948. The Arab League countries attacked the Jewish state in an attempt to destroy it and prevent UN plans to establish two separate states in the region - Israel and Palestine. However, this dispute, after Israel's victory, also represented the first failure for the newly established Arab organization.⁷ Following events

³ PINFARI, M. (2009): Nothing but Failure? The Arab League and the Gulf Cooperation Council as Mediators in Middle Eastern Conflicts. In: Crisis States Research Centre. p. 3.

⁴ Pact of the League of Arab States.

⁵ Treaty of Joint Defense and Economic Cooperation Between the States of the Arab League.

⁶ Pact of the League of Arab States.

⁷ PAUL, Johnson. Dějiny židovského národa. Překlad Věra a Jan Lamperovi. Řevnice: nakladatelství Alexandra Tomského Rozmluvy, 1996. ISBN 80-85336-31-6. Pp. 507-508.

involving the deployment of national armies, the LAS decided to strengthen mutual cooperation in the area of collective security. In 1950, the Treaty of Joint Defence and Economic Cooperation Between the States of the Arab League was signed by the seven founding members. The strengthening of mutual security was to be guaranteed by an article defining an attack on one member of this treaty as an attack on all its members.

In the 1960s and 1970s, the organisation acted as a mediator in the various military conflicts that affected the region. Although it achieved partial successes in a few cases, one of the Arab League's failures can be identified in particular as its poor response to the events of the Second Lebanon Civil War between 1975 and 1990. In this case, a resolution was adopted by the Council calling on both sides to exercise restraint.⁸ After all, it was not the Arab League but Syria and Saudi Arabia themselves whose policies contributed to the signing of the agreement leading to the end of the civil war in Lebanon.⁹ In the decades that followed, the Israeli-Arab conflict continued to influence the organization's work. In 1967 and 1973, some League states decided to resolve the Israeli question militarily, although in most conflicts of the period the Arab League responded only with statements appealing for the maintenance of balance.¹⁰ In 1979, following the conclusion of a peace treaty between Israel and Egypt, Egypt's membership of the organisation was suspended and the organisation's headquarters were subsequently moved from Cairo to Tunis. Ten years later, Egypt was rejoined the organisation.¹¹ The period of the 1970s can also be characterized by the rise of newly emerging organizations and platforms for mutual inter-Arab cooperation, which to a greater or lesser extent began to compete with the Arab League's agenda. New projects of a political or economic nature began to emerge, such as the Organisation of Petroleum Exporting Countries (1968), the Gulf Cooperation Council (1981), the Arab Maghrebi Union (1989) followed by the Arab Cooperation Council (1989).¹²

In the early 1990s, the Arab League was associated primarily with its failure to respond adequately to the Iraqi invasion of Kuwait and the subsequent involvement of Western countries, led by the United States, in that conflict.¹³ At the same time, the activities of the Arab League in this period were influenced by the efforts to settle the dispute between Israel and Palestine together with the Arab countries of the region. The Oslo peace process was the platform on which a peaceful settlement of the Israeli-Palestinian issue was to be reached, based on mutual dialogue between the two sides.¹⁴ In this respect, there is a visible disproportion and inconsistency on the part of the individual members of the organisation in their approach to the Israeli question. Also on the basis of the events of recent years, it can be said that this peace process has more or less failed because of the failures on both sides.

From a contemporary perspective, the most difficult period for the organisation's work can be described as the events of the so-called Arab Spring. In terms of the situation in Libya, the organisation condemned the regime of Muhammad Gaddafi. However, its weak response to

⁸ PINFARI, M. (2009): Nothing but Failure? The Arab League and the Gulf Cooperation Council as Mediators in Middle Eastern Conflicts. In: Crisis States Research Centre, p. 11.

⁹ AL-QASSAB, A. et. al. (2020): The Arab League's Many Failures. In: Arab Center Washington DC. [Cited 20. 10. 2023.]

¹⁰ ÜLGER, İ. K. – HAMMOURA, J. (2018): The Arab League: From Establishment to Failure. In: E-journal of Social and Legal Studies, pp. 40-41.

¹¹ ÜLGER, İ. K. – HAMMOURA, J. (2018): The Arab League: From Establishment to Failure. In: E-journal of Social and Legal Studies, p. 38.

¹² BARNETT, M. – SOLINGEN, E. (2007): Designed to fail or failure of design? The origins and legacy of the Arab League. In: Crafting Cooperation, p. 209.

¹³ AL-QASSAB, A. et. al. (2020): The Arab League's Many Failures. [online]. In: Arab Center Washington DC. [Cited 20. 10. 2023.]

¹⁴ BARNETT, M. – SOLINGEN, E. (2007): Designed to fail or failure of design? The origins and legacy of the Arab League. In: Crafting Cooperation, pp. 209-212.

the developments in Syria and the rise of radical Islamist groups, which have benefited from the unstable situation in the region, is considered a failure.¹⁵ On the issue of counter-terrorism, the Arab League's positions have been described as inadequate, particularly in the area of spreading radical ideas among the young population. On the other hand, the organisation has taken some steps to challenge terrorism as such. An example is the Arab League's approach to the Shiite Lebanese movement Hezbollah, which was designated a terrorist organisation by a Council resolution.¹⁶

3 Criticism and scenarios for possible future developments

After more than sixty years of activity of the Arab League, it is possible to define a number of challenges that the organisation has to face in the current period. At its inception, the Arab League had many of the prerequisites to become a successful regional project. The cultural and linguistic similarities of its members, as well as their common interests in foreign policy (the destruction of the State of Israel), were essential factors in this success. In hindsight, however, several critics agree that a project based on the ideas of pan-Arab unity has been negatively tainted by weak leadership and disunity in dealing with the key situations the region has had to face over the past decades.

Michael Barnett and *Etel Solingen* identify the intersection of Arab mutual identity and the domestic interests of its member states as one of the fundamental reasons for the ineffective policies of this organization. They explain that the formation of the organization was the result of the efforts of authoritarian leaders who were only interested in legitimizing and strengthening their regime through membership in a transnational Arab organization. However, their domestic interests prevailed over the interests of the community and for this reason the project of a weak organisation suited them. They were not interested in creating a strong project which, after all, could threaten the sovereignty of their states and thus their very regime.¹⁷ Such a policy has also resulted in an inability to address regional issues and a weak institutional base for the organisation, which has its origins in the organisation's constitution itself. The resolutions adopted by the Council's voting process are binding only on those member countries that voted in favour of their adoption.¹⁸ There is also the problem of the limited disposition of the mechanisms and means by which the League can compel its members to comply with the resolutions. The limited capacity to adopt and enforce measures thus contributes to the ineffectiveness of the organisation and makes it more of a platform for debate than a serious body influencing events in the region.¹⁹

Marco Pinfari also sees the League's problems in terms of the weak decision-making powers of the organs, which paradoxically reflect the distinctiveness of Arab countries rather than Arab unity.²⁰ At the same time, cooperation based solely on ideas of Arab mutual identity can also flounder on the reluctance not only of internal cooperation (as has been shown in the question of the approach to the issue of Israeli statehood), but also on the reluctance to cooperate

¹⁵ MASTERS, J. – SERGIE, M. A. (2023): The Arab League. [online]. In: Council on Foreign Relations. [Cited 14. 10. 2023.]

¹⁶ ÜLGER, İ. K. – HAMMOURA, J. (2018): The Arab League: From Establishment to Failure. In: E-journal of Social and Legal Studies, pp. 48-50.

¹⁷ BARNETT, M. – SOLINGEN, E. (2007): Designed to fail or failure of design? The origins and legacy of the Arab League. In: Crafting Cooperation, p. 181.

¹⁸ AL-QASSAB, A. et. al. (2020): The Arab League's Many Failures. In: Arab Center Washington DC. [Cited 20. 10. 2023.]

¹⁹ AL-QASSAB, A. et. al. (2020): The Arab League's Many Failures. In: Arab Center Washington DC. [Cited 20. 10. 2023.]

²⁰ PINFARI, M. (2009): Nothing but Failure? The Arab League and the Gulf Cooperation Council as Mediators in Middle Eastern Conflicts. In: Crisis States Research Centre, pp. 6-7.

on the part of external players who have long sought to build their power position in the region, such as Turkey or the Islamic Republic of Iran.

Based on historical experience and the problems defined above that contribute to the ineffectiveness of this organisation in mitigating and preventing crises and conflicts, it is possible to predict several scenarios for its future direction:

Scenario 1 – The Organisation will continue to operate as usual, with its regional relevance gradually declining, even in the face of the growing influence of other regional organisations.

Scenario 2 – The organisation is doomed to disappear and its agenda is taken over by other groupings that can better coordinate their policies in their respective areas. In this regard, it is the Gulf Cooperation Council that is often referred to as the successor to this organisation, which can take the political and economic initiative in the region.

Scenario 3 – The Arab League becomes a more fully-fledged project through internal reform of the statutes to ensure more effective enforcement of the resolutions adopted, which could lead to enhanced coordination capabilities. At the same time, however, it will require initiative on the part of the leaders of its member countries, who will have to prioritise transnational interests over national ones for the benefit of the whole community.

Conclusion

The project of a functioning community based on the pillars of Arab cultural and historical unity in the form of the Arab League is now rightly described as ineffective. The privileging of domestic interests over a collective approach to solving regional problems is still present in the policies of individual member states. The origin of this ineffectiveness can be found in a number of factors, such as weak ways of adopting and enforcing agreed measures, divergence of positions on particular issues, as well as factors of an external nature, such as the activities of other regional organisations gradually taking up the Arab League agenda. In the near term, also in view of the deepening instability in the region, it will be important to have a strong supranational organisation in the region, not only providing a space for international debate, but also having the capacity to respond adequately to new potential flashpoints of conflict. In this respect, the Arab League has the potential to become a flagship project, but only if it undergoes a significant renewal within its internal structures, as well as a rethinking of the organisation's very mission and adaptation to the conditions of the 21st century. In this sense, the ideas of pan-Arabism and an antagonistic attitude towards the State of Israel as factors of cohesion of the individual members of the organisation are currently more than insufficient.

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2. BARNETT, M. – SOLINGEN, E. (2007): Designed to fail or failure of design? The origins and legacy of the Arab League. In: *Crafting Cooperation*. Cambridge: Cambridge University Press, 2007. pp. 180-220. ISBN 978-0-521-87603-2.
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DRUG TRAFFICKING AND THE ASSAD REGIME: THE ORGANIZED CRIME – STATE NEXUS DURING THE SYRIAN CIVIL WAR

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Abstract: The subject of this article is the description and analysis of the Bashar al-Assad's regime in the manufacturing and smuggling of narcotics within the framework of Bailey and Godson's models of organized crime – state relations. After briefly providing historical background on the drug production in the Levant and the first involvement of the Assad family in drug trafficking during the Lebanese Civil War, the core of the article details how the devastation brought about by the Syrian Civil War, international isolation and sanctions pushed Syrian government to participate in drug trafficking. As the regime regained control over the country and remained under sanctions, it became the dominant player in the drug market and transformed Syria from a transit country into a production hub of narcotics, especially captagon.

Keywords: Syria, Civil War, Organized Crime, Drug Trafficking, Captagon

JEL: F59

Introduction

The regime of Bashar Assad is often characterized as “criminal” in the mainstream media and the statements of Western officials. This, however, is rather due to the human rights abuses in the areas under its control and the atrocities committed during the more than a decade-long civil war than its illicit activities such as smuggling, human trafficking, and drug trafficking. Organized crime groups usually conduct such activities, and while cases of state involvement in them are rare, they do exist. Because of its deep involvement in the production and export of opium, heroin, methamphetamine, and other narcotics in the region of Eastern Asia¹, as well as in a range of other illicit activities, North Korea was labelled as “Soprano State”² or “Mafia State”³ by the researchers. This qualitative case study aims to examine the expansion and transformation of the drug trafficking in Syria as a result of the Syrian Civil War. Utilizing the theoretical framework of organized crime – state relations developed by Bailey and Godson, it details how the regime of Bashar al-Assad gradually dominated this sector and transformed Syria from a transit country into a major producer of narcotics in the region.

1 Theoretical Framework: Drug trafficking, Organized crime, and state

Drug trafficking is one of the core aspects of organized crime. It can be defined as “a global illicit trade involving the cultivation, manufacture, distribution, and sale of substances which are subject to drug prohibition laws”⁴. James Finckenauer defined a framework for organized crime that contains eight elements: absence of ideology; structure/organized

¹ FISH, I. S. (2013): Inside North Korea's Crystal Meth Trade.

² CHESTNUT, S. E. (2005): The "Soprano State"?: North Korean Involvement in Criminal Activity and Implications for International Security.

³ WANG, P. – BLANCKE, S. (2014): Mafia State: The Evolving Threat of North Korean Narcotics Trafficking.

⁴ United Nations Office on Drugs and Crime (2023): Drug Trafficking.

hierarchy; continuity; violence/use of force or the threat of force; restricted membership/bonding; illegal enterprises; penetration of legitimate businesses; and corruption.⁵

In the case of Syria, the line between the state and organized crime became blurred. According to Bailey and Godson, the relationship between state structures and organized crime groups in developing states can be distinguished into two generic types, depending on the state's ability and willingness to control the activities of organized crime groups. In the first model, organized crime groups act as a solid, parallel authority to the official state structures connected via underground links. Lower levels of some state institutions, such as police and border guards, may be involved in organized crime, but they do so without regard for state regulations. In the second type, organized crime groups do not operate thanks to the state's weakness but because of the state's sponsorship. Organized crime penetrates all state structures and forms a top-down construction beginning at the top echelons of the government and extending all the way down to local levels. The former is typical for failing states with weak institutions and large shadow economies, while the latter is for states with stronger governments that enjoy a high degree of legitimacy and approval rating in society.⁶

2 Historical Background

Historically, the production, consumption, and trade of opium in the regions of Levant and Anatolia can be traced back to the Bronze Age.⁷ In the Ottoman Empire, opium and its by-products, such as laudanum on the one hand and cannabis and hashish on the other, were the main narcotics in use. The Bekaa Valley and Jabal al-Druze were the centres of production of hemp and opium in the Levant for both domestic and international markets. Drugs manufactured there were usually exported via Lebanon's port of Beirut. Efforts of the French Mandate's authorities to curb narcotics production in the interwar period were largely unsuccessful, and drug trafficking continued after Syria and Lebanon gained independence. In both countries, drug smugglers enjoyed the protection of the official authorities thanks to widespread corruption.⁸ Under the Baathist regime that came to power in 1963, drug trafficking continued uninterrupted, and after Syria launched the intervention in the Lebanese Civil War in 1976, it gained control of the Bekaa Valley, Lebanon's drug-producing region. The Syrian Army did not curb drug production in the occupied region in order not to disturb the traditional social order – in fact, many members of the Syrian military exploited the opportunity to profit off the lucrative drug trade.

In this period, the ruling Assad family became involved in drug trafficking for the first time – namely, Rifaat Assad (brother of then-president Hafez Assad, exiled in 1984) and his son Firaas. However, in the late 1980s and the early 1990s, the Syrian government changed its attitude to drug trafficking due to the growing domestic drug consumption, attempts to reconcile with the United States, and bloody clashes between the occupying forces and powerful Lebanese drug trafficking clans. In 1992, opium and cannabis production in the Bekaa region was drastically reduced due to the efforts of the Syrian Army.⁹

In 1993, Syria adopted Law No. 2 of 1993, which became the basis of the country's anti-drug policy. The law authorizes harsh punishment – from 10 years of imprisonment to the death penalty for persons convicted of manufacturing, trafficking, or selling narcotics.¹⁰ Syrian

⁵ FINCKENAUER, J. O. (2005): Problems of definition: What is organized crime?“, pp. 65-67.

⁶ BAILEY, J. J. – GODSON, R. (2000): Organized Crime and Democratic Governability: Mexico and the U.S.-Mexico Borderlands.

⁷ GINGERAS, R. (2017): Heroin, Organized Crime, and the Making of Modern Turkey, p. 55.

⁸ GINGERAS, R. (2017): Heroin, Organized Crime, and the Making of Modern Turkey, pp. 101-103.

⁹ MARSHALL, J. (2012): The Lebanese Connection: Corruption, Civil War and the International Drug Traffic, pp. 113-132.

¹⁰ United States Department of State (2010): International Narcotics Control Strategy Report Volume I, p. 586.

government's counternarcotic efforts were successful in curbing domestic drug production, and in 1997, Syria and Lebanon were removed from the US State Department's list of major drug producers.¹¹ In the following years, the Syrians continued upgrading and expanding the capacities of their counternarcotic units, and thus drug production became negligible. On the other hand, widespread corruption, porous borders, and instability in neighbouring Lebanon and Iraq made Syria an attractive transit country for overland smuggling of heroin, hashish, captagon, and other narcotics en route to Europe from the Persian Gulf in the 1990s and 2000s. These activities, however, were not sponsored by the Baathist regime in this period. The annual International Narcotics Control Report concluded that the Syrian government does not officially encourage or facilitate the illicit production or distribution of narcotics.¹²

3 Syrian Civil War and the Transformation of the Drug Trafficking Sector

The breakdown of centralized government institutions, chaos, and poverty because of the Syrian Civil War provided a fertile breeding ground for criminal activities such as the smuggling of weapons, illicit trade of antiquities, and of course, drug trafficking. While in the previous decades, Syria was primarily a transit country, and if there were any drugs grown or manufactured, they were usually opium, cannabis, and their derivatives, after 2012, captagon started to play a significant role.

Originally, Captagon was a brand name for psychoactive medicine first manufactured in 1961 by a West German pharmaceutical company Degussa Pharma Gruppe. It was used for the treatment of ADHD, narcolepsy, and depression and as a nervous system stimulant. It has a form of white tablets marked with two half-moons. Each tablet contained 50 milligrams of fenetylline, a synthetic drug of the phenethylamine family, to which amphetamine also belongs. In 1986, fenetylline was included in the Schedule II of the UN Convention on Psychotropic Substances 1971. Following this, it was banned in most countries. The counterfeit version of Captagon (referred to as "captagon" in this paper to distinguish it from the original) produced in illegal drug laboratories usually contains amphetamine as the principal psychoactive component, although cases when the tablets contained methamphetamine, ephedrine, chloroquine, caffeine, or other substances, which are easier and cheaper to acquire or produce.¹³

Captagon started to become popular in the region of the Middle East (especially in the Persian Gulf - Saudi Arabia, United Arab Emirates, and Kuwait) in the late 1980s and 1990s, but its popularity truly skyrocketed in the early 2000s. Its original centre of production was the Balkans, from where it was smuggled via Turkey, Syria, and Jordan to Saudi Arabia.¹⁴ In the mid-2000s, large-scale police operations in Turkey and Bulgaria reduced the production of captagon in these countries, and subsequently, it moved to the Middle Eastern countries, as suggested by the increase of the import of its precursors into Lebanon, Jordan and Iraq.¹⁵

Captagon trade, like other amphetamines, is very lucrative. Unlike cocaine or heroin, the base ingredients are easy and even legal to obtain, and they are inexpensive. While one pill costs just a few cents to produce, it is reported that its price on the market range from 3 to 7 dollars in Syria, Lebanon, and Iraq and may reach even 25 dollars per tablet in Saudi Arabia.¹⁶

¹¹ MARSHALL, J. (2012): *The Lebanese Connection: Corruption, Civil War and the International Drug Traffic*, pp. 113-132.

¹² United States Department of State. 2010. "International Narcotics Control Strategy Report Volume I", pp. 586-588.

¹³ European Monitoring Centre for Drugs and Drug Addiction (2018): *Captagon: understanding today's illicit market*, pp. 3-7.

¹⁴ The Global Initiative Against Transnational Organized Crime (2013): *Amphetamines, Anarchy, and Assad*.

¹⁵ European Monitoring Centre for Drugs and Drug Addiction (2018): *Captagon: understanding today's illicit market*, pp. 8, 9.

¹⁶ United Nations Office on Drugs and Crime (2022): *World Drug Report Booklet 4: Drug Market Trends: Cocaine, Amphetamine-Type Stimulants, New Psychotropic Substances*, p. 72.

The process of manufacturing captagon is simple and requires relatively basic knowledge of chemistry. Furthermore, Syria is a relatively industrialized country with many pharmaceutical production facilities that produced counterfeit drugs even before the eruption of the armed conflict.¹⁷ The presence of millions of Syrian refugees in Lebanon and other neighbouring countries also facilitates the illicit drug trade – desperate people are more willing to participate in drug smuggling.¹⁸

Captagon puts the user into a kind of euphoria, a state in which he is energetic and does not need to sleep or eat. Because of this, both the opposition and the government fighters began to use it, as well as other stimulants, to endure protracted periods of combat without the need for sleep. After the Syrian Revolution began, even civilians began to use this drug in order to cope with the economic pressure and psychological stress.¹⁹

As a result of the three factors mentioned above – high profits, optimal conditions for the manufacture and smuggling of narcotics, and the growth of domestic market in Syria, some sources estimate that by 2013, 90% of the production of amphetamines in Lebanon moved here (compared to 2011)²⁰ As the war in Syria intensified, however, some production of captagon was moved back to Lebanon in the period between 2014 and 2016.²¹

High-profit margins make manufacturing and trafficking of captagon a lucrative source of income not only for organized crime groups but also other actors with few other reliable sources of financing – insurgent groups, terrorist organizations, militias, and ultimately government officials. Thus, all parties in the Syrian Civil War were somehow implicated in this illicit business. The lightest form of involvement in drug trafficking for both state and non-state actors is the taxation of the activities of drug traffickers in the territory they control. Smuggling routes of captagon from Syria pass through the areas controlled by various sides of the conflict, meaning that the smugglers have to bribe both insurgent leaders and regime officials.²² A 2015 documentary by Lebanese journalist Radwan Mortada provided evidence of the direct involvement of the Free Syrian Army's commanders in drug manufacturing and trafficking. FSA produced captagon pills for both profits at consumption, which is not surprising given its need for funding and the lack of ideological or religious objections to drug trafficking since the FSA was a secular group.²³

On the other hand, radical Islamist organizations like the so-called Islamic State (IS) and Al-Nusra Front were less inclined to participate in the illicit drug trade due to the incompatibility of such actions with Islamic law. At the peak of its power, the IS had plenty of other sources of finances – foreign donors, taxing the population of occupied territories, customs, illicit export of antiquities or oil, extortion, etc. Drug dealers caught by the Islamic State's authorities faced harsh punishments.²⁴ Its relation to drug trafficking changed after it suffered defeats on the battlefield, lost territory, and the terrorist group needed new streams of revenue. Thus, the IS became involved in the drug trade, as shown by the seizures of drug caches

¹⁷ KRAVITZ, M. – NICHOLS, W. (2016): *A Bitter Pill To Swallow: Connections Between Captagon, Syria, And The Gulf*, p. 35.

¹⁸ BAKER, A. (2013): *Syria's Breaking Bad: Are Amphetamines Funding the War?*.

¹⁹ KALIN, S. (2014): *War Has Turned Syria Into A Major Amphetamines Hub*.

²⁰ *Ibid.*

²¹ *The Global Initiative against Transnational Organized Crime* (2016): *The nexus of conflict and illicit drug trafficking*, p. 18.

²² *Ibid.* p. 20.

²³ KRAVITZ, M. – NICHOLS, W. (2016): *A Bitter Pill To Swallow: Connections Between Captagon, Syria, And The Gulf*, pp. 38-39.

²⁴ *The Global Initiative against Transnational Organized Crime* (2016): *The nexus of conflict and illicit drug trafficking*, pp. 22,23.

and shipments originating from IS-controlled territories. Islamic State fighters were also known to use stimulants to increase their effectiveness in combat.^{25,26}

4 The Birth of Syrian Narco-State

In 2011, Western countries imposed the first batch of sanctions on Syria to disrupt the regime's access to funds and halt its repression. These sanctions brought the Syrian economy to a standstill.²⁷ Combined with the destruction of essential infrastructure, loss of life, and flight of human capital due to the fighting, Syria's economy shrank by more than 60% between 2010 and 2021, and the value of the Syrian pound plummeted.²⁸ Assad's regime was in dire need of hard currencies and, therefore, became involved in illicit drug production and trade. As the regime gradually reconquered most of the lost territories, it became the primary actor in the Syrian illicit drug trade. By 2018, the Damascus government re-consolidated control over much of the country, as well as the narcotics manufacturing and smuggling sector. Various armed actors affiliated with the Assad regime are involved in drug trafficking: several branches of the country's armed and security forces (the 4th Division, Air Intelligence, the Republican Guard, the Military Intelligence Branch 215); pro-government militias (the National Defense Forces, Desert Hawks, Baath Brigades, Saraya Al-Areen); and foreign actors (Hezbollah, the Islamic Revolutionary Guards Corps, the Wagner Group).²⁹

A New York Times investigation revealed that Bashar al-Assad's younger brother, Maher al-Assad, commander of the 4th Armoured Division and the Republican Guard, is the main figure behind the synthesis of captagon.³⁰ Other prominent regime-affiliated figures are Maj. Gen. Ghassan Bilal (head of the Security Bureau of the 4th Division), and businessmen Amer Khiti, Khodr Taher, Mohammad Shalish, Taher al-Kayali, and Abdellatif Hamid. These businessmen are provided access to state resources, infrastructure, and military protection. They set up their narcotics production facilities in government-sanctioned manufacturing warehouses close to state-owned ports or government-controlled checkpoints, utilize their networks in local pharmaceutical and agricultural industries, as well as in the black market, and use commercial transportation and shell companies for smuggling.¹⁸³¹ According to the COAR report, Bashar al-Assad's cousins Wasim Badia al-Assad and Samer al-Assad also play an important role in Syria's narcotics production.³²

The Assad regime cooperates closely with Hezbollah in the drug trafficking sector. 4th Division Security Bureau's chief Ghassan Bilal is allegedly the main linking point with Hezbollah. The porous border between Hezbollah-controlled Bekaa Valley and Lebanon's economic crisis facilitates the trafficking of drugs, people, and weapons.³³

In the early stages of the Syrian Civil War, captagon laboratories were usually small and scattered across the country. In the present day, they are concentrated in government-held urban

²⁵ CLARKE, C. P. (2017): ISIS Is So Desperate It's Turning to the Drug Trade.

²⁶ U.S. Department of Defense (2018): Coalition Partners Seize, Destroy ISIS Drug Cache in Southern Syria.

²⁷ ELABIARI, H. F. (2022): Captagon or 'Poor Man's Cocaine': Understanding the Intricacies of an Illicit Industry.

²⁸ Center for Strategic & International Studies (2021): Syria's Economic Collapse and Its Impact on the Most Vulnerable.

²⁹ Center for Operational Analysis and Research (2021): The Syrian Economy at War: Captagon, Hashish, and the Syrian Narco-State.

³⁰ HUBBARD, B. – SAAD, H. (2021): On Syria's Ruins, a Drug Empire Flourishes.

³¹ ROSE, C. – SÖDERHOLM, A. (2022): The Captagon Threat: A Profile of Illicit Trade, Consumption, and Regional Realities, p.18.

³² Center for Operational Analysis and Research (2021): The Syrian Economy at War: Captagon, Hashish, and the Syrian Narco-State.

³³ ELABIARI, H. F. (2022): Captagon or 'Poor Man's Cocaine': Understanding the Intricacies of an Illicit Industry.

centres of Damascus, Homs, and Aleppo, the coastal region of Latakia (where lie the ports of Latakia and Tartus), the Qalamoun Mountain range on the Syrian Lebanese border, and provinces Dar'a and As-Sweida that neighbour Jordan. Currently, there are at least 15 large-scale captagon manufacturing facilities located in hangars, warehouses, abandoned factories, etc., protected and supported by the Syrian state.^{34,35}

While captagon certainly dominates Syria's narcotics manufacturing industry, cannabis is also grown in southern and central Syria (governorates of Dar'a and As-Sweida), as well as in coastal regions of southern Latakia and northern Tartous. The plant is processed into hashish and either sold at local markets or smuggled abroad.³⁶

It is hard to estimate the true size of the Syrian drug economy. According to Rose and Söderholm, captagon's market value grew from 1,8 billion USD in 2017 to between 2,9 and 3,46 billion in 2020, and in 2021, it peaked at 5,7 billion USD.³⁷ Centre for Operational Analysis and Research states that in 2020, 173 million captagon pills (34,6 tonnes) originating in Syria were intercepted by law enforcement authorities in Europe and the Middle East and North Africa region. Their theoretical market value amounted to 3,46 billion USD.³⁸ In 2021, 280 million captagon tablets explicitly linked to Syria were seized, with an estimated street value between 2,8 billion USD and 4,2 billion USD. This may be attributed to increased production but also by the growing awareness of captagon trafficking in the region. In the first half of 2022, interceptions worth between 1 billion USD and 1,5 billion USD have occurred.³⁹ Seized drugs, however, are only a fraction of the overall smuggled narcotics – between 5 and 10 percent. Some analysts, therefore, speculate that the Syrian captagon trade might be worth as much as 30, 57, or even 110 billion USD, although these figures are not based on reliable data and may be politicized.⁴⁰

5 Impact on neighbouring countries

Penetration of the Syrian state by drug trafficking networks negatively affected Syrian society. While the Syrian regime authorities do not publish accurate data, sources from Syria report rapid growth of drug abuse and addiction in recent years, which affects even school children. Besides captagon pills, cannabis and hashish are the most popular drugs used by the Syrian population. Syrian security forces focus on arresting small drug dealers, but higher ranks of organized crime groups enjoy immunity.⁴¹

Of course, illicit drugs manufactured in Syria are primarily intended for export to the global market. Primary destinations are the Gulf countries and Africa, but also Europe. The smuggling is done by both land and sea via a multitude of routes:

- The sea route from the western Syrian ports of Latakia and Tartus to the Arab Peninsula and East Africa

³⁴ Center for Operational Analysis and Research (2021): The Syrian Economy at War: Captagon, Hashish, and the Syrian Narco-State.

³⁵ ROSE, C. – SÖDERHOLM, A. (2022): The Captagon Threat: A Profile of Illicit Trade, Consumption, and Regional Realities, p. 16.

³⁶ Center for Operational Analysis and Research (2021): The Syrian Economy at War: Captagon, Hashish, and the Syrian Narco-State.

³⁷ ROSE, C. – SÖDERHOLM, A. (2022): The Captagon Threat: A Profile of Illicit Trade, Consumption, and Regional Realities, p. 13

³⁸ Center for Operational Analysis and Research (2021): The Syrian Economy at War: Captagon, Hashish, and the Syrian Narco-State.

³⁹ Center for Operational Analysis and Research (2022): Smugglers and Security Agents: Fragmentation and Decentralisation in Southern Syria's Captagon Networks.

⁴⁰ SNEINEH, M. A. (2023): Why does the UK think Syria has a \$57bn captagon industry?

⁴¹ Asharq Al-Awsat (2019): Exclusive - Drugs Invade Syria through Help of Militias.

- Qalamoun route passes from Syria to Lebanon, where drugs are then exported by ships or by air.
- The northern route leads from Syria to Turkish ports on the Mediterranean coast and the markets within Turkey or in the Arab Peninsula.⁴²
- The southern route passes through the remote desert region into Jordan and then into Saudi Arabia. The opening of the Jaber border crossing (closed in 2015 due to the intense fighting) in September 2021 facilitated drug trafficking as it allowed the smugglers to use commercial transit.⁴³
- The eastern route leading to Iraq emerged in 2020 as another significant vector.⁴⁴

The explosion of illicit drug production in Syria means that the neighbouring countries have to suffer another negative effect of the protracted civil war. Jordan's border with Syria became a place of frequent shootings between Jordanian security forces and smugglers, which left dozens of people dead.^{45,46} Drug-related crimes rose from 2051 in 2005 to 20 055 in 2020. Moreover, the number of drug addicts in the country also grew, as with the increase in drug trafficking, the smuggled drugs began to "leak" into the country's population. Captagon and other narcotics are being used by the youth that faces economic and social pressures (in 2021, the youth unemployment rate stood at 40,53%).⁴⁷ Similarly, in Lebanon, the economic crisis and the presence of drug production facilities and smuggling routes drive the increase of drug dependency in the local population.⁴⁸

At 909 km, Syria's border with Turkey is the longest of all its neighbours. Despite this, Turkey seems to be affected by the narcotics production in Syria to a lesser degree. The northern route is less attractive for the smugglers, and the volume of captagon seized in Turkey varies: in 2018, over 22,7 million tablets of captagon were seized; in 2019, it was more than 11 million, and in 2020, the number dropped to just 2,87 million.⁴⁹ In 2021, however, 13,8 million captagon pills were seized, and as of November 2022, at least 13,7 million tablets.^{50,51} Most of the seizures took place in Turkey's Mediterranean ports⁵²; however, the largest seizure of captagon so far occurred in August 2022 in Istanbul.⁵³ This can be explained by the strict controls on the Turkish side of the border. Moreover, the regime-controlled territory of Syria is separated from Turkey by areas controlled by the opposition group Hayat Tahrir Al-Sham (HTS), the Syrian Democratic Forces (SDF), and the Turkey-backed Syrian National Army (SNA) that act as a buffer. HTS and SDF have a stricter stance on the production and smuggling of narcotics (the former due to its Islamist ideology, while the latter due to the fear of losing Western support). Some fractions of the SNA are engaged in illegal activities, including the smuggling of drugs.⁵⁴

⁴² The Global Initiative against Transnational Organized Crime (2016): The nexus of conflict and illicit drug trafficking", pp. 11,12.

⁴³ LISTER, Ch. (2022): The Folly of Reengaging Assad.

⁴⁴ Center for Operational Analysis and Research (2022): Smugglers and Security Agents: Fragmentation and Decentralisation in Southern Syria's Captagon Networks.

⁴⁵ BBC. (2022): Jordanian army says it killed 27 drug smugglers from Syria.

⁴⁶ Al Arabiya News (2022): Four killed in attempt to smuggle drugs from Syria: Jordan's armed forces.

⁴⁷ DAVIS, H. (2022): On Jordan's streets, the captagon epidemic ruins lives.

⁴⁸ ALAMEDINE, L. - DORANDEU, G. (2022): With Captagon, I feel invincible': People with addictions open up about their experiences.

⁴⁹ Republic of Turkey Ministry of Interior. (2021): 2021 Turkish Drug Report: Trends and Developments.

⁵⁰ Daily Sabah (2022): Customs officers seize biggest Captagon haul in Türkiye.

⁵¹ Center for Operational Analysis and Research (2022): Smugglers and Security Agents: Fragmentation and Decentralisation in Southern Syria's Captagon Networks.

⁵² Daily Sabah (2021): Turkey seizes over ton of Captagon drugs at customs.

⁵³ Daily Sabah (2022): Customs officers seize biggest Captagon haul in Türkiye.

⁵⁴ AL-ASWAD, H. (2022): Syria: Assassination of activist in northwestern city fuels anger at Turkish-backed rebels.

6 Summary: the organized crime – state nexus in Syria

Utilizing the theoretical framework of the organized crime-state relation developed by Bailey and Godson, we can distinguish four periods in the evolution of drug trafficking in Syria under the Assad regime:

- 1976 – 1997: In this period, Syria fell into the second generic model where organized crime groups operate thanks to the state’s sponsorship, and even the highest echelons of the government are implicated (as evidenced by the involvement of Rifaat al-Assad). This period began with Syrian intervention in Lebanon (after which Syrian security forces began to play a crucial role in the manufacture and smuggling of cannabis, opium, and their derivatives in the occupied Bekaa Valley). Rifaat al-Assad was exiled to France in 1984 after he participated in a coup attempt against his brother, then-president Hafez al-Assad. In the following years, the Syrian regime adopted a stricter stance against drug trafficking in both Syria and Lebanon due to its negative impacts on the population and the effort to improve relations with Western countries. The end of this period is marked by the removal of Syria from the US State Department’s list of major drug producers.
- 1998 - 2012: In the second period, Syria fit into the first generic model where organized crime groups operate without state sponsorship but are still connected to it via underground links on lower levels of some state institutions. Syria was primarily a transit country, with marginal domestic production of cannabis, opium, and its derivatives.
- 2013 – 2018: While in this period, Syria could still be put into the first generic model, three significant changes occurred: firstly, Syria transformed from a transit country for narcotics into a major production hub. Secondly, cannabis and opium were largely replaced by captagon as the primary illicit drug produced and smuggled. Thirdly, the central state authority collapsed, and the regime lost control over a vast portion of the country’s territory. While all actors of the Civil War – the secular opposition, the Islamists, the Kurds, and the Damascus regime – were to various extent involved in illicit drug manufacture and smuggling, none of them was completely dependent on it as the primary source of income, and there is not enough information to imply the involvement of high-ranking political or military officials.
- 2018 – present: the contemporary period, beginning with the regime's consolidation of control over the core Syrian territory in 2018, as well as the illicit drugs production and manufacturing sector. This was followed by a substantial increase in the production of captagon.⁵⁵ Thus, Syria currently fits into the second generic model of organized crime – state relations, as evidenced by the involvement of Maher al-Assad, Wasim Badia al-Assad, and Samer al-Assad, as well as other high-ranking military officers and businessmen.

Conclusion

In recent years, investigative reports by major Western and Arab think tanks and media outlets revealed that the regime of Bashar al-Assad facilitates all stages of the process of captagon production and smuggling, which includes manufacturing the pills, hiding and packaging them in centres where grains are prepared for export, and finally, smuggling the pills through networks that sell them in foreign markets.⁵⁶ While there is also the production of hashish and other narcotics in Syria, and the country also serves as a transit route for drugs

⁵⁵ Center for Operational Analysis and Research (2021): The Syrian Economy at War: Captagon, Hashish, and the Syrian Narco-State.

⁵⁶ ALHAJJ, T. (2022): The Al-Assad Regime’s Captagon Trade.

produced in other countries (especially Lebanon), captagon holds a prominent position in the Syrian drug industry thanks to the relatively simple and cheap production, proximity and size of the primary market (the Gulf countries), and high-profit margins. There are multiple factors that led Damascus to embrace drug trafficking as a source of income: economic crisis and devaluation of the national currency caused by the protracted civil war and sanctions; the focus of the security and military forces on counterinsurgency; the previous experience of the Assad family and its Lebanese ally, Hezbollah, the production and smuggling of narcotics; and weakness of the Syrian state itself (dependence of the regime on various militias who engage in illicit activities; rampant corruption of the state apparatus). Applying the term “narco-state” to Syria may be controversial due to the fact that the expansion of illicit drug trafficking is, to an extent, the result of the state’s weakness. It should also be noted that the Assad regime does not act as a unitary actor in drug trafficking – there were reported incidents when drug smugglers affiliated with the regime were targeted by other factions within the security apparatus of the Syrian state.⁵⁷ Still, the fact that centres of production of captagon are situated in the regions under Assad’s control, and ports and the majority of border areas used by drug smugglers are controlled by the regime’s security apparatus, suggests a high-level sponsorship.⁵⁸

Although it can be presumed that there is heavy involvement of the Assad regime in drug trafficking, estimating how much it actually earns is not possible with the sources available for this study. While modest estimates state the captagon market’s value at 2,9 – 5,7 billion USD⁵⁹, the estimates based on the extrapolation of the value of captagon pill seizures range from 30 to 110 billion dollars. This makes 9 to 19 times the size of Syria’s state budget – yet it does not seem that the regime is using this money to soften the impacts of the ongoing economic crisis (providing state subsidies, increasing salaries, launching social and construction projects, etc.) and prevent the growth of discontent among the population⁶⁰. There are several possible explanations for this – firstly, the estimates of the overall size of the Syrian drug industry are inflated⁶¹; secondly, the producers and upstream networks (the Assad regime and Iran-linked actors) gain only a fraction of overall revenues⁶² as a plethora of manufacturers, smugglers, middlemen, suppliers and dealers in the supply chain take their shares⁶³; thirdly, revenues from the drug trade that are pocketed by a handful of regime cronies and Iranian militias, are siphoned abroad, without helping the Syrian population;⁶⁴ and of course, a combination of these factors.

Prospects for the near future are bleak. On the 8th of December 2022, the US Senate approved the 2023 defence budget that includes the Captagon Act, a bill aiming to prevent the Assad regime from spreading captagon. According to the bill, the United States shall provide support to the ally countries in the region affected by the Assad regime’s drug trafficking. It also obliges the American government to develop a strategy to target illicit drug production in Syria.⁶⁵ But the United States have already imposed severe sanctions on Syria, with limited effect on the regime’s behaviour.

⁵⁷ AL-TAMIMI, A. J. (2023). Syria and Captagon: An Assessment.

⁵⁸ DAGRES, H. (2023). Is Captagon going to halt the Arab normalization deal with Syria? An expert weighs-in.

⁵⁹ ROSE, C. – SÖDERHOLM, A. (2022): The Captagon Threat: A Profile of Illicit Trade, Consumption, and Regional Realities, p. 13.

⁶⁰ AL-TAMIMI, A. J. (2023). Syria and Captagon: An Assessment.

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⁶³ ROSE, C. – SÖDERHOLM, A. (2022): The Captagon Threat: A Profile of Illicit Trade, Consumption, and Regional Realities, p. 13.

⁶⁴ DALY, M. (2022). Is the Syrian Regime the World’s Biggest Drug Dealer?

⁶⁵ The New Arab (2022): US 'captagon bill' targeting Syria's Assad regime passes.

So long as the Syrian regime remains in power, under sanctions, and without substantial external financial support, it will not willingly end the manufacture of narcotics as it is one of the few substantial sources of revenue it still has. Jordan attempted to get Russian support in the fight against the smugglers in early November, but so far, this effort did not bore any fruit.⁶⁶ Lifting sanctions and normalization of the regime's relations with Turkey and Arab countries would help the Syrian economy but does not guarantee that Syrian regime would curb the production and export of captagon. In May 2023, Syria was readmitted into the Arab League (after it has been expelled for 12 years due to the Civil War). Experts believe that the Assad regime used the captagon trade as a leverage to change the position of some Arab states that opposed Syria's return. The number of seizures of captagon and arrests of traffickers by Syrian security forces increased in recent months, but these are considered to be largely cosmetic⁶⁷. Arab countries may hope that negotiations and investments will convince Damascus to limit the captagon trafficking, but the business may be too lucrative for the Assad regime to give it up.

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⁶⁶ Arab News (2022): King Abdullah receives Russian FM, stresses need to stabilize southern Syria.

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GREENFIELD INVESTMENTS OF THE CHINESE BATTERY MANUFACTURERS IN EUROPE¹

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Abstract: The goal of this paper is to examine the greenfield investments of leading Chinese battery manufacturers in Europe. The first part of the paper describes the position of Chinese battery manufacturers in the global battery industry. The second part of the paper reviews the most important greenfield investments of Chinese battery manufacturers in Europe, their locations, and the motives driving these greenfield projects. The main finding of the paper is that battery production capabilities in Europe are very weak, and that is why European governments welcome greenfield projects of Chinese battery manufacturers despite some serious risks associated with these investments

Keywords: foreign direct investment, China, electric vehicles, battery production.

JEL: F21, F23

Introduction

Chinese foreign direct investments (FDI) in Europe and their acceptance went through significant changes since their initial surge after the global financial and economic crisis of 2008/09. At first, FDI from China was welcomed by many European countries as they needed all the capital they could get after the global crisis. After 2010 many Chinese companies rushed to Europe and the level of Chinese FDI surged until 2016, when it reached a record level of 47,4 billion EUR². The increased inflow of Chinese FDI coupled with several controversial take-overs of European high-tech companies started to make key European countries suspicious, which led to the introduction of tougher FDI screening processes for sensitive industries. These screening processes were neutral on the surface but were typically triggered by acquisition plans of Chinese companies.

These screening processes coupled with the rising tensions in the EU-China relations led to a steep decline of Chinese FDI flows to Europe after 2016. In 2022, FDI inflows from China were more than 80 percent below their peak in 2016 and there are no signs of significant changes happening in the next years. However, the decline was mostly confined to the area of mergers and acquisitions, the inflow of Chinese greenfield FDI was able to grow in the last years. One of the industries that saw a lot of Chinese greenfield activity is battery manufacturing, which gradually became the key industry for the production of electric vehicles (EVs).

The goal of this paper is to examine the greenfield investment of leading Chinese battery manufacturers in Europe. The first part of the paper describes the position of Chinese battery manufacturers in the global battery industry. The second part of the paper reviews the most important greenfield investments of Chinese battery manufacturers in Europe, their locations, and the motives driving these greenfield projects. The last part of the paper tries to give a basic

¹ The paper was prepared within the VEGA project No. 1/0711/21 "China as an Investor in Europe - Trends, Policy Responses and Challenges for the Future". The project is carried out between 2021 and 2023 by the Faculty of Economics and Entrepreneurship of the Pan-European University

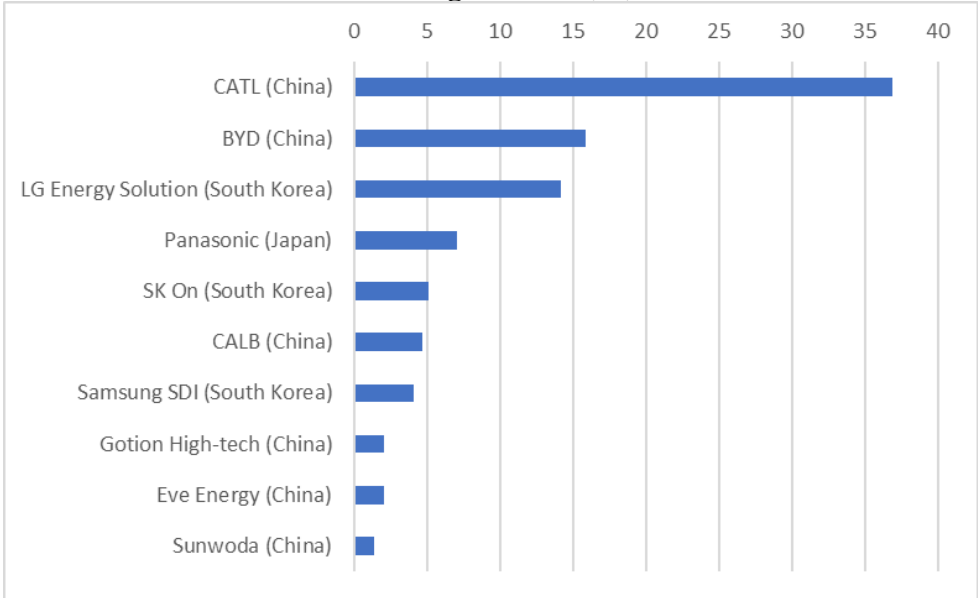
² MERICS (2023): Chinese FDI in Europe 2022 Update.

forecast of the Chinese greenfield investments in battery manufacturing in the coming years. The paper mostly relies on data from international research organizations, national governments, and other institutions.

1 The position of Chinese companies in the global battery industry

The global battery industry underwent tremendous changes in the last two decades. While at the beginning of the 21st century, the leading battery manufacturers focused on batteries for electric devices (mobile phones, laptops, etc.), the emergence of electric vehicles radically changed the industry. The established companies from Japan (Panasonic) and South Korea (LG Energy Solution, SK On, and Samsung SDI) tried to position themselves as key players in the production of lithium-ion batteries for EVs, but they met fierce resistance from the emerging Chinese battery manufacturers, who expanded aggressively on the global markets (CATL, BYD, CALB or Gotion high-tech). Eventually, corporations from East Asia dominated global battery production, leaving only marginal positions for European and American companies (see Figure 1).

Figure 1: Global market distribution of lithium-ion battery makers between January and August 2023 (%)



Source: Statista online database.

Eventually, the Chinese battery manufacturers were able to subdue even their Japanese and South Korean competitors and established themselves as the dominant force in the industry. In the first half of 2023, the cumulative market share of Chinese battery manufacturers reached 62 %, making them clear market leaders. The Chinese battery manufacturers invested heavily in all parts of the battery production value chain, reaching 80 % share in midstream chemical refining, 66 % share in midstream cathode and anode production, and 73 % share in lithium-ion battery cell production by 2019³. The only weak point of China in the battery production supply chain is the mining of necessary raw materials, as most of the largest deposits are outside China.

When assessing the Chinese battery industry, we must bear in mind that many of the Chinese companies were established 10-15 years ago. The global market leader, Contemporary Amperex Technology Co. Limited (CATL) was established only in 2011. By 2016 it became

³ MOORES, S. (2021): The Global Battery Arms Race: Lithium-ion Battery Gigafactories and their Supply Chain.

the third-largest producer of EV batteries globally⁴ and in 2017 it took over the position of market leader⁵. Unlike BYD, CATL focuses only on battery production, which enables the company to strike partnerships with many Chinese (ex. Geely, SAIC, BAIC, GAC Group) and foreign automakers (ex. Tesla, BMW, Daimler, Honda, PSA, Volkswagen). Primarily, CATL established its production bases in China, but it became quickly visible that to maintain a global market leadership the establishment of production bases outside China is inevitable.

2 Greenfield FDI of Chinese battery companies in Europe

As Chinese companies started to encounter more and more resistance from the European government regarding acquisitions of key European high-tech companies, these types of Chinese FDI flows started to decline steeply after 2016⁶. On the other hand, the rise of EVs created new investment possibilities for Chinese companies. European automakers constitute an important pillar of the European economy, and as the European battery manufacturing capabilities are only marginal, the EV plans of the major European automakers are dependent on the production capabilities of East-Asian companies.

The dominance of the Chinese companies in the battery production supply chain makes it impossible to skip them in the process of EV production ramp-up in Europe, even though European governments have their concerns about one-sided dependency on these companies. With the Inflation Reduction Act (IRA) the US chose to build a battery production supply chain without Chinese companies opening the playing field for Japanese and South Korean companies⁷. This means that Europe is the only location readily available to Chinese battery producers despite mounting economic tensions between the EU and China.

Europe is currently the second largest EV market in the world⁸ after mainland China, so the interest of Chinese companies in the EV supply chain to invest in Europe is not surprising. European EV sales are bolstered by generous government subsidies with additional future growth possible in the coming years.⁹ This creates interesting investment possibilities for Chinese battery manufacturers like CATL or SVolt. Since 2018, Chinese battery manufacturers announced greenfield investments worth 17,5 billion USD in Europe. If all goes according to the plans of the investing companies, in 2030 the European factories of Chinese battery manufacturers could produce roughly 20 percent of the continent's total battery production capacity.¹⁰

Global market leader CATL was the first to develop production capabilities in Europe. CATL chose Erfurt in Germany as the location of its first production facility with a maximum planned installed capacity of 24 GWh.¹¹ The factory in Erfurt has a current production capacity of 14 GWh with the plan to reach 24 GWh in 2024.¹² Germany has been chosen as a production location also by other two Chinese battery companies (SVolt Energy Technology and Gotion High-Tech) with a planned total capacity of 50 GWh.¹³ France and the UK were able to secure greenfield projects from Envision AESC to build battery production factories with an estimated total capacity of 25GWh in each location.¹⁴

⁴ SZYMKOWSKI, S. (2017): World's 3rd Largest Battery Firm May Ally with VW for Electric Cars in China.

⁵ GASGOO (2018): CATL reports YoY net profit growth of 31.4% in 2017.

⁶ MERICS (2021): Chinese FDI in Europe 2021 Update.

⁷ SEBASTIAN, G. (2023): Watts the plan, Europe – Chinese battery investments on or off?.

⁸ TILVES, M. (2023): Europe, Second Largest Market for Electric Vehicles.

⁹ MERICS (2023): Chinese FDI in Europe 2022 Update.

¹⁰ Ibid.

¹¹ The capacity of battery production facilities is usually measured in Gigawatt hours (GWh).

¹² REUTERS (2023): Politics aside, China's CATL ramps up cell production in Germany.

¹³ KIET (2023): The Battle over Batteries: Chinese Ascendancy and Challenges for Korea.

¹⁴ Ibid

While it is visible that Chinese battery production companies prefer big Western European economies, the largest greenfield project in the battery industry is happening in Central Europe. CATL is currently building a gigafactory in Hungary with a planned capacity of 100 GWh.¹⁵ When completed in Debrecen with a total cost of 7,6 billion EUR, this will be the largest battery cell plant in Europe. CATL is planning to use this factory to supply key European automakers like Mercedes-Benz, BMW, Stellantis, and Volkswagen. Moreover, Hungary was able to secure additional Chinese greenfield investments from Sunwoda¹⁶ and EVE Energy¹⁷. With these investments, Hungary will belong among the global leaders in battery production as the Chinese investments in the industry are heavily supplemented by greenfield projects of South Korean battery producers (Samsung SDI, SK On, EcoPro, Dongwha Electrolyte, and others). The total capacity of the battery factories in Hungary is projected to reach 207 GWh in 2030, up from 27,5 GWh in 2021¹⁸.

Besides Hungary, Slovakia is the only country with investments from Chinese battery manufacturing companies in Central Europe. Gotion High Tech purchased a 25 % stake in the Slovak battery maker Inobat in 2023 and is planning to provide further supply chain and technology support as the startup scales up production of electric vehicle batteries¹⁹. This is the first investment by a Chinese battery maker in a European startup and the partnership should eventually lead to the construction of a battery gigafactory.

Table 1: The most important greenfield project in the battery production supply chain by Chinese companies in Europe (millions EUR)

Announced date	Chinese investor	Investment	Country	Value
2018	CATL	Battery cell plant	Germany	2 000
2020	SVolt Energy Technology Co	Battery plant	Germany	2 000
2021	Envision AESC	Battery plant	France	2000
2021	Envision AESC	Battery plant	UK	450
2022	CATL	Battery plant	Hungary	7 600
2022	Gotion High-Tech	Battery plant	Germany	2 000

Source: MERICS (2023): Chinese FDI in Europe 2022 Update.

3 Potential drawbacks for Europe from the Chinese battery investments

While Europe is currently hopelessly outclassed in the global battle over batteries, the reliance on Chinese production capacities and technologies comes also with potential risks. Firstly, the increase of the installed Chinese battery production capacity in Europe leads to increasing dependence in an era when the European Commission and the EU's member states emphasize reducing risks in dealing with China. The Chinese political leadership is not shy to increase Beijing's global influence by leveraging clean energy and the European Commission and the EU governments should be aware of this fact.²⁰

Secondly, there is a danger that the Chinese battery producers could distort the EU common market. The EU did lift state-aid restrictions in the battery sector and EU governments are willing to provide generous subsidies to foreign battery producers, Chinese companies greatly benefit from generous Chinese government handouts, state-backed credit, and equity financing that is cheaper than any offered on the financial markets. For example, the IPO

¹⁵ REUTERS (2023): China's CATL to build \$7.6 bln Hungary battery plant to supply Mercedes, BMW.

¹⁶ REUTERS (2023): China's Sunwoda plans \$274.7 million Hungarian battery plant.

¹⁷ RANDALL, CH. (2023): Eve Energy to build battery factory in Hungary.

¹⁸ GAAL, F. (2023): Hungary's big bet on batteries — and its costs.

¹⁹ REUTERS (2023): Exclusive: China's Gotion buys 25% stake in Slovak EV battery startup Inobat.

²⁰ MERICS (2023): Chinese FDI in Europe 2022 Update.

prospectus of CALB shows that 18 % of the company's revenues were made up of government handouts in 2019.²¹

Thirdly, battery production as such raises also environmental and labor issues. Battery production is very energy and water-intensive process, so local communities have serious concerns about the impact of the battery factories under construction. In Hungary, local communities face insufficient information about the environmental impact of Chinese battery factories²², so it is not surprising that public opinion is turning against them. In Hungary, according to a recent survey two-thirds of the respondents in Debrecen have a critical view of the CATL gigafactory under construction.²³

As for the labor aspect, data from Hungary shows that some East Asian mother companies having factories in the battery value chain in Hungary do not respect the freedom of association and obstruct the establishment of trade unions. Moreover, the high fluctuation of worker numbers is challenging for trade unions, leading to constant erosion of membership.²⁴ Therefore, in the future, strong oversight of the labor conditions of the Chinese battery factories in Europe will be needed to monitor their quality.

Conclusion

Although the European Union is increasingly wary of Chinese FDI in sensitive industries, the lack of local battery capabilities makes China a welcome investor in Europe in this area. If the European Union wants to keep its promises in the field of green energy transition, the technological and production expertise of East Asian battery companies will be essential. As Chinese battery manufacturers were able to develop a dominant global market position, their investments in Europe will play a key role in the EV transition of European automakers. While European companies may eventually develop their battery production capabilities, the high level of research and development spending of the Chinese battery companies suggests that their dominance will be permanent. In 2022, CATL spent 2,1 billion USD on research and development and BYD spent 2,6 billion USD.²⁵ That was several times higher than the research and development spending of South Korean battery companies.

Having this in mind, it is almost certain that the greenfield projects of Chinese battery manufacturers will be welcome in Europe in the foreseeable future. However, the COVID-19 global pandemic and the war in Ukraine strongly reminded Europe about the dangers of one-sided dependencies on foreign critical raw materials and production capabilities. Therefore, the sound policy for the European Union would be to motivate South Korean and Japanese battery producers to invest in Europe and parallelly provide finances to develop European capabilities in the industry. This could lead to a more balanced battery industry in Europe, but it is hard to imagine that the dominance of Chinese battery makers will fade any time soon.

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²¹ CALB (2022): CALB Global Offering.

²² GAAL, F. (2023): Hungary's big bet on batteries — and its costs

²³ POLGÁR TÓTH, T. (2023): A debreceni lakosok közel kétharmada nem akarja a kínai akkumulátorgyárat a 21 Kutatóközpont adatai szerint.

²⁴ CZIRFUSZ, M. (2023): The battery boom in Hungary: Companies of the value chain, outlook for workers and trade unions.

²⁵ SEBASTIAN, G. (2023): Watts the plan, Europe – Chinese battery investments on or off?.

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RADICAL POLITICAL STREAMS IN ISRAEL, THEIR ROOTS AND POSSIBLE IMPACT ON THE ISRAELI SOCIETY

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Abstract: The aim of this paper is to provide a clear overview of the issues related to Israel's inner politics development. The core of the text is the introduction of the past and current far right movements and parties, who gained in the last years an immense importance. We used scientific methods such as research and analysis and comparison. The prediction of future development has not been set, because the international situation after the terrorist attacks of Hamas on Israel from 7. October 2023 is making impossible to assess the future way of political, economic or in generally any coexistence and cohabitation of the Jewish and Arab fellow citizens and non-citizens if in Israel itself as well as in Judea and Samaria¹ (author prefers the Biblical names of those areas) or in Gaza strip.

Keywords: Israel, radical movements, society

JEL: P4, P490

Introduction

The radical currents in Israel have had a long tradition since the beginning of the Israeli statehood in the year 1948. Unfortunately, certain divisions were still present in the soon to be born Jewish state during its fight for independence as well as and even shortly afterwards. In our paper we wish try to present in a short form, what are the roots of such currents, which have later formed important political parties, on the right side of political spectrum. There are several scientific opinions if such parties may lead Israeli society towards greater economic development and freedom with notice to exceptional position of those parties in Israel in accordance to the development in the last decade.²

As one example is the Party Likud to be named, who has been created itself as a merger of several (mostly right-wing) parties, whereas for a long time the social conservatism has not been as such important as in the years after the Oslo accords³, where the influence of radical (far-right) parties with religion background gained on influence. The whole idea of a strong and free Israeli state and society has developed towards a state where religion players are getting stronger with every election. Their impact on economy of the state is still not clear, because only after the election in 2022, the really strong, deeply-religious and patriotic parties have gained the influence.⁴

¹ BLUM, Y. (2018): The status of Judea and Samaria revisited: A response to Eyal Benvenisti.

² ROSENBERG, D.E. (2022) What makes Israel's far right different.

³ SHLAIM, A. (2020) The Oslo Accord.

⁴ GANEL, Y. (2023) Israel: Political Developments and Data in 2022: The Return of Netanyahu.

Methodology

The aim of this paper is to provide a clear overview of the issues related to Israel's past political development that led to the rise of current radical political parties in the current Knesset⁴. Such an overview can help the reader to understand the nature of the problem in a coherent way and bring into focus the state of the art of the issue under study in scientific spheres. It is important to consider the problem of from a theoretical as well as a practical point of view. In terms of methodology, the paper is primarily based on a search and subsequent analysis of the literature of leading scholars and experts in the fields of law, international relations, and intercultural relations. In the case of Israel, it is sometimes misleading to use the word right or far-right. We assume the word radical is more appropriate for such movements and parties in general. According to our research, the possible description of a far-right party might be as follows: strong ethnocentric orientation, individualism support and herewith the denouncing of the values of left-wing policies (strong state, welfare programmes, support for low-income families, with a higher number of household members). We believe that this description might not be the most appropriate one, because of the specific structure of the Israeli economy and society with its unique historical, religious and geographical background. Therefore, in our article, the word radical (instead of far right) might be preferable.

1 Roots of the radical currents in Israel

To understand the whole era of the rise of radical (far right) as well as radical (far right) religious parties, is important to understand, that the electoral threshold is currently set at 3.25%, with the number of adequate seats for each party, that passed in the Knesset election this threshold according to the number of votes it received.⁵ This allows even the smaller parties still be the important player despite the lower votes received in comparison to bigger parties. The main issue is the coalition building, in Israel maybe more difficult, because of lower threshold as usual in the western style of democracy needed. We believe, that it is commonly accepted, by mistake actually, that the whole idea of the building of the state of Israel is solely connected to the Labour movements, where the whole state would stand behind those representatives without hesitation. Following person, is a good example of the development of Israeli political thinking during the last 100 years.

The personality of Vladimir Jabotinsky (aka “Ze’ev”) is connected with the rise of the various activities, either as co-founder of the Jewish legion fighting alongside the military of the British empire. His activity stepped up during the interwar period, where his activity stood behind creation of the New Zionist Organization, the Betar youth movement (created in 1923, Riga, Latvia) and the Irgun organisation, that was the military organisation that was responsible for the armed resistance in then Mandatory Palestine.

He was supporter of the revisionist Zionism, where not only the armed fight against the British occupier power was set as the main goal, but also the idea of territorial maximalism in form of creation Eretz Yisrael (Land of Israel). This area should have included both Mandatory Palestine and Transjordan as well. His actions may have set up the very basis for the creation and further development of the future Israeli radical (far right) scene, where the main part still played mainly the right-centrist powers (e.g., Herut party) and after those and similar parties firstly merged with and into Likud party in the year 1973, 1977 resp. 1988, certain base of voters became not satisfied, where Likud may have be seen (especially) before the each and every election as the so-called hawkish party, with the expected hardness resp. softness (according to the gained coalition partners) of Likud led governments towards so-called Palestinian question.

⁵ GALNOOR, I. (2015) Israel: Interrupted democratic development?

As we will show further in the text, the roots of such movements are very tough, but one after the another such parties, first those with religious background e.g., “Shas” and later either especially parties with voters’ base of ex-Soviet-Jews, like party of Yisrael Beiteniu, have gained status of normal coalition partners.

2 The armed resistance groups within the Mandatory Palestine prior 1948

The armed groups could be divided into the several groups, the main group called Haganah, which was the core of Jewish resistance activities and later eventually became the very basis for the creation of current Israeli Defence Forces. For our paper are more important another two paramilitary groups, namely Irgun and Lehi.⁶

Irgun was created in the 30s of the 20. century, with focus on military actions both against British occupiers as well against the Arab settlers. With the creation of the state of Israel, their activity was put down, where the members were absorbed by the IDF. From the important members there are Yitzhak Shamir and Menachem Begin to be named, the impact of their policies and actions was similar as their both supported Soviet-Jews emigration to make Aliyah.⁷ The same was the case of emigration/escape support for the Ethiopian Jews⁸ We assume that their (both Begin’s and Shamir’s) previous activistic life and following on political carriers and their proclamations were consistent with their later activity as prime ministers of Israel.

Lehi was the more militant organisation than Irgun, including Yitzhak Shamir, who was also active in the Irgun, as well before. as one the leader of the group. Sometimes the name “Stern Gang” will be used in connection to Lehi organization, but not in our paper! The main difference lays in the radicalism of Lehi and in successfully conducted attentats and other partisan like activities in then-occupied Mandatory Palestine.

What does all groups connect is the end of their activity after the creation of state Israel, with certain level of illegal activities, that were actually eliminated by the new state authorities.

3 The post-independence movements

Prior to the previously mentioned political “merge” of several political parties in 1973 into the Likud, there have been still immense and unheard voting power of the dissatisfied activists, who were not satisfied with e.g., the outcome of wars, that led Israel with according to them inadequately outcomes. One of them was Mr. Meier Kahane. He was an US based orthodox Rabbi, political activist, founder of his own organization Jewish Defence League. After emigration to Israel in 1971, he became the leader of his own party Kach. According to our research, this party was the closest one (in spirit) to the original militant organisation aka Irgun or Lehi. The exception was the religious worldview with the ultimate goal of creation of the halachic state, which in fact would have been the end of the way of Israeli democracy after 1948.

Another exception was their acceptance of the economic liberalism, that had to be one of the core pillars of the future economy (with halachic rules of course) in a nationally pure Israeli society. The party itself gained votes and due to the low threshold at that time (1%) gained one place in the 11. Knesset in the year 1984. The party itself after the assassination of Mr. Kahane in the year 1990, became disbanded by the Supreme court of Israel in 1994 and Kach’s following parties were banned too by the Israeli cabinet, with the use of the Israel post 1948 antiterrorism legislature. When looking back at the results of then Kach party, it had hardly reached then 1% threshold, that had been in the past set up to 3,25%. It still allows democratic processes to be fulfilled but on the other hand it not allows really small parties to

⁶ PEEKE, J. (1977) Thesis: Jewish -- Zionist Terrorism and the establishment of Israel.

⁷ WEINSTEIN, L.H. (1988) Soviet Jewry and the American Jewish community 1963-1987.

⁸ JOYCE, J. (2000) Thesis: Ethiopia’s foreign Relations with Israel: 1955-1998.

get their seats in Knesset. It may lead towards the bigger stability of the Israeli political systems. At least this have been the expectation of such reforms.

After the assassination of Yitzhak Rabin in the year 1995, there came slowly the change of the view of the possibility of the so-called peace process and the shift towards the right-wing parties' rule began.⁹ Even if the radical (far-right), parties still have not achieved the satisfactory results at that time, we assume, that their presence was accepted however it took almost 20 years, as former radical activists could get in the of the year of 2022 from position of non-parliamentary and not acknowledge opposition towards the minister posts.¹⁰

Conclusion

In our article we tried in the short form to present the development and possible impact of various organizations, currents and chosen political parties on political life in Israel. Their ideas are still distant towards the mainstream Israeli political parties. But with the political rise of settlers, who are trying to develop their own secure living conditions in Judea and Samaria (Biblical names) and with the steady growth of Jewish-orthodox inhabitants of the State of Israel, the character of the state will change. If it is positive or negative, it is very hard to assume, but we believe that the Jews and Israel, as their Holy Land, have the right to build the future on their own. As shown in our article, it is impossible to say what the main political current is the predominant one or whether it will be. Because as mentioned already, the building of the coalition is, even with the current 3,25%-very difficult. In the past, the election threshold was just 1%. Nowadays, it would be an almost impossible “road” to success.

The coalition of 61 mandates in the Knesset is the only key towards successful government and creation of the laws. In our paper we showed the distances that existed on the ideological field inside the Jewish movements with their own goals. We used the literature that was appropriate, both factually and scientifically.

The main contribution of our article is to stop the presumed avoidance of this phenomenon in literature nowadays. We might assume, that the papers published might often be just a presentation of a certain worldview, but we tried neither to denounce nor to support these elements of Israeli political life and the political underground. We also skipped any moral appraisal of such tendencies, with only one exception, and that was the use of Biblical names for the current area called Westbank, with our use of historically more appropriate Judea and Samaria, as mentioned above. Due to the fact that this article is only a conference paper with a very limited volume, we will continue with our research in the near future with the aim of presenting the further results in the form of a monography.

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⁹ MOHANAD, M.. – AS'AD, G. (2010) The Empowering of the Israeli Extreme Right in the 18th Knesset Elections.

¹⁰ PERSON, G. – SHAMIR, R. (2022) Four elections in two years: 2. A unique crisis or a sign of things to come?

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HEALTHCARE FINANCING IN EU COUNTRIES AND LENGTH OF QUALITY OF LIFE: INTRODUCTORY VIEW

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Abstract: It is essential for the economy that the state ensures the provision of public services to its residents. Among other things, public services also include the provision of health care. Supporting health and achieving the health of the population is also important for the economy in retrospect. It is a kind of cycle where healthy people support the economy and the economy supports healthy people. Healthy people can be productive longer and be active in the labor market for longer, and their care is not as expensive as if they were not healthy. The health life year indicator is used to monitor the quality of the population's health. The paper focuses on basic relationships and determinants of healthcare access in the countries of the European Union. In addition there is it how this approach is reflected in quality life expectancy. The basic elements such as healthcare financing and the quality of life in EU countries for the period 2010-2020 are examined there. It is also related to two models of healthcare financing such as the Bismarck model and the Beveridge model. The aim of this paper is to create a basic overview of the relationship between the length of a quality life without restrictions and the financing of health care in the countries of the European Union. Longer quality of life is in Sweden, Malta, Italy, and Spain where healthcare expenditures are between 9-11 % of GDP.

Keywords: economics, EU, expenditures, financing, healthcare

JEL: H51, I13, I18

Introduction

The economy of individual states is also based on public services, among other things. And so public services can have an impact on the productive development of the economy by supporting the individual entities that operate in it. Basic public services also include the provision of health care to the country's residents. This service supports people's health and when people are healthy they are more productive in the economy and not as much of a burden as when they are sick. It is easy. It is in the good of the state to promote the health of the people. The aim of this paper is to create a basic overview of the relationship between healthcare expenditure and healthy life expectancy. As it is essential to monitor this indicator. If the people are longer healthy, the fewer costs they represent for the economy during their senior years and the longer they can contribute to the public budget. The paper is focused on the countries of the European Union. That is the situation in all 27 EU countries. All the countries of the European Union are examined. Attention is also focused on the Czech Republic, which is in the center of Europe and influences from both Western and Eastern European countries can mix there. The European Union is divided into a western and an eastern part. Two important models of financing of healthcare are also presented in this paper. These are namely the Bismarck model and the Beveridge model. There are more models of financing of healthcare in the world, but only these two are listed in this paper, as these two models are used in the countries of the European Union. The period 2010-2020 is examined, as a 10-year time series was set as the ideal length. And the purpose was to monitor the most current available data for all monitored

countries, which is the year 2020 at the most. The data for other years are not comprehensive and therefore it is not possible to compare all EU countries.

1 Theoretical Background

A public service is a service in the public interest that is provided or ordered financed or co-financed by a component of public administration, i.e. the state. Basic public services include, among other things, the provision of health care. It means that the healthcare sector belongs to the public sector and the provision of healthcare is one of the public services that are essential for the population of the country. Their provision is also essential for the economy of the country. The health of the population and the economy of a country or region are closely related. If people are not healthy, they cannot be productive, and if they are not productive, it does not bring money into the economy. When the health of the population is supported, it can bring a reverse effect on the economy. This field is concerned with Public Health, which is the science and art of preventing disease, prolonging life, and promoting health through the organized efforts of society. This science also has a long tradition and promising results in the Czech Republic¹. It is examined by Holcik (2012). However, it is currently not using its full potential and should be more supported. Every crown invested in improving health has an economic benefit. The most significant contribution would be greater participation of the population in the labor market. People who live longer in full health can stay in the labor market longer. And this would be achieved if the population's health was more promoted. It's like a cycle of "health - economy - health - economy". Other topics such as people's retirement are also related to this cycle. This age is still increasing, but it is not possible to increase it without supporting the full health of people who will have to stay longer in the labor market. And we get into the cycle again. Investing in health is thus one of the best investment opportunities, as the multiplier effect and return are among the highest. Health care in the Czech Republic is at a high level, but prevention has been underestimated and underfunded for a long time. It is necessary to develop prevention programs that meet cost-effectiveness requirements and produce documentable results².

Longevity is often talked about. It is clear that people are living longer. But for the economy (but not only for it) it is essential to live longer but in full health. This is more important than gaining more years of life in poor health. The "healthy life years"³ (HLY) index is monitored and measures the number of years a person lives without serious or moderate health problems. Thus, HLY is a composite indicator that combines mortality data with health status data. The HLY Healthy Life Years Indicator also monitors health as a productive/economic factor. Extending the number of years of healthy life is one of the main goals of European health policy. And not only to improve the situation of individuals but also to reduce public health spending. If years of healthy life are increasing faster than life expectancy, this means that people are living more years in better health, which is good for the economy.

Experts estimate that about a third of the economic growth in the last century was due to the better health of the population. Thanks to modern treatment, we are now living at an older age, but we spend too many years ill and receiving expensive treatment. It is clear that increasing life expectancy is one of the great achievements of medicine, but this quantity does not fully reflect the overall health status of the population. It is examined by Remes (2020). The Advance Healthcare Management Institute draws attention to the fact that the health status of the population of the Czech Republic is worse than in the case of countries to the west of the

¹ HOLCIK, J. (2012): Public health je důležitým nástrojem rozvoje péče o zdraví, p. 299.

² Health and economical growth. Outputs from conference „Health and economical growth“ 2022.

³ EUROSTAT, Theindicatoraofahealthylifeyears.

Czech Republic. Czechs rely too much on treatment, focus too little on prevention, and thus spend too many years sick. This not only reduces their quality of life but also significantly burdens public budgets. The sick are less self-sufficient, they need more care, which is provided by either professional nurses or family or friends. At the same time, they also draw various allowances and social benefits much more often. Unless we can reverse this situation, it will worsen rapidly as the population continues to age⁴. An aging society is not only more expensive for the health and social systems, but fewer residents of an economically active age also generate lower income for these systems.

Although the economic approach to investing in health in wealthier countries may differ in detail from those in low-income countries, there is considerable and compelling evidence that improving health can have significant economic benefits not only in poor countries but also in rich countries. Better health increases labor supply and productivity, and historically health has been a significant contributor to economic growth. Despite persistent gaps in the evidence, economic policymakers even in developed countries should consider investing in health as one (of the few) ways to achieve their economic goals⁵. This issue is addressed in more detail by Pelkowski and Berger⁶, whose work examines the effect of health problems on employment, annual hours worked, and hourly wages. According to these studies, persistent health status has a negative impact on labor market outcomes. It found that women have a larger reduction in wages, but men have a larger decrease in hours worked. The onset of health problems in the 40s has the greatest negative consequences for men, while for women the negative effects peak in the 30s.

It is important to look at the income in the health sector, but also at the expenditure in the health sector. The field of healthcare financing is a complex matter. However, it is worth examining the details. Related to all of this are healthcare financing models. There are generally three types of healthcare financing models. This is a market model, a national health service model, which includes the Beveridge and Semashk model, and a health insurance model, which is called the Bismarck model. Each country chooses a certain type of health financing model, but it must be noted that the models rarely exist in a pure form. Each country has these models further modified according to the needs of its national economy and economy. In any case, two types of healthcare financing models are used in the countries of the European Union. These are the Bismarck model and the Beveridge model. In the next chapter of this article, these countries and their distribution are detailed.

The Beveridge model is built on the principle of health care paid from public funds, from taxes (Lameire, Joffe, and Wiedemann, 1999; Wendt, 2009). This model is characterized by the National Health Service. And it is a healthcare system financed through the state budget from taxes. The state guarantees a certain package of services and owns most of the medical facilities. Therefore, health care has the character of state-centralized health care. The Bismarck model is based on universal health insurance and health care is covered by public health insurance, which is mandatory (Deppe and Oreskovic, 1996; Wendt, 2009; Marmor and Okma, 1998).

2 Research Methodology

The paper is specific in that it examines all the countries of the European Union. Other scientific approaches always focus only on a certain selection of Europe or the European Union. So the focus is on all 27 EU countries. The paper uses basic elements that help to examine the

⁴ REMES, J. et al. (2020): Prioritizing health: A prescription for prosperity. McKinsey Global Institute

⁵ SUHRCKE, M. – MCKEE, M. – STUCKLER, D. – ARCE, R. S. – TSOLOVA, S. – MORTENSEN, J. (2006): The contribution of health to the economy in the European Union, p. 994.

⁶ PELKOWSKI, J. M. – BERGER, M. C. (2004): The impact of health on employment, wages, and hours worked over the life cycle, p. 1062.

mutual influence of the chosen healthcare financing models and the longest quality life expectancy achieved, as well as the location of the country in the eastern or western part of the European Union. The following criteria are selected for the paper:

- all countries of the European Union – all 27 countries
- the most current available data of all EU countries – the last possible monitored year is 2020
- time series for 10 years – so 2010-2020
- model of financing of healthcare used in EU – Bismarck model and Beveridge model
- historical division of the European Union into two parts – EAST and WEST
- healthy life years

There are used basic access to this analysis. There are used these methods and tools:

- graphs with the financing of healthcare in the EU are created using the statistical program STATA
- the diagram of dividing countries of the EU by the healthcare models is created by the author in another paper (Gajdová, 2023)
- there is used data of OECD and of EUROSTAT database.

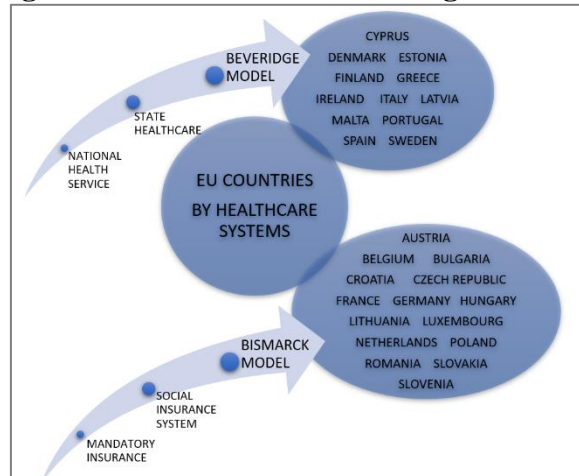
The indicator of healthy life years is a good indicator of measuring of quality life. Whether extra years of life gained through increased longevity are spent in good or bad health is a crucial question. Since life expectancy at birth is not able to fully answer this question, indicators of health expectancies, such as healthy life years have been developed. These focus on the quality of life spent in a healthy state, rather than the quantity of life, as measured by life expectancy. Healthy life years are an important measure of the relative health of populations in the EU.

3 Research Results

The first analytical part focuses on the division of European Union countries according to the healthcare financing models used. And then on the development of healthcare expenses in the distribution according to the models used in the given country. Two models are used in the European Union. These are the Bismarck model and the Beveridge model. For these needs, a scheme was created in which the division of EU countries according to the use of individual models is visible (figure 1). Within this scheme, all 27 EU countries are divided. There are 27 sovereign states in the European Union, and these states have gradually, within their history, leaned towards one or the other healthcare system. The National Health Service system, and thus the Beveridge model is used by 12 countries from the European Union. These states are Denmark, Finland, Cyprus, Estonia, Greece, Ireland, Italy, Latvia, Malta, Portugal, Spain, and Sweden. The system of compulsory general health insurance and thus the Bismarck model is used by 15 countries from the European Union. These states are Austria, Belgium, Bulgaria, Croatia, Czech Republic, France, Germany, Hungary, Lithuania, Luxembourg, Netherlands, Poland, Romania, Slovakia, and Slovenia.⁷This dividing of all countries of the EU is specific because other scientific studies don't solve ALL EU countries.

⁷ GAJDOVÁ, K., (2023): Healthcare Systems in EU Countries: A Fundamental Overview, Dividing and Healthcare Expenditure. In: Proceedings of Academics World International Conference, Barcelona, Spain, 11th – 12th May 2023, pp. 1-5.

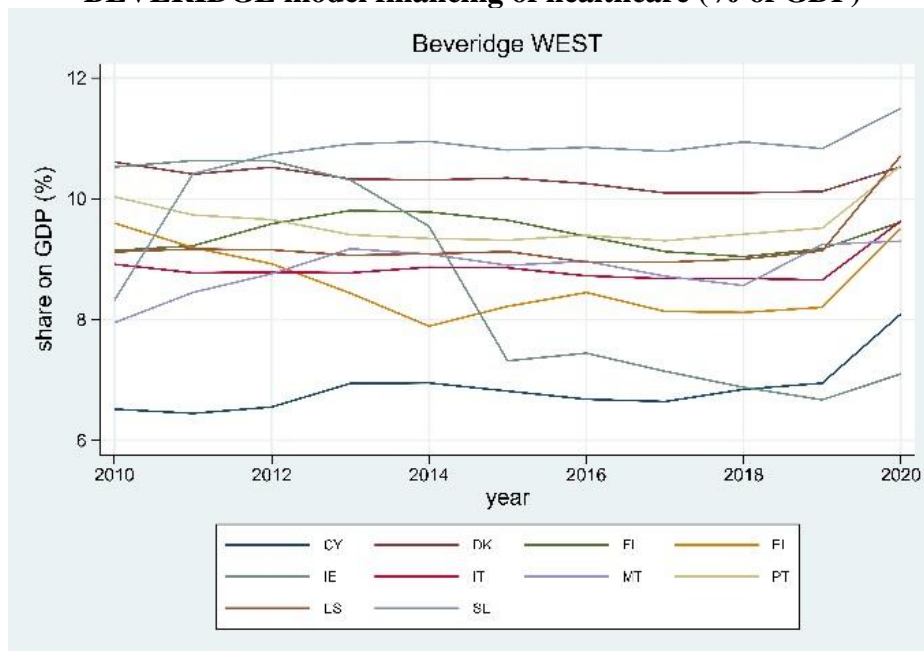
Figure 1: Diagram of EU countries according to healthcare systems

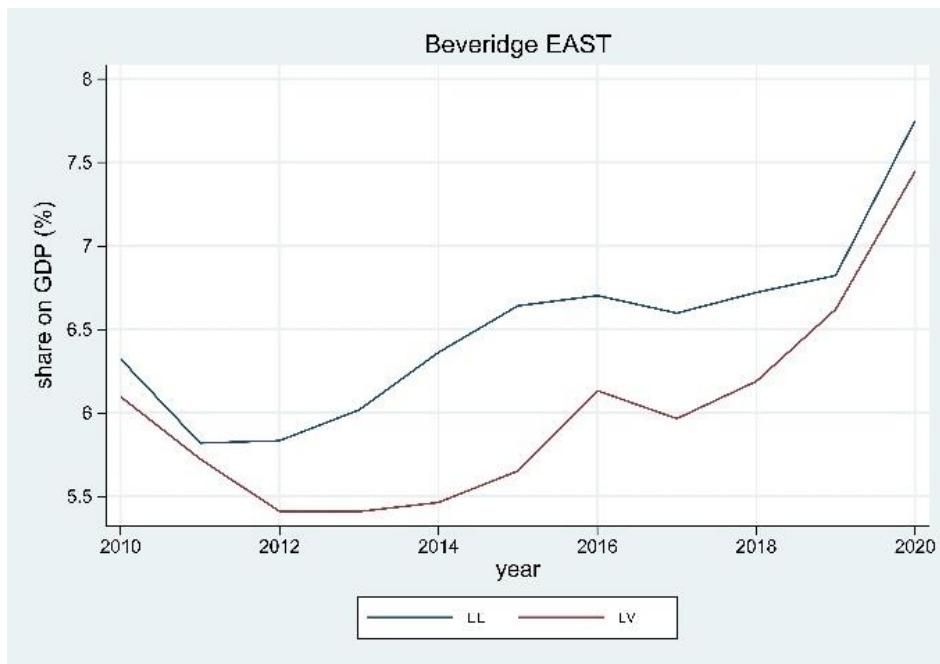


Source: GAJDOVÁ, K. (2023): Healthcare Systems in EU Countries: A Fundamental Overview, Dividing and Healthcare Expenditure, p. 4.

In the next part, the development of healthcare expenditures in all countries of the European Union is presented. Graphs were created using the statistical program STATA. These graphs show the distribution according to the individual models used and also according to the local distribution of the European Union. These countries are divided into Western EU countries and Eastern EU countries. As shown in Figure 2, the Beveridge model is more commonly used in the countries of the western part of the European Union. The development of healthcare expenses in these countries is more stable than in the countries of the eastern part of the European Union. The exception is Ireland, where, as the only country, there is a rapid decline in health expenditure.

Figure 2: Healthcare expenditures in WEST and EAST EU countries with BEVERIDGE model financing of healthcare (% of GDP)

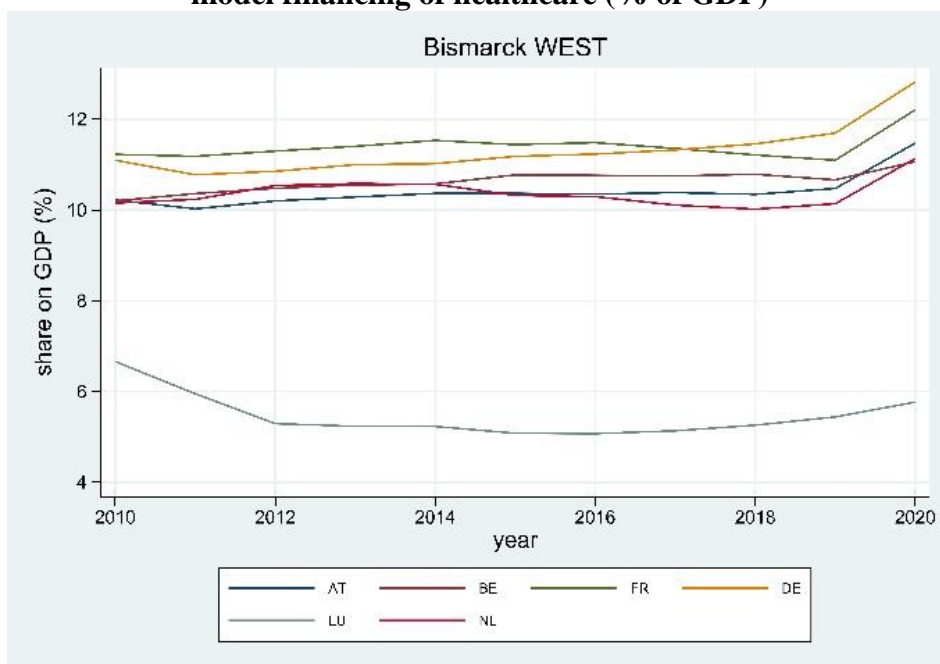


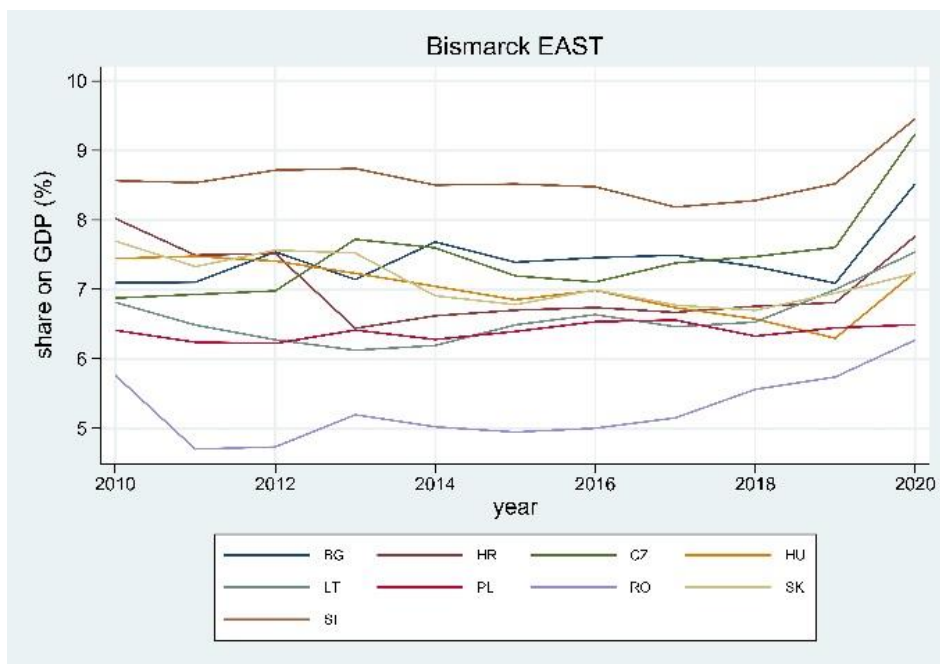


Source: own processing, OECD data (2023)

Other graphs show the development of health expenditure in countries where the Bismarck model is used. This can be seen in Figure 3. The Bismarck model, i.e. a model based on health care financing from insurance, is used in more EU countries than the Beveridge model. In any case, when comparing the western and eastern parts of the countries of the European Union, the eastern part dominates. Health expenditures for those countries that use this model are more fluctuating in the monitored period. I.e. from 2010 to 2020. At the same time, this applies mainly to the countries of the eastern part of the European Union.

Figure 3: Healthcare expenditures in WEST and EAST EU countries with BISMARCK model financing of healthcare (% of GDP)





Source: own processing, OECD data (2023)

The last analytical part presents the development of the level of healthy life years in the countries of the European Union. Eurostat's HLY health problem concept reflects the health limitation dimension and is based on its own question, which aims to measure the extent of any limitations lasting at least six months due to a health problem that affects the population in the activity they usually perform. This indicator is also called disability-free life expectancy (DFLE)⁸. In the table (Table 1), the higher age values are marked in green and the lowest age values in red. The best situation is in Sweden, Malta, Italy and Spain. The worst situation with the length of quality life (without health problems) is in Latvia, Slovakia and Lithuania.

Table 1: Healthy life years in EU countries (2010-2020)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EU 27	61,8	61,4	61,3	61	61,3	62,8	64	63,9	64	64,6	64
Belgium	63,3	63,5	64,6	63,9	64,1	64,2	63,7	63,7	63,4	62,4	63,8
Bulgaria	65	64	63,9	64,5	64	63,2	65,7	64,5	65,8	66,3	65,6
Czechia	63,3	62,9	63,2	63,3	64,1	63	63,3	61,4	62,7	62	61,6
Denmark	62	61,8	61,4	60,5	60,9	59,1	60,3	59,7	60,9	58,9	58
Germany	58,3	58,2	57,6	57,4	56,5	66,4	66,4	66	65,8	66,3	65,7
Estonia	56,2	56,1	55,1	55,5	55,2	55	56,8	56	53,9	55,8	57,6
Ireland	66,4	67,2	67,2	66,9	66,9	67,2	68,5	68,6	69,4	69,6	66,2
Greece	66,9	66,6	64,9	64,9	64,5	64	64,3	64,8	65,4	66	65,9
Spain	64,2	65,5	65,3	64,3	65	64	66,2	69,4	68	69,9	66,3
France	62,6	63,1	63,2	63,6	63,8	63,6	63,4	63,7	63,9	64,1	64,6
Croatia	59	60,7	63,1	59	59,3	56,1	57,9	57,6	57,5	57,4	58,5
Italy	63,1	63	61,8	61,6	62,4	62,6	67,4	66,3	66,8	68,3	68
Cyprus	64,7	61,3	63,7	64,7	66	63,3	68,2	65,2	62,2	62,5	62,9
Latvia	54,8	55,1	56,8	53	53,4	53	53,6	51,4	52,3	53,1	53,4
Lithuania	59,8	59,5	59,1	59,2	59,7	56,5	57,8	58,1	57,7	57,5	56,8

⁸ EUROSTAT, The indicator of healthy life years.

Luxembourg	65,5	66,5	66,1	63,3	63,8	62,2	60,2	59,2	60,7	62,6	63,3
Hungary	57,5	58,4	59,8	59,5	59,9	59,1	59,8	60,2	61,1	61,7	62,5
Malta	70,7	70,3	71,9	72,1	73,4	73,6	71,7	72,7	72,7	73,2	70,5
Netherlands	60,7	61,5	61,2	59,5	61,2	59,1	60,3	60	59,2	61	61,1
Austria	60,1	59,8	61,4	59,9	57,7	58	57	57,1	56,9	57,3	58,7
Poland	60,4	61,1	61	61	61,3	61,6	62,9	62	62,4	62,5	62,3
Portugal	58	59,6	63,6	63	56,9	56,5	58,6	58,5	58,6	59,2	59,7
Romania	57,4	57,5	57,6	58,4	59	59,2	59,4	58,7	59,4	60,2	59,9
Slovenia	53,9	53,9	56	58,5	58,7	58,1	58,3	55	55,5	60,9	65,1
Slovakia	52,2	52,2	53,3	54,4	55,1	54,9	56,7	55,6	56,1	56,2	56,7
Finland	58,2	58	56,7	57	58,2	57,8	58,1	57,4	57,4	56,4	56,9
Sweden	66,1	65,5	65,7	65,8	72,9	72,7	73,2	72,6	72,8	73,3	72,7

Source: own processing, EUROSTAT data (2023)

To summarize the entire analytical part, it is necessary to point out that the highest quality life expectancy can be found in countries such as Sweden, Malta, Italy, and Spain. What these countries have in common is that they are countries where the Beveridge model of health care financing is used. That is a model based on the National Health Service principle, where healthcare is financed directly from the state budget. Furthermore, all these countries are included in the Western part of the European Union, therefore they adopt the Western style of healthcare. Countries with higher healthy ages share a similar percentage of health expenditure to GDP. I.e. 9-11% share of GDP. In contrast, e.g. in the Czech Republic, which is somewhere in the average length of quality life compared to other EU countries, the % share of healthcare expenditure on GDP was around 7%. Only in the last monitored year was it increased to 9.2%, which was caused by the COVID-19 pandemic.

Conclusion

In the paper, the basic relationships and determinants of healthcare access in the countries of the European Union were monitored, as well as how this approach is reflected in quality life expectancy. This means the age at which people live in full health, i.e. without significant health complications. The countries of the European Union were divided into two groups, according to the two models used there. These are the Beveridge model and the Bismarck model. Other healthcare financing models are not used in the countries of the European Union.

The longest age without health complications was found to be in Sweden, Malta, Italy, and Spain. What these countries have in common is that the Beveridge model for healthcare financing is used here. In these countries, health expenditure is 9-11% of GDP. Healthy people are essential to the entire economy. Healthy people are more productive and active in the labor market for longer, and the state does not have to pay for so much expensive health care. These are certainly substantial investments that state representatives should be aware of. Prevention is of great importance, but this could be the subject of separate research.

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CHINESE TRADE IN SERVICES¹

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Abstract: China became one of the key players in world economy during the two decades of the 21st century with 18.4% share in world GDP in 2022 and also one of the key players in international trade in services ranking third in exports and second in imports of services. The aim of this paper is to assess the development of China's trade in services and outline possible future developments. In addition, it will also identify possible changes in China's services sector that have occurred during the 21st century. We come to conclusion that China will play even more important role in international trade in services by the end of this decade.

Keywords: China, services, exports, imports, trade

JEL: L80, O53

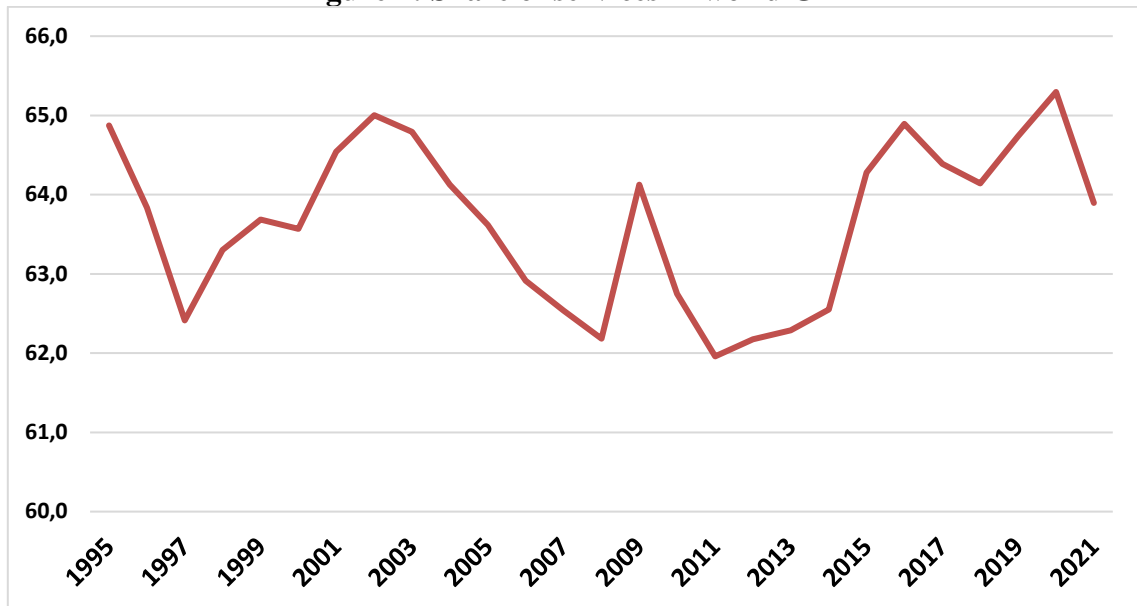
Introduction

International trade has long been a cornerstone of global economic development, traditionally associated with the exchange of goods. In the contemporary world, however, international trade has expanded to include the dynamic and rapidly growing services sector. International trade in services has become an important component of the world economy, playing a key role in promoting economic growth, innovation and interconnectedness between nations. Several factors contribute to the growth of international trade in services. Technological advances, particularly in the field of information and communication technologies, have significantly lowered barriers to market entry for service providers, enabling them to reach global markets more easily. Also increasing digitization of services has facilitated seamless cross-border transactions, allowing companies and individuals to offer and consume services regardless of geographical borders. In addition, the globalization of businesses has intensified the demand for specialized services such as consultancy, legal advice and financial services to navigate complex international markets. As countries are increasingly linked through trade agreements and economic partnerships, the exchange of services is becoming a crucial element in promoting mutual economic development. Since the mid-1990s, services have accounted for more than 60% of world GDP, as Figure 1 illustrates.

The aim of this paper is to assess the development of China's trade in services and outline possible future developments. In addition, it will also identify possible changes in China's services sector that have occurred during the 21st century. In line with the aim of the paper, we formulate the following research questions: 1. What changes have occurred in China's services trade during the first two decades of the 21st century? 2. What will be the trend of China's services exports and imports by 2030?

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Figure 1: Share of services in world GDP



Source: Own calculations based on WDI. (2023): World Development Indicators. [online].

1 Literature review

Due to the growing importance of services in the Chinese economy as well as the growth of international trade in services by China, during the 21st century, several authors have addressed this issue.

Tang et al. assumed in their study that China does not possess any comparative advantages in most sectors within services and examined the factors influencing the growth of China's trade in services.² They used a modified gravity model for services trade between China and its major trading partners. Based on the analysis of bilateral trade in services, they concluded that China has comparative advantages in trade in services, the latter being mainly low-cost services that are less productive, use relatively low-skilled labor, and are less knowledge- and capital-intensive. They note that differences in a country's technology and factor endowments (especially skilled labor and capital) determine trade in services between China and its trading partners, with China's comparative advantage mainly in tasks that require relatively low skill and knowledge as well as productivity. They conclude that the abundance of relatively cheap labor is a comparative advantage similar to that of trade in goods. Chen and Whalley analyzed the dynamics of trade in services over the period from the 1980 until the first decade of the 21st century.³ They looked at the impact of the services sector on the domestic economy as well as on the world economy. They note that China and its services sector is becoming a major player during the 21st century in the world services market. Furthermore, they predict that the continued liberalization of trade in services will have a positive impact on China's future economic growth and, through productivity growth in this sector, on the country's future economic development. Cheng et al. examined value added in trade to estimate the value added of exports and international competitiveness of Chinese services during 2000-2014.⁴ They estimate that during this period, services exports accounted for about 35% of China's total exports, and find that a significant share of value added in services is indirectly

² TANG, Y. et al. (2013): What Explains China's Rising Trade in Services? Empirical Analysis with a Modified Gravity Model and Panel Data, p. 7.

³ CHEN, H. - WHALLEY, J. (2014): China's Service Trade, p. 746.

⁴ CHENG, D. et al. (2018): Re-evaluation of China's Service Trade Competitiveness: A Global Value Chain Perspective, p. 14.

exported through finished goods as manufacturing becomes increasingly service-based. Chen et al. examined the development of China's services sector in global value chains, focusing on interactions with the US, Japan and the European Union.⁵ They note that despite the rapid growth of value added in services, it still lags behind the economies of the aforementioned countries. In addition, they also suggest that the growth of knowledge-intensive industries is the main driver of growth. They suggest that it is the knowledge-intensive industries that have a significant impact on the growth of the Chinese services sector, while these industries are stagnating (USA, European Union) or declining (Japan) in other countries, thus giving China a significant development potential in this sector. Richet and Wang discuss China's involvement in world trade from the perspective of the internationalization of Chinese firms.⁶ They note that Chinese transnational corporations are one of the drivers of the growth of services in Chinese trade, e.g. also through the growth of Chinese FDI in Europe and the US in the services sector. In addition, they also foresee strong growth in trade between China and the rest of the world given China's commitment to open up its services sector to foreign investors. They also foresee growth in the services sector in terms of its share in China's GDP as well as in international trade. Jiang and Lin analyzed China's international competitiveness and compared it with other economies.⁷ Based on the available data and using the revealed comparative advantage and trade competitiveness index, they conclude that China's overall international competitiveness is at a low level, but has been growing over the past 20 years. They also analyzed the reasons that lead to the low competitiveness of China's trade in services. According to them, the main reasons include the industrial base and the lack of capacity to develop the services sector. However, according to the authors, the international competitiveness of different service sectors varies. It is at a higher level in communications and construction. They note that it is lower in capital- and technology-intensive sectors such as finance, insurance and patents. Song et al. addressed the issue of the effect of China's diplomatic relations on trade in services by using a gravity model.⁸ Based on empirical analysis, they concluded that diplomatic relations play an important role in international trade. As for China, they argue that good diplomatic relations can significantly promote China's service exports. Ambroziak and Stefaniak addressed the issue of reciprocal trade in services between China and the European Union.⁹ Based on their research, they concluded that China has growth potential in the services sector and therefore its role in international trade in services will grow. They also note that China is becoming a strong and competitive player in the services sector in the European Union's internal market. This applies in particular to the sectors of manufacturing services, maintenance and repair, research and development and construction services. Xu et al. examined the impact of exchange rate on China's trade in services.¹⁰ They addressed the symmetric and asymmetric effects of changes in the real effective exchange rate of the Chinese yuan on China's trade in services. The authors find that economies seek to devalue their currencies to gain competitiveness in order to boost exports. China in particular employs this tactic to promote exports of goods, Xu et al. however, state that an undervalued yuan may also have implications for China's services exports. The

⁵ CHEN, Y. et al. (2019): Analysis on the Value-Added Share of China's Service Export from the USA, Japan and the EU: A Study of China's Service Trade, p. 448.

⁶ RICHET, X. - WANG, X. (2019): China and Globalization: Internationalization of Firms and Trade in Services, p. 21.

⁷ JIANG, L. - LIN, C. (2020): Analysis on the International Competitiveness of China's Trade in Services, p. 3041-3042.

⁸ SONG, C. et al. (2022): Application of Gravity Model to Explain the Effects of Diplomatic Relations on China's Service Trade, p. 431.

⁹ AMBROZIAK, A. - STEFANIAK, J. (2022): The Position of China in Trade in Services within the European Union, p. 347.

¹⁰ XU, J. et al. (2022): China's Trade in Services and Role of the Exchange Rate: An Asymmetric Analysis, p. 754.

authors conclude that both linear and nonlinear models predict the fact that changes in the real effective exchange rate of the yuan have significant short-run asymmetric effects on both Chinese exports and imports of services in all categories studied. One of the most recent studies dealing with China's trade in services is the determinants of China's trade in services by Dong et al.¹¹ The authors examined the period between 2000-2014. The study used a gravity model and concluded bilateral services trade flows between China and its trading partners are mainly influenced by geographic distance, China's GDP per capita gap with its trading partners, exchange rate, corruption, telecommunication infrastructure. In terms of possible recommendations for policy implementation, the authors suggest implementing a policy to address non-tariff restrictions in trade in services as well as a policy to improve telecommunications infrastructure in the Chinese economy. This will reduce the services gap between China and its trading partners.

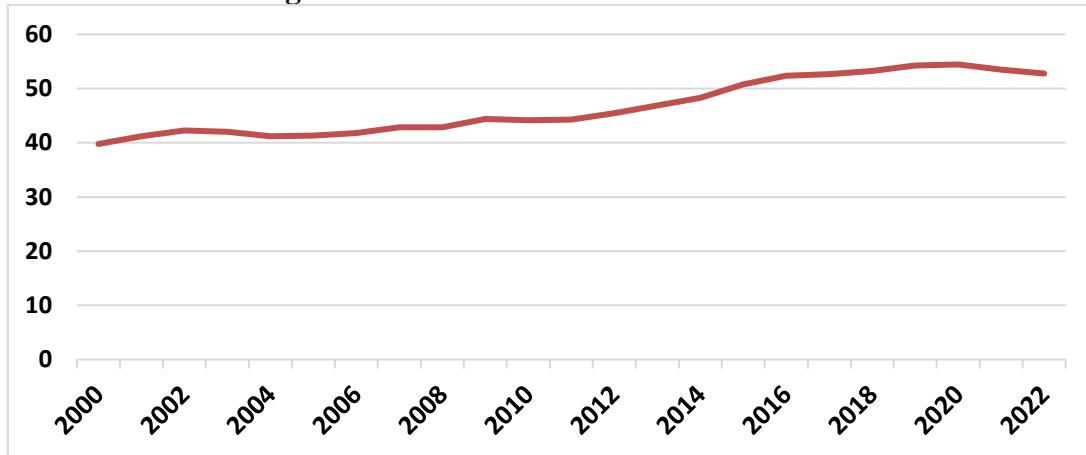
As can be seen from the literature review above, the last decade has seen a growth in interest in China's services sector and services trade. This can be attributed to the change in the development of the Chinese economy, with services accounting for more than 50% of China's GDP after 2015, with an upward trend.

2 Chinese services

China has undergone a remarkable transformation in recent decades, not only as a manufacturing hub but also as a major player in services trade. International trade in services has become an integral part of China's economic strategy, demonstrating the country's ability to adapt and diversify its economic portfolio. China's path in services trade is characterized by a deliberate shift from an export-led production model to a more balanced and diversified economic structure. The share of the services sector in China's GDP has been steadily increasing, reflecting the country's commitment to a more sustainable and comprehensive economic growth model. It is driven by developments in finance, technology, e-commerce and other knowledge-intensive industries. Although the share of services in China's GDP was not significant in the second half of the 20th century, accounting for around one-quarter to one-third, significant growth occurred after 2000. At the turn of the millennium, the share of services in China's GDP was close to 40%; as of 2015, the share of services is more than 50% (Figure 2). We note, however, that despite the significant growth in the 21st century, the share of services in China's GDP is lower than the world average at 64%. Nevertheless, China can be expected to approach this average over the coming years and become one of the most important services producers in the world economy. While in the second half of the 20th century and during the first decade of the 21st century China could be regarded as the 'assembly plant' of the world, this has changed in the second decade of the 21st century. As part of the 'new normal', China has begun to orient its economy towards the services sector, which adds more value to GDP than the industrial or agricultural sectors.

¹¹ DONG, H. et al. (2023): The Determinants of China's Services Trade, p. 182.

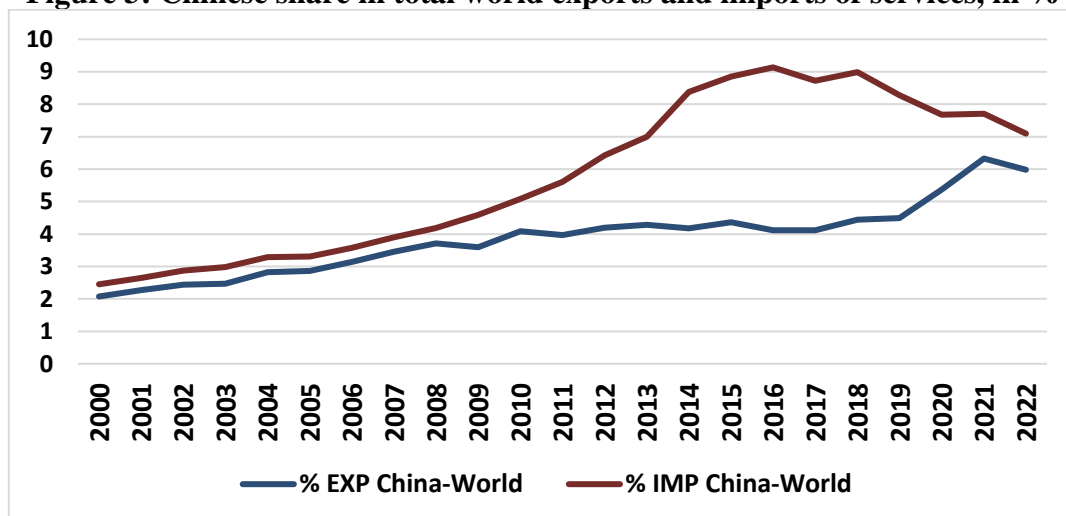
Figure 2: Share of services in Chinese GDP



Source: Own calculations based on WDI. (2023): World Development Indicators. [online].

In addition to the fact that the share of services in China’s GDP has grown significantly in the 21st century, the sector has also started to contribute significantly to China’s foreign trade. China has also become an important part of international trade in services after some advanced economies such as the US, EU member economies and Japan, as shown in Figure 3. At the beginning of the 21st century, China’s share in world exports and imports of services was relatively low at 2%, but its share grew slowly and was already around 4% before the global financial crisis in 2008. As can be seen in Figure 3, the share of Chinese exports and imports in world trade in services has been more or less equal, with a higher share of imports than exports. The change and significant growth in China’s trade in services occurred in the second decade of the 21st century. From 2010 to 2016, China’s share of imports rose sharply to 9.1%, and in the following years this share fell to the current 7.1% in 2022. On the other hand, the share of China’s exports stagnated at around 4%, the growth in services exports occurred during the COVID period from 2020 to the current 6% in 2022. Since the beginning of the 21st century, China has been running a negative balance in trade in services, which is due to the higher value of imports than exports. It should be noted that the balance was relatively low during the first decade, with significant growth occurring during 2014-2016 (40 times higher than in the early 2000s). However, we see a decline in the post-COVID period, with only an 8-fold higher value in 2022.

Figure 3: Chinese share in total world exports and imports of services, in %



Source: Own calculations based on ITC. (2023): Trademap. [online].

3 Results

For our analysis, we use the data provided by the International Trade Centre.¹² We base our analysis on data covering the period 2000 – 2022. In this section of the paper, we identify the main changes in China’s trade in services as well as China’s position in the world services market in terms of services exports and imports. In addition, we forecast the evolution of the volume of services exports and imports up to 2030.

In terms of exports and imports of services, changes between 2000 and 2022 can be tracked in Table 1. We list the top 5 services sectors for each period with the highest share of total services exports and imports. Looking at the table, it is clear that there have been no significant changes in either exports or imports, and China has more or less traded the same services throughout the period. Of particular note is the other business services sector, which had a significant position in both exports and imports. Travel and transport services are also significant items in both exports and imports. These two items and their significant share in total trade in services are related to the rise in living standards in China and hence the rise of travel services (although in 2022, thanks to the covid pandemic, their share in exports has fallen radically and they have dropped out of the top 5 services). On the other hand, transport and travel services were the sectors with the highest share of total services imports into China over the whole period. In addition, charges for the use of intellectual property are also an important sector for imports, which are related to the growth of FDI into China as well as China’s activities abroad related to the acquisition of new technologies.

Table 1: Type of services and their share in total Chinese exports and imports of services in %

<i>Exports</i>					
<i>2000</i>	<i>Share</i>	<i>2010</i>	<i>Share</i>	<i>2022</i>	<i>Share</i>
Travel	53,3	Other business services	32,2	Transport	35,1
Other business services	25,2	Travel	28,3	Other business services	23,8
Transport	12,1	Transport	21,1	Telecommunications, computer, and information services	19,6
Communications services	4,4	Construction	8,9	Construction	6,2
Construction	2,0	Insurance and pension services	1,1	Manufacturing services on physical inputs owned by others	4,7
<i>Share in exports:</i>	97	<i>Share in exports:</i>	91,5	<i>Share in exports:</i>	89,4
<i>Imports</i>					
<i>2000</i>	<i>Share</i>	<i>2010</i>	<i>Share</i>	<i>2022</i>	<i>Share</i>
Travel	36,4	Transport	32,7	Transport	36,3
Transport	28,9	Travel	28,4	Travel	25,3
Other business services	19,3	Other business services	17,7	Other business services	11,3
Insurance and pension services	6,9	Insurance and pension services	8,1	Charges for the use of intellectual property	9,6

¹² ITC (2023): Trademap. [online].

Charges for the use of intellectual property	3,6	Charges for the use of intellectual property	6,7	Telecommunications, computer, and information services	8,2
<i>Share in imports:</i>	<i>95</i>	<i>Share in imports:</i>	<i>93,8</i>	<i>Share in imports:</i>	<i>90,6</i>

Source: Own calculations based on ITC. (2023): Trademap. [online].

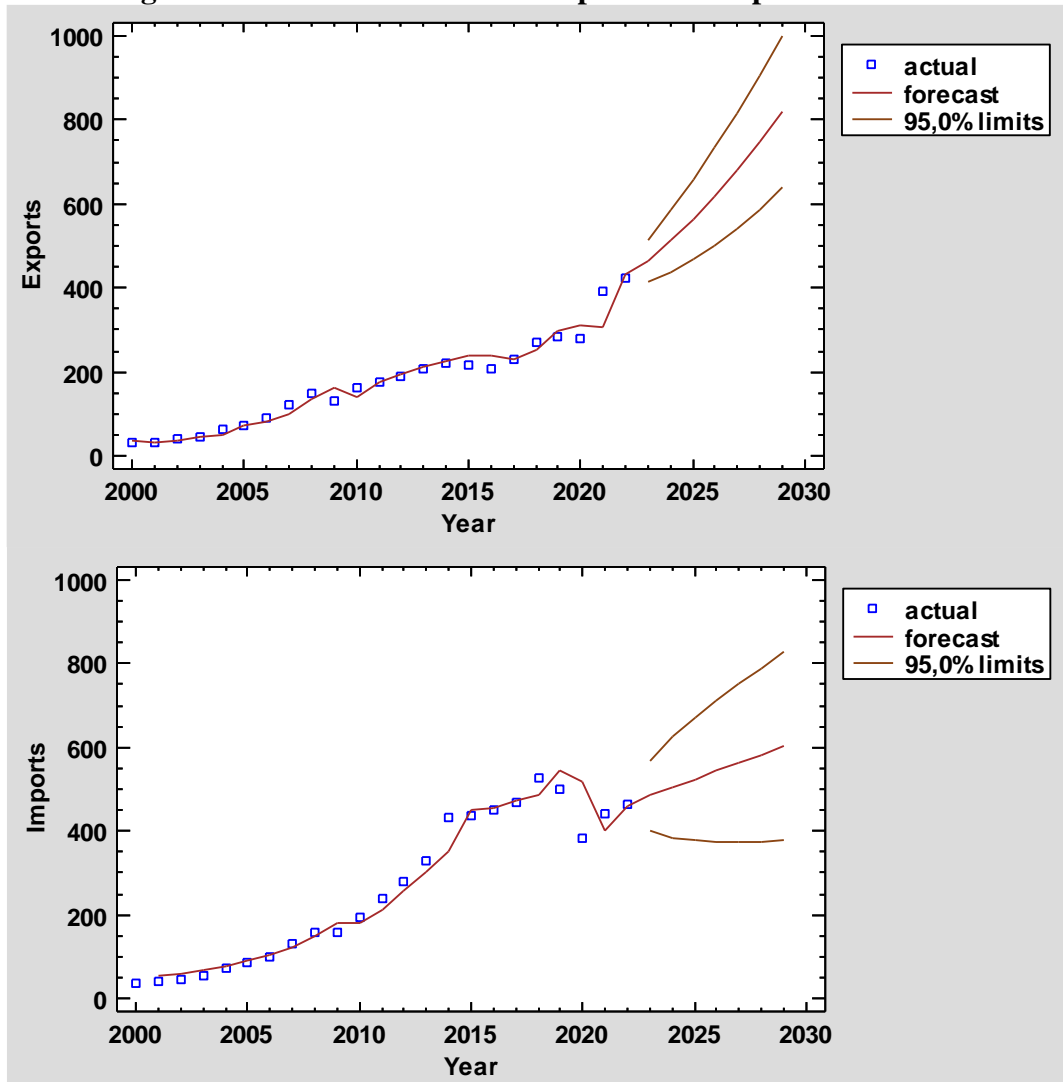
Table 2: Top 10 exporters and importers of services

<i>Exporters</i>			<i>Importers</i>		
<i>2000</i>	<i>2010</i>	<i>2022</i>	<i>2000</i>	<i>2010</i>	<i>2022</i>
USA	USA	USA	USA	USA	USA
United Kingdom	United Kingdom	United Kingdom	Germany	Germany	China
Germany	Germany	China	Japan	China	Germany
France	France	Germany	United Kingdom	United Kingdom	Ireland
Japan	China	Ireland	France	France	United Kingdom
Italy	Japan	France	Italy	Japan	France
Spain	Spain	India	Netherlands	India	Netherlands
Netherlands	Netherlands	Singapore	Canada	Italy	Singapore
Hong Kong	India	Netherlands	China	Ireland	India
Canada	Hong Kong	Spain	South Korea	Netherlands	Japan

Source: Own calculations based on ITC. (2023): Trademap. [online].

In addition to subtle changes in the export and import structure of China's foreign trade in services, there have also been changes in the position of the major services trading economies during the 21st century, as shown in Table 2. These changes can be described as more significant than in the case of the structure of foreign trade in services. We note that China has become one of the most important players in international trade in services during the first two decades of the 21st century, which is related to the transformation of China's economy from an 'assembly plant' to a modern service-based economy. While it was not among the world's top 10 services exporters at the beginning of the century (it was ranked 13th), it was already ranked 5th in 2010 and by 2022 it was the third most important exporter of services, overtaking many of the world's advanced economies. In the case of imports, China is an even more significant player. At the beginning of the century it was among the top 10 service-importing countries (9th place), by the end of the first decade it was already in 3rd place, and in 2022 it was the second most important service importer after the USA, overtaking countries such as Germany and the United Kingdom, which were among the most important service importers in the first decade of this century.

Figure 4: Prediction of Chinese exports and imports until 2030



Source: Own calculations based on ITC. (2023): Trademap. [online] and STATGRAPHICS.

Based on the input data, we forecast the evolution of exports and imports of services up to 2030 in Figure 4. To forecast the future evolution of total exports and imports of services up to 2030, we use the STATGRAPHICS statistical software with data on total exports and imports of services from 2000 to 2022 with 23 observations for both trade flows. Based on the input data, we used an autoregressive integrated moving average model (ARIMA1,0,0) to model the evolution of services exports, which was selected by the statistical software as the best fit for predicting the evolution of exports up to 2030. Random walk with a drift was found to be the most appropriate model for modelling the evolution of service imports. This model assumes that the best prediction of future data is given by the last available data value plus a constant drift up or down. In our case, the constant in the model was positive with a value of 19.5, and therefore we predict growth in service imports by the end of this decade.

As can be seen in the figure, the forecast for the future development of the value of exports and imports of services is positive, we assume a growth in the volume of exports of services from the current value of 424 billion USD to a projected value of 819 billion. This would imply a doubling of Chinese services exports by 2030 compared to today. In the case of imports, we also forecast a growth in value from the current USD 465 billion to USD 621 billion in 2030. Thus, growth in imports should be slower and increase by around 33%. We can conclude that, if the forecast for the evolution of services exports and imports is valid, China

will strengthen its role as a major player in services trade over the course of this decade, especially in services exports, where we can expect to export services worth the current USA services exports (USD 928 trillion in 2022) by 2030.

Conclusion

During the first two decades of the 21st century, some important trends can be observed in the development of the world economy. One of these is the growth in the share of services in global GDP, which stands at more than 62%. The second trend is the growth of world exports and imports of services over the 2000-2022 period, with the exception of the crisis years 2008-2009 (global financial crisis) and 2019-2020 (COVID pandemic).

Similar trends in the development of the services sector as in the world economy can be observed in the Chinese economy. While at the beginning of the 21st century the sector accounted for less than 40% of China's GDP, it now accounts for almost 53%. Over the course of this decade, however, we can expect this share to grow gradually at the expense of other sectors of the Chinese economy, which is indicative of a significant structural transformation of the Chinese economy from an industrial-oriented economy to a knowledge-, information- and service-oriented economy. This significant change is also evidenced by China's position in the top 5 countries exporting and importing services today. At the beginning of the 21st century, China was not even in the top 10 countries in services exports and was ranked 9th in services imports. As for the dynamics of the development of individual service sectors in exports and imports, we can say that there have been no significant changes over the observed period 2000-2022, and China more or less exports and imports the same portfolio of services. Specifically, the export sectors are: other business services, transport and construction. For imports, the main sectors are: transport, travel, other business services and charges for the use of intellectual property. On the basis of our forecast, we conclude that China's exports and imports of services will grow until 2030, reaching around 90% growth in exports and 33% in imports, which will mean that China will remain one of the most important players in international trade in services and will consolidate its position.

For further research on the above-mentioned issue as well as to identify the limits of our research, we can recommend to focus on the different sub-sectors of services according to the classification of the IMF's Balance of Payments Manual Version 6 and their share in the export and import flows in China's foreign trade in services in order to identify China's comparative advantages in trade in services and formulate recommendations for the further development of this sector in China's economy.

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CONTEMPORARY DEVELOPMENT OF ARAB-ISRAELI CONFLICT

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Abstract: The goal of the paper is to contribute to the debate about almost eight decades lasting Arab-Israeli conflict and raise questions about its possible peace solution with the stress on sustainability. The paper describes three basic dimensions of this complex, complicated and extensive conflict and is analyzing numerous Arab-Israeli wars and peace negotiations with the emphasis on their impacts on contemporary situation in the Middle East. In the conclusion authors came to the knowledge that sustainable peace solution to Israeli-Palestinian conflict will require long time period with strictly set rules for mutual relations of hostile sides of the conflict set by international authorities with consent of both sides of the conflict and even stricter requirements for their adherence. Furthermore, important will be to minimize negative influence of extremist militant groups.

Keywords: State of Israel, Palestine Authority, Arab-Israeli Conflict, Israeli-Palestinian Conflict, Gaza Strip, West Bank

JEL: N45, D74, F51, H56

Introduction

Due to the globally tense security situation; especially in the Europe as a result of unprovoked Russian aggression against Ukraine; furthermore in the Asia in Nagorno-Karabakh where recently Azerbaijan executed large-scale military operation; numerous unstable African counties suffering from terrorist insurgency, e.g. Nigeria, Sudan and a lot of ongoing civil wars with worst situation in Myanmar; world almost forgotten about several decades lasting Arab-Israeli conflict. The fact that Middle East region requires the highest possible attention of international community was bloodily reminded by the 7 October 2023 attack of Hamas on the State of Israel territory. More than 1,400 Israelis were killed, including 1,033 civilians, 275 soldiers and 58 police officers. Attack left over 3,400 wounded, and 247 soldiers and civilians were taken to Gaza as hostages including women and children.

The reason of this long lasting conflict in its core was establishment, development and legitimacy of the State of Israel. The rapid changes that have characterized Israeli society for more than seven decades have strengthened the Jewish character of the State and have strong implications for how Jews and Arabs, especially Palestinians in and outside of Israel evaluate their lives and relations.

To have ability to evaluate of the Arab-Israeli and later Israeli-Palestinian conflict requires insight into the creation of Israeli society and the influence of ethnic communities on its development. Despite the background of changes that characterize Israeli society and their different interpretation by individual parties to the dispute, the impact of the conflict on several generations is unequivocal.

The goal of the paper is to contribute to the debate about almost eight decades lasting Arab-Israeli conflict and raise questions about its possible peace solution with the stress on sustainability.

1 Dimensions of Arab-Israeli conflict

The Arab-Israeli conflict, also called the Middle East conflict, is a long-lasting conflict in the Middle East between the Arab states and Israel, which in the past has often resulted in military clashes. After the establishment of the State of Palestine in 1988 the conflict is referred to as Israeli-Palestinian conflict. The conflict has historical, religious and political dimensions. In modern history, the reason for the escalation of the conflict is considered to be the achievement of almost three thousand years of efforts to establish a separate Jewish state. These efforts culminated in the establishment of the Jewish state in Palestine with the declaration of the establishment of the Israel State on May 14, 1948 in Tel Aviv.¹ Since those times, the conflict for the preservation, defense and development of the State of Israel resonates with varying intensity, enormous material, but especially human losses, until today.

The historical overview of the Arab-Israeli conflict can be divided into two time periods. The first is related to the events that became the basis and cause of the conflict. This period begins at the beginning of the 19th century and ends with the end of the British Mandate in Palestine in 1948. The second period is related to the events after 1948, when the State of Israel was established and began to develop as a Jewish state. The conflict has changed over time, and individual wars and policies have changed the relationship between Jews and Arab Israelis and between the State of Israel and Palestinians living outside the state.²

The very essence of the Arab-Israeli conflict and later Israeli-Palestinian conflict is very complex, complicated and extensive. The development of the conflict over the past almost eighty years, from the announcement of the establishment of the State of Israel to the present, is a reflection and culmination of clashes and problems that have persisted for more than two thousand years. If we want to understand it, we have to look at it in three basic dimensions: historical, religious and political.

Immensely important role in the Arab-Israeli conflict plays religious dimension and its decisive role in the creation of Jewish and Palestinian statehood. According to Islam and Judaism, Arabs, as descendants of Ishmael, and Jews, as descendants of Isaac, have a common ancestor, the recognized patriarch of the Middle East - Abraham. Despite this fact, the culture, religion and politics of these Semitic nations differ considerably.

The primary cause of their antagonistic attitudes can be considered the peculiar division of Abraham's inheritance. While the first-born Ishmael, as Abraham's son with an Egyptian slave girl, was banished. The second-born son Isaac was appointed as the rightful heir. Part of Abraham's inheritance was also the territory for which there is a dispute in the Middle East that continues to this day. The central point of Judaism is the belief in the Promised Land, which was given to the Jews by God. They are to live in it, improve it and worship God through prayers in the temple and obey of the laws. The holiest places for Jews are Mount Zion, the site of God's first temple and Jerusalem.³

Generally can be stated that historical dimension reaches to the 13th century BC when the Israelites came to Palestine from Egypt under the leadership of the biblical Moses after a forty-year journey through the Negev-Sinai desert. At the turn of the tenth century BC the Jewish kingdom was established. The second Jewish king, David, expanded Israel's territory, strengthened its borders and established the capital city of Jerusalem. David's son and the third king of Israel, Solomon ensured the political, cultural and spiritual development of Jerusalem and gained to his kingdom an authority comparable to Egypt. After his death, the kingdom fell apart. The Jewish kingdom was divided into northern Israel and southern Judah. Both kingdoms were destroyed by the Assyrians and Babylonians, and then by the Persians.

¹ ŠILHA, J. (2008): Významne vojny novoveku, p. 195.

² GOLDSCHIEDER, C. (2002): Cultures in conflict – Arab-Israeli Conflict, p. 3.

³ GUBÁŠ, F. (2016): Analysis of Present State and Recommendations for Solution of Arab-Israeli Conflict, p. 615.

In 332 BC the Macedonian king Alexander the Great conquered and destroyed the Persian Empire. In the year 63 BC the supremacy of the Romans was enforced, who enabled the participation of the Jewish kings in ruling.⁴ In the times when the Ottoman Empire was expanding through wars of conquest, i. e. in the 16th century, the Turks also conquered Palestine. This happened in 1517 AD and they ruled here until the First World War. In 1917, they were pushed out of there by the British army.

Palestine in modern times was not exclusively a Jewish homeland, which was especially true at the end of the 19th century. Jewish settlements were scattered not only in the Middle East, but also throughout Europe, but mostly in relatively complete settlements in the western regions of Russia at the time, in Austrian Galicia and Prussian Poznan.⁵

The idea of the creation of an independent Jewish state, first formulated by the writer and journalist Theodor Herzl in the book "The Jewish State", initiated the emergence of the modern Zionist movement and the organization of the First Zionist Congress in Basel, Switzerland in 1897. The result of this congress was the development of the so-called Basel Program for the creation of a national homeland for Jews. In 1905, a year after Herzl's death, the World Zionist Organization definitively decided that the Jewish state could only enter the territory of Palestine. Financial institutions were established, which bought land in Palestine with money from fund raising. Between 1904 and 1914, 40,000 Jewish immigrants moved to Palestine.⁶

In October 1917, the pledge made by Foreign Secretary Arthur Balfour to British Jewish community, also known as the Balfour Declaration, guaranteeing Jews unlimited immigration rights to Palestine and civil and religious rights to the Arab population. Negative influence on increasing polarization of the Arab-Israeli relations has conflicting British commitments from the First World War. Between the 1920s and 1940s, the number of Jews were arriving to the territory of Palestine, many fleeing from persecution in Europe, especially caused by the rise of Nazism in Germany.

In the period after the Second World War, an international commission for the solution of the Jewish-Palestinian question was created under the influence of the USA. At that time, hundreds thousands of Jews were in former concentration camps in many parts of Europe. On November 29, 1947, the UN General Assembly approved Resolution no. 181 by a narrow majority the division of Palestine into an Arab and a Jewish state with Jerusalem becoming an international city.⁷ That plan was accepted by Jewish leaders but rejected by the Arab side and never implemented. As early as January 1948, Palestinian Arabs supported from abroad launched attacks against isolated Jewish settlements. They also managed to cut off the Jewish community in Jerusalem with hundred thousand inhabitants. From the Jewish side, a massacre followed in the Arab village of Dajr Jasin. On May 14, 1948, the Provisional State Council headed by David Ben Gurion declared the independent state of Israel.

2 Numerous Armed Clashes Among Opposing Parties

During last seventy-five years since the declaration of the independent state of Israel, there have been many armed clashes among the opposing parties.

On the eve of the British forces withdrawal on 15 May 1948, Egypt launched an aerial assault on Tel Aviv and the next day, Arab forces from Egypt, Jordan, Iraq, Syria, and Lebanon occupied the areas in southern and eastern Palestine not apportioned to the Jews by the UN partition of Palestine and then captured East Jerusalem, including the small Jewish quarter of

⁴ ŠILHA, J. (2008): Významne vojny novoveku, p. 196.

⁵ BROŽ, I. (2005): Arabsko-izraelské války 1948-1973, p. 10.

⁶ GUBÁŠ, F. (2016): Analysis of Present State and Recommendations for Solution of Arab-Israeli Conflict, p. 615.

⁷ UN General Assembly Resolution no. 181, pp. 1-22.

the Old City. The Israelis, meanwhile, won control of the main road to Jerusalem through the Hills of Judea and successfully repulsed repeated Arab attacks. By early 1949 the Israelis had managed to occupy all of the Negev up to the former Egypt-Palestine frontier, except for the Gaza Strip and 75% of whole Palestinian territory.⁸ Between February and July 1949, as a result of separate armistice agreements between Israel and each of the Arab states, a temporary frontier was fixed between Israel and its neighbors. The first Arab-Israeli war, Palestinian war⁹ or the War of Independence (1948-1949) is in the Arab world known as Catastrophe because the huge number of refugees and displaced persons resulting from the war.

The second Arab-Israeli war, or Sinai war¹⁰ (1956) as part of the Suez crisis was closely connected with Gamal Abdel Nasser becoming a leader of revolutionary Egyptian government who intended to increase population standard of living by construction of water dam on the river Nile. Firstly the construction should have been financed by USA but later they decided not to contribute. Therefore, in 1956 Nasser nationalized the Suez Canal to gain money to finance construction work of the dam. British and French government has close relations to Israel and so according to prepared scenario, Israeli army started attack against Egypt's Sinai Peninsula on 20 October 1956. Israeli attack provided Great Britain and France reason to deploy their unit in the area of Suez Canal. In five days the Israeli army captured Gaza, Rafah, and Al-'Arīsh, taking thousands of prisoners, and occupied most of the peninsula east of the Suez Canal. Under the UN pressure Great Britain and France withdraw their units and Israel freed captured territory and on the line of armistice were deployed UN military units. Although Egyptian forces had been defeated on all fronts, the Suez crisis, was seen by Arabs as an Egyptian victory.

The Middle East was constant focal point of tension from declaration of independent State of Israel. Situation even worsened in 1964 when the Palestine Liberation Organization was established as official representative of Palestinian people.¹¹ In 1967 Nasser again blocked Israeli port Elat, the only access to Red Sea and asked UN forces withdrawal. In May 1967 Egypt signed a mutual defense pact with Jordan. Israel answered to army emergency of Egypt, Jordan and Syria, apparent Arab rush to war, by sudden air assault, destroying Arabs aviation and radar devices. The Israeli victory on the ground was as well overwhelming. Israeli units drove back Syrian forces from the Golan Heights, took control of the Gaza Strip and the Sinai Peninsula, pushed Jordanian forces from the West Bank and were in sole control of Jerusalem. UN Security Council reacted by issuing of Resolution no. 242 which contained requirement for withdrawal of Israeli armed forces from occupied territories.¹² As a result of the war Israeli become dominant regional power.¹³ The third Arab-Israeli war (1967) took 6 days and is therefore called The Six Day War.¹⁴

The fourth Arab-Israeli war, also called War of Attrition or Israel-Egypt war¹⁵ (1969-1970) began by sinking of destroyer Elat and continued by series of local cross-border incidents and attacks, which were not connected with classic frontline battles and occupation of the country. It ended on August 7, 1970 with damages on both sides (with the Arab ones being greater). On the Arab side, Egypt, Jordan and the Arab population of the occupied territories were mainly involved.

⁸ NOVOTNÝ, A. (2009): *Teorie a praxe mezinárodních vztahů*, p. 191.

⁹ KREJČÍ, O. (2007): *Mezinárodní politika*, p. 111.

¹⁰ Ibid.

¹¹ LIĐÁK, J. (2000): *Medzinárodné vzťahy – medzinárodná politika*, pp. 108-109, 121.

¹² UN Security Council (1967): *Resolution 242*, p. 1.

¹³ NOVOTNÝ, A. (2009): *Teorie a praxe mezinárodních vztahů*, pp. 192-193.

¹⁴ KREJČÍ, O. (2007): *Mezinárodní politika*, p. 111.

¹⁵ Ibid.

The lack of resolution led to the renewal of hostilities only several years later in 1973 when Egypt and Syria tried to atone defeat in Six Day War.¹⁶ They caught Israel unprepared when Egypt crossed Suez Canal and Syria gained back territories in Golan Heights. Firstly Israel suffered heavy losses, but later with the help of US weapons, stabilized the situation and later was able to attack and gain back territories in the Golan Heights and cross Suez Canal and stopped only 110 kilometers from Cairo. The fifth Arab-Israeli war, or The Yom Kippur War¹⁷ (1973) meant the end of mythos of Israel invincibility despite their military victory and a rise of the morale of Arab states despite their defeat. UN Security Council reacted by Resolution no. 338 (1973) which was based on and was confirming Resolution no. 242¹⁸ (1967). The status of the Sinai Peninsula and the permanent peace between Egypt and Israel were ultimately resolved by the 1979 peace treaty that followed peace negotiations from Camp David.

The conflict in the Middle East in the 80-ties gained new momentum due to the rising role of the Palestine Liberation Organization, this terrorist organization was acknowledged by international community as legitimate representative of Palestine people interests.

Israel supported Lebanese Christian Forces from the beginning of civil war in Lebanon and was executing air attacks in their favor. In 1978 Israel directly occupied territory of South Lebanon and in 1982 expanded their military actions against Lebanon army and strongholds of the Palestine Liberation Organization to the whole Lebanon territory. The siege of Beirut and mostly massacre of Palestine civilians in refugee camps Sabra a Satila by Christian right-wing militia with silent consent of Israeli army evoked international condemnation of Israel. After military defeat of the Palestine Liberation Organization in August 1982 Israel left under its control only 15 miles wide strip on the south of Lebanon. During Lebanon War was established new Shia Islamic militant group Hezbollah, which is extensively financially and militarily supported by Iran.

In 1987 broke on the West Bank of Jordan and in the Gaza Strip strikes and demonstrations aimed against Israeli occupying forces which outgrow to the folk uprising – intifada. It is referred as First Intifada or First Palestinian Intifada or Stone Intifada (1987-1993). A central point was the requirement for establishment of independent State of Palestine in the West Bank and Gaza Strip. In 1988 based on the UN Resolution no. 181 about the establishment of Jewish and Arab state, Palestinian National Council announced establishment of independent Palestinian state. Palestinian state was acknowledged 138 nations, including Czechoslovakia. As a result of this has Arab-Israeli conflict changes to Israeli-Palestinian conflict.¹⁹

In 1991 was in Madrid held peace conference which meant important change in the attitudes of Arab countries and recognition of the principle of direct bilateral talks with Israel. Negotiation concerning mutual agreement continued and were secretly held in Oslo and were completed on 20 August 1993.²⁰ The Oslo Accords were subsequently officially signed at a public ceremony in Washington, D.C., on 13 September 1993,²¹ in the presence of PLO chairman Yasser Arafat, Israeli Prime Minister Yitzhak Rabin and U.S. President Bill Clinton. The documents themselves were signed by Mahmoud Abbas for the Palestine Liberation Organization, foreign minister Shimon Peres for Israel, U.S. Secretary of State Warren Christopher for the United States and foreign minister Andrei Kozyrev for Russia. It was anticipated that this arrangement would last for a five-year interim period during which a permanent agreement would be negotiated (beginning no later than May 1996). Remaining

¹⁶ PŠEJA, P. – SUCHÝ, P. – KRPEC, O. – KŘÍŽ, Z. (2015): Moc a zájmy v mezinárodním systému. Procesy, aktéři a problémy v mezinárodních vztazích, p. 182.

¹⁷ KREJČÍ, O. (2007): Mezinárodní politika, p. 111.

¹⁸ UN Security Council (1973): Resolution 338, p. 1.

¹⁹ NOVOTNÝ, A. (2009): Teorie a praxe mezinárodních vztahů, p. 194.

²⁰ Declaration of Principles On Interim Self-Government Arrangements (1993).

²¹ MATTAR, P. (2005): Encyclopedia of the Palestinians, p. 66.

issues such as Jerusalem, Palestinian refugees, Israeli settlements, security and borders would be part of the "permanent status negotiations" during this period. Yasser Arafat, Shimon Peres and Yitzhak Rabin were in 1994 awarded Nobel Peace Prize for their efforts to create peace in the Middle East.²²

The Interim Agreement on the West Bank and the Gaza Strip commonly known as Oslo II, was a key and complex agreement in the Israeli–Palestinian peace process.²³ Because it was signed in Taba, Egypt, it is sometimes called the Taba Agreement. The Oslo Accords envisioned the establishment of a Palestinian interim self-government in the Palestinian territories. Oslo II created the Areas A, B and C in the West Bank. The Palestinian Authority was given some limited powers and responsibilities in the Areas A and B and a prospect of negotiations on a final settlement based on Security Council Resolutions 242 and 338. The Accord was officially signed on 28 September 1995. But after assassination of Israeli Prime Minister J. Rabin in November 1995 mutual relations got to the crisis again and whole peace process stopped.

In 1998 under the patronage of the American president Bill Clinton started new round of negotiations in Wye Plantation (USA). The result was agreement on second stage of withdrawal of Israeli armed forces from territory of West Bank and that Palestinian National Council will cancel anti-Israeli articles from charter. The peace process was stopped by early elections in Israel. Palestinians postpone announcement of independence that was planned on May 1999. As a result of growing pressure of peace agreement opponents on both sides was the term of final agreement about arrangement of Israeli-Palestinian relations postponed to the year 2000.²⁴

In July 2000, Israeli Prime Minister Ehud Barak, Palestinian President Yasser Arafat and US President Bill Clinton met at Camp David to negotiate a final settlement based on the Oslo Peace Accords of 1993. Despite progress in all areas, the two sides could not agree on the issue of Jerusalem. Jerusalem remained a contentious issue because it is a holy city for Judaism, Islam and Christianity, and neither side was willing to relinquish control of the city. On September 17, a Palestinian statement was released that an agreement that does not include the West Bank and Palestinian sovereignty over the eastern part of Jerusalem, including the Haram al-Sharif, where the Al-Aqsa Mosque is located, will not be acceptable to the Palestinians.²⁵

After visit of Israeli prime minister Ariel Sharon in escort of Israeli policeman to the sacred Temple Mount, tumultuous protests of Palestinians on occupied territories followed. This situation led to the Second Intifada, also known as Intifada Al-Aksa (2000-2005). Neither the symbolic limitation of the settlements by the Israeli government, nor the conditional agreement of the Palestinians with the American plan to take over the entire Gaza Strip, 95 percent of the territory of the West Bank of the Jordan River, parts of East Jerusalem, including the Temple Mount with the Al-Aqsa Mosque, under Palestinian sovereignty. Israeli Prime Minister A. Sharon refused to negotiate with the Palestinians until the end of violence, the Israeli army began to carry out retaliatory airstrikes, to reoccupy the territory under the Palestinian Authority, from which attacks against Israel were launched, and to eliminate representatives of extremist organizations. This was followed by other suicide bombings by Palestinian extremists, retaliatory operations by the Israeli army, rocket attacks on the territory of Israel, demolition of family houses of the assassins, general economic decline, construction, so-called security barrier by Israel and further radicalization of Palestinian political parties.

²² The Nobel Peace Prize (1994).

²³ Interim Agreement on the West Bank on the West Bank and the Gaza Strip (1995).

²⁴ NOVOTNÝ, A. (2009): *Teorie a praxe mezinárodních vztahů*, p. 194.

²⁵ GUBÁŠ, F. (2016): *Analysis of Present State and Recommendations for Solution of Arab-Israeli Conflict*, p. 616.

In 2003, there was an important shift in the process of democratization of the Palestinian Authority. The Palestinian parliament elected a new government headed by M. Abbas, who declared a fight against armed chaos and corruption and confirmed that the conflict cannot be solved militarily. Thanks to these changes, the so-called road map, the latest peace plan for the Middle East. The plan envisaged the gradual establishment of a Palestinian state and the cessation of Jewish settlement of the territory on the West Bank of the Jordan River in the Gaza Strip. Although both the Palestinian and Israeli governments agreed to this plan, it encountered resistance from extremist forces on both sides.²⁶

After the death of Yasser Arafat, Mahmoud Abbas was elected as the new Palestinian president at the beginning of 2005. The will of both parties to continue the peace dialogue was also confirmed by the fact that shortly after being appointed to office, the new Palestinian leader met Prime Minister Sharon in the Egyptian resort of Sharm el-Sheikh.²⁷ Both sides announced an end to the violence²⁸ (Hartley, 2006, p. 54). The intifada is officially over, although following the pattern of previous conferences, Hamas launched suicide bombings in Tel Aviv later this month. In September 2005, Prime Minister Sharon withdrew all Israeli settlers and troops from Gaza, although Israel retained control of the border crossings and continued regular attacks on Gaza.

In the summer 2006, Israel fought an intense 34 day war with Hezbollah²⁹ that lasted from July 12 to August 14 and is known as Israeli-Hezbollah war or The Second Lebanon War. Israeli forces invaded Lebanon to suppress Hezbollah attacks on Israeli settlements. Hezbollah suicide bombers essentially drove the Israelis from their buffer zone in southern Lebanon. Rocket attacks on Israeli settlements raised demands for reprisals. Situation worsened when Hezbollah attacked an Israeli patrol on July 12, 2006, killing three soldiers and another two soldiers were taken as hostages. Five more soldiers died in a botched rescue attempts. Israel then imposed a major naval blockade on Lebanon, targeted air strikes on institutions and private homes associated with Hezbollah, and advanced ground troops to destroy their positions in southern Lebanon. But despite the destruction of many missile launchers, the scale of Hezbollah's rocket attacks increased. Hezbollah fighters were determined to prove that Israeli technology was no match for them. Fighting around Bint Jubayl was particularly fierce and Israeli forces never fully dislodged Hezbollah from the town. The Israeli Air Force pounded much of the infrastructure of Lebanon, their cluster munitions rendering parts of southern Lebanon uninhabitable. Eventually an Israeli withdrawal was negotiated, with international peacekeepers stationed to prevent further missile attacks, but they had failed to crush Hezbollah. The 2006 Lebanon War resulted in an estimated 120 dead among Israeli forces and more than 1,000 dead among Hezbollah fighters.³⁰

Despite agreeing to a ceasefire with Hamas just months prior, Israeli soldiers launched a raid into Gaza to kill Hamas militants in November 2008. That led to increased tensions and Israel's decision to launch Operation Cast Lead, 22 day military assault on Gaza involving aerial bombing and a ground invasion. The assault involved the use of internationally banned weaponry, such as phosphorus gas. The casualty figures are disputed, but it left at least 1,000 Palestinians and 12 Israelis dead. It also caused severe damage to housing, businesses, and electrical infrastructure in Gaza.

Violence flared up again in 2012, after an increase in Hamas rockets launched from Gaza to Israel. Israel retaliated with eight days of airstrikes and killed the head of Hamas's military wing. Almost 180 people, mostly civilians, died in the fighting. Both sides again were

²⁶ NOVOTNÝ, A. (2009): *Teorie a praxe mezinárodních vztahů*, pp. 196-197.

²⁷ BROŽ, I. (2005): *Arabsko-izraelské války 1948-1973*, p. 346.

²⁸ HARTLEY, C. (2006): *A Survey of Arab-Israeli Relations*, p. 54.

²⁹ ARKIM, M. W. (2007): *Divining Victory. Airpower in the 2006 Israel-Hezbollah War*, p. 18.

³⁰ SWIFT J. (2023): *2006 Lebanon War*.

found to have committed war crimes by the UN. Though Egypt helped broker a ceasefire, it was short-lived.

In 2014, Hamas kidnapped and killed three Israeli teens from the West Bank. In response, Israel launched operation Protective Edge with airstrikes, ground operations, and naval blockades in Gaza. Though Israel's stated target was Hamas militants and their infrastructure, thousands of Palestinians were killed in the fighting, which persisted for seven weeks. Hamas launched rockets of its own into Israel, most of which were intercepted by the Iron Dome. During operation protective Edge about 11,000 Palestinians were wounded, 20,000 homes were destroyed and half a million people displaced.

Again, a ceasefire brokered by Egypt ended the conflict. But it left Gaza with significant infrastructure damage and shortages of basic necessities, with no end to the Israeli blockade in sight. At least 2,200 people were killed, the vast majority of whom were civilians in Gaza. Outbreaks of violence continued in the years thereafter.

Since October 2015, there have been more than 350 attacks on Israelis, mostly carried out by Palestinians armed with knives, machetes or even scissors. It is called the Knife intifada. The attackers are very young – some aged just 13 or 14. The attacks have left 34 Israelis dead as well as nearly 200 Palestinians - mainly assailants killed carrying out the attacks. Hundreds more have been injured.³¹ Some analysts refer to the events that happened in the months of September-December 2015 as a potential Third Intifada. However, the Palestinian leadership refuses to refer to these events as the Third Intifada. The events of late 2015 show differences from other intifadas, because the violence is not organized under a common political leadership, the goals of these actions are not clearly defined, and they are geographically localized.³²

Another major outbreak of violence occurred in 2021, after Israel threatened to evict Palestinian families from their homes in the Sheikh Jarrah neighborhood of East Jerusalem — home to holy sites of significance for Jews, Christians, and Muslims — and Israeli police imposed restrictions around the al-Aqsa Mosque during the Muslim holy month of Ramadan. Palestinian protesters and Israeli police violently clashed in East Jerusalem, giving way to a broader conflict. Hamas fired rockets at Jerusalem, and Israel responded with airstrikes on Gaza. Again, Israel stated it only wanted to target Hamas and its infrastructure, but its offensive resulted in more than 200 civilian casualties.

After eleven days, the fighting ended with a ceasefire brokered by Egypt and Qatar. But Palestinian frustrations were left unaddressed, and outbreaks of violence the Israelis and Palestinian militants continued.³³

3 Attack of Hamas on Israel Territory on 7 October 2023

At 06:30 on the morning of 7 October 2023, Hamas launched “Operation Al-Aqsa Flood” with more than 5,000 rockets reportedly fired towards Israel from multiple locations in Gaza, as well as ground operation into Israel. In response to this attack, Israeli authorities declared that the country is in a state of war and called up military reservists. At 12:00 noon, the Israeli Forces launched operation ‘Iron Sword’ with strikes on the Gaza strip by air, land and sea.³⁴

Hamas's brutal attack on 7 October 2023 and Israel's brutal response in Gaza, seem to have derailed progress toward stability in the Middle East. This Israel-Hamas war has been the deadliest yet for both sides and caused hundreds thousand internally displaced people over their

³¹ LEURENT, P. (2016): Palestinian ‘Knife Intifada’ Reflects a Generation’s Despair.

³² GUBÁŠ, F. (2016): Analysis of Present State and Recommendations for Solution of Arab-Israeli Conflict, p. 621.

³³ NAREA, N. (2023): A Timeline of Israel and Palestine's Complicated History.

³⁴ UNRWA (2023): Situation Report # 1 on the Situation in the Gaza Strip.

protection and the destruction of homes in Gaza Strip and Israel.³⁵ Israel, projecting strength in the face of its failure to thwart Hamas's attack, wants to eliminate Hamas for good and has proved willing to claim civilian lives to achieve that. Both Israel and Hamas have seemingly already committed war crimes.

Mass protests have broken out worldwide in favor and against either sides of the conflict. As a result of Israel's food, water, fuel and electricity blockade in Gaza urgent humanitarian crisis arose. There are fears that the war could broaden to Lebanon as violence with Hezbollah flares up along Israel's northern border. What is more the risk of an expansion of this conflict involving other countries is real and extremely dangerous.

UN Security Council was unfortunately not able to adopt a resolution to stop the violence.³⁶ ³⁷ UN General Assembly on 26 October 2023 adopted resolution A/ES-10/L.25 „Protection of Civilians and Upholding Legal and Humanitarian Obligations“ by a recorded vote of 120 in favor to 14 against and 45 abstentions demanding that all parties immediately and fully comply with their obligations under international law, including international humanitarian law.³⁸ All General Assembly resolutions have great moral and political weight due to the universality of its membership, but are non-binding and do not carry the force of international law as do some measures agreed on in the Security Council. Numerous nations including Israel objected missing condemnation of Hamas attack on Israeli civilians starting 7 October 2023.

After 31 days of Israel-Hamas war and Israel's air and ground attack on Gaza Strip with intention to destroy Hamas, according Ministry of Health in Gaza death toll exceeds 10,000, including more than 4,008 children and 2,550 women and causing humanitarian disaster to the population of about 2.2 million people.

Conclusion

As UN Special Coordinator for the Middle East Peace Process Mr. WENNESLAND said that 'after more than a century of conflict and over half-a-century of occupation, the international community had failed to bring the opposing parties to a just, sustainable political resolution'. And as he continues 'the recent events have served to re-ignite grievances and re-animate alliances across the region'.

A lot of casualties on both sides of the conflict have caused a lot of suffering and it is therefore of immense importance to immediately stop military actions, provide humanitarian aid to those who are suffering because of Israeli-Hamas war and start to find internationally coordinated peace solutions.

Arab-Israeli and later Israeli-Palestinian conflict is extremely complex, complicated and extensive. Seventy-five years long history of the conflict and even more its present state do not provide a lot of optimism for a fast and easy peace solutions of the conflict. Nevertheless, the history teaches us that it is in abilities of human kind to find peaceful way of cohabitation on disputed territories. In 1993, ratification of Oslo Accords was very good first step to finding a peace solution. Extremist militant groups are always trying to disrupt the peace process and is therefore important to minimize their negative influence by using any possible legal means. Sustainable peace solution to Israeli-Palestinian conflict will require long time period with strictly set rules for mutual relations of hostile sides of the conflict set by international authorities with consent of both sides of the conflict and even stricter requirements for their adherence.

³⁵ UN (2023): World News in Brief: Displacement in Gaza and Israel, Afgan Earthquake Response.

³⁶ UN (2023): Israel-Gaza crisis: Competing Security Council Resolutions Reveal Diplomatic Fault Lines.

³⁷ UN (2023): Israel-Gaza crisis: US vetoes Security Council resolution.

³⁸ UN (2023): UN General Assembly Adopts Gaza Resolution Calling for Immediate and Sustained 'Humanitarian Truce'.

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CULTURAL FACTORS AFFECTING IT STUDIES AMONG WOMEN IN EUROPEAN COUNTRIES¹

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Abstract: Specific European countries, which are very similar in terms of culture and history, significantly differ in the mean percentage of women studying informatics at university. We investigated the relationship between specific 21 macroeconomic and cultural indicators and the percentage of women studying informatics at university in 35 European countries. We found that maternity indicators do not influence the percentage of women studying informatics at the university. On the other side computer education at primary/secondary schools raise women's digital skills and those transform in the higher percentage of women studying IT at the university. Our results indicate that we can identify few significant relationships between national culture, national digital education policy and percentage of women studying informatics.

Keywords: women studying informatics, cultural indicators, informatics

JEL: J15, J16, D83

Introduction

In these days of rapid growth of the information and communication technologies (hence in the text as an abbreviation ICT) sector and digitalization, the European union faces the lack of ICT workers. Moreover, not only the fact that there is a shortage of these experts, but there is also under-representation of women among them. This field suffers from a lack of human capital, and the Covid-19 pandemic has shown new opportunities to work from home that can be a greater assumption for women to start study or work in the ICT field.¹

Europe is increasingly suffering from a professional ICT skills and digital literacy deficit. ICT in European Union are the engine of value creation and growth in the entire economy. The Digital Agenda for Europe is one of the seven main initiatives of the "Europe 2020" strategy and one of its measures is to support a higher participation of young women and women returning to working life among ICT workers.² The European Commission pursues the consolidation of the digital infrastructure as a tool to unleash untapped potential and achieve higher competitiveness, ideally across all regions in European Union.³

There is a high demand for ICT professionals in European Union and in almost all European countries there is a gender divide with respect to digital skills. Women in Europe face various obstacles to develop digital skills and even follow ICT careers, it starts emerging from the early years and continue during their next life phases like education, seeking employment

¹ This research was funded by a grant of the University of Economics in Bratislava for young teachers, researchers and full-time PhD students, I-23-103-00: Career and qualification choices of young people towards a specialization in information technology (95%). This work has been supported by the EUGAIN COST Action CA19122 - European Network for Gender Balance in Informatics (5%).

² EURÓPSKA KOMISIA (2011): Oznámenie komisie európskemu parlamentu, rade, európskemu hospodárskemu a sociálnemu výboru a výboru regiónov, p. 245.

³ CONSOLI, D.- CASTELLACCI, F. - SANTOALHA, A. (2023): E-skills and income inequality within European regions, p. 946.

and career advancing.⁴ According to Gender Equality Index, 31% of women have “above basic digital skills” comparing to 36% of men in 2020.⁵ In Europe, there are around four times more men than women with ICT-related studies in the year 2018⁶ and women represent 52% of the European population but only around 17% of women work in ICT related jobs.⁷

There are various activities to promote and support the inclusion of women in ICT education and jobs, and European union calls for actions [e.g., The European Skills Agenda (2020), EU Presidency (2018) or General Secretariat of the Council (2018)]. Here are some examples of strategies to fight gender digital gap: educate female students on advanced digital technologies, encourage young girls to be involved in coding events, promote successful women in ICT as role models to young girls or redesign the educational content to highlight female success stories in ICT. There is a higher gender gap for advanced digital skills than for basic digital skills in European countries, that's why empowering women with digital skills enable them to participate in active citizenship, education, democracy, culture, economy and business in the digital society.⁸

When we compare European countries in the *Mean % of women at the bachelor's level of study 2013-2020* (see methodology for explanation) we can find that even neighbouring countries with very similar culture, history, education system and level of economic development significantly differ from each other in *Mean % of women at the bachelor's level of study 2013-2020*. For example, Netherlands (9,74%) vs Germany (20,36%) or Estonia (23,98%) vs Lithuania (11,93%) or Finland (16,08%) vs Sweden (32,12%). In some of these comparisons we can see in some cases almost twice as high percentage. These large differences automatically create questions about the reasons causing these differences. Based on argumentation above we presume that these differences could be caused by many different causes. From cultural factors, school curriculum, state policies and also by many others. In our research we will investigate cultural, political and macro- economic factors. Therefore, our goal in this research paper is to investigate relationship between specific cultural factors and percentage of women studying informatics at university level.

1 Methodology

Sample: We worked with data from these countries (ordered alphabetically): Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Montenegro, Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey and United Kingdom.

From Eurostat we collected percentage of women studying ICT at bachelor, master and PhD level for years 2013 to 2020 for every specific country. We then calculated three dependent variables which we used in our research. *DV I.: Mean % of women at the bachelor's level of study 2013-2020; DV II.: Mean % of women at the master's level of study 2013-2020; DV III.: Mean % of women at the doctoral's level of study 2013-2020*

Measures: To measure cultural factors affecting IT studies among women in 35 observed European countries, we worked with the following macroeconomic and cultural indicators which we used as independent variables or predictors:

⁴ PERIFANOU, M., - ECONOMIDES, A. A. (2020): Gender digital divide in Europe, p. 8.

⁵ GENDER EQUALITY INDEX (2020): Digitalisation in the world of work in European Union.

⁶ EURÓPSKA KOMISIA (2018): Women in the Digital Age.

⁷ EUROEPAN COMMISSION (2020): Science, Research and Innovation Performance of the EU 2020. A fair, green and digital Europe.

⁸ PERIFANOU, M., - ECONOMIDES, A. A. (2020): Gender digital divide in Europe, p. 8.

“Percentage (%) of females, 25 to 64 y. old with level of digital skills 2019” talking about the percentage of women who are from 25 to 64 years old and they possess a certain level of digital skills in the year 2019.⁹

“Percentage (%) of computer use via females aged 16-74 (2017)” represents the percentage of women who use computer in age 16 to 74 in the year 2017.¹⁰

“Way of obtaining ICT skills- females 16-74 y. o. (Eurostat 2018)” represents the percentage of women aged 16-74 who got ICT skills in 2018. It means - individuals carried out free online training or self- study to improve skills relating to the use of computers, software or applications¹¹

“GDI (gender diversity index) 2020” ranges from 0 to 2, with 1 as the ideal value. GDI is an aggregate indicator that reflects women on boards, women in all leadership positions, women in board committees and women in executive functions. Zero index value would mean no women in leadership and 2 value would mean no men in leadership. Numbers below 1 mean that there are disproportionately more men than women involved in the governance of the company and numbers that are above 1 mean there are disproportionately more women than men in the governance of a given company. It measures GDI in every observed country in European Union in 2020.¹²

“Percentage (%) women in leadership-absolute count in 2020” represents the percentage of women in leadership in 2020 in every examined country in European Union.¹³

“Best countries for women to work (points) in 2020” measures (in points) which European countries are the best opportunity to work for women. More points means better country to work for women.¹⁴

“Percentage (%) of women on boards-largest publicly listed companies 2021” represents the percentage of female share of seats on boards of the largest publicly listed companies in 2021.¹⁵

“Births by mother’s year of birth (age 15 to 19) in 2020”, “Births by mother’s year of birth (age 20 to 24) in 2020”, “Births by mother’s year of birth (age 25 to 29) in 2020” and “Births by mother’s year of birth (age 30 to 34) in 2020 represent number of births by mother’s year of birth (15-19, 20-24, 25-29 and 30-34 years) in every examined European country.¹⁶

“Computer use- females, 16 to 74 years old (2017)” means the percentage of women who use computer from 16 to 74 years old in 2017 in examined countries.¹⁷

“Percentage (%) of females employed in ICT in 2021” represents the percentage of women who work in the field ICT in 2021 in observed country.¹⁸

“Females (16 to 74 years old) who have basic digital skills 2021” represents the percentage of women from 16 to 74 y. o. who have basic digital skills in the year 2021.”¹⁹

“Gender employment gap- from 20 to 64 (in %) in 2021” means the percentage of gender employment gap from 20 to 64 years old in 2021.²⁰

⁹ EUROSTAT (2023): Individuals' level of digital skills (until 2019).

¹⁰ EUROSTAT (2023): Individuals - computer use.

¹¹ EUROSTAT (2023): Gender Statistics Database. Way of obtaining ICT skills.

¹² EWOB (2020): European Women on Boards Gender Diversity Index.

¹³ EWOB (2020): European Women on Boards Gender Diversity Index.

¹⁴ REBOOT (2023): Women in this european country more likely to be successful.

¹⁵ OECD (2023): Employment: Female share of seats on boards of the largest publicly listed companies.

¹⁶ EUROSTAT (2020): Births by mother’s year of birth.

¹⁷ EUROSTAT (2023): Individuals - computer use.

¹⁸ EUROSTAT (2021): Employed in ICT.

¹⁹ EUROSTAT (2021): Individuals who have basic or above basic overall digital skills by sex.

²⁰ EUROSTAT (2023): Gender employment gap.

Percentage (%) of part- time employment of women (18-24 years) in 2021 represents the percentage of women from 18 to 24 years who work on an agreement, they have part time job in 2021.²¹

“Fertility rates (Children/woman) in 2020” represent total children per woman in observed European countries in the year 2020.²²

“Mean age of women at birth of first child 2020” means the average age of women in which they had their first child in the year 2020.²³

"Average female PISA math skills scores (2018)" is an average score of girls in maths in 2018 in observed countries and according to the PISA survey, mathematical skills express the ability of 15-years-old pupils to formulate, use and interpret mathematics in several contexts.²⁴

2 Results

We will organize our results into the three blocks of theoretically related predictors. First block we could call maternity predictors. There are some discussions about maternity, work life balance and enrolment in informatics. In our results based at national macroeconomic level we did not find any significant relationships between maternity indicators and percentage of women studying informatics at university level. *Births by mother's year of birth* in any cohort (15-19 years, 20-24 years, 25-29 years, 30-34 years) is not predicting the *Mean percentage of women studying IT* at any level of study with one exception. Of all investigated we found only one significant predictor predicting *Mean % of women at the bachelor's level of study 2013-2020* and it was *Mean age of women at birth of first child 2020*.

Table 1: Cumulative results of simple linear regressions where as dependent variable (DV) was used Mean % of women at bachelor/master/PhD level of study 2013-2020 and the specific predictors related to maternity listed in the first column.

Predictor	DV I. : Mean % of women at the bachelor's level of study 2013-2020	DV II. : Mean % of women at the master's level of study 2013-2020	DV III. : Mean % of women at the doctoral's level of study 2013-2020
<i>Births by mother's year of birth (age 15 to 19) in 2020</i>	n.s.	n.s.	n.s.
<i>Births by mother's year of birth (age 20 to 24) in 2020</i>	n.s.	n.s.	n.s.
<i>Births by mother's year of birth (age 25 to 29) in 2020</i>	n.s.	n.s.	n.s.
<i>Births by mother's year of birth (age 30 to 34) in 2020</i>	n.s.	n.s.	n.s.
<i>Fertility rates (Children/woman) in 2020</i>	n.s.	n.s.	n.s.

²¹ EUROSTAT (2023): Employment of women.

²² OECD (2023): Fertility rates.

²³ EUROSTAT (2023): Fertility indicators.

²⁴ OECD (2019): Compétences en mathématiques (PISA).

<i>Mean age of women at birth of first child 2020</i>	Adj. R ² = 0.08; F(1,30) = 3.82; p = 0.06; Std β = -0.34	n.s.	n.s.
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Note: Those predictors which are significant at level $p < 0.05$ are in bold letters. Abbreviation n.s. means not significant.

Second block of predictors consists of those which are related to the current level of human capital in terms of digital skills, equipment and education. We expected that with higher levels of these indicators more women are exposed to informatics and therefore ICT is not unknown to them. If they are more familiar with computer use, their own self efficacy in informatics is higher and they are therefore more willing to study it at university level. In the effort to show broader picture and possible trends in data we deliberately in the Table 2 and 3 report all results where p values are lower 0.2, but explain some level of variability. From the results we can see that if the women population is dealing with computers it manifests itself in the higher tendency to study informatics at university. As we can see in the table 2, few predictors are significant at level $p < 0.05$, several at $p < 0.1$. Those at level $p < 0.2$ can be taken as some indicators of trends.

Table 2: Cumulative results of simple linear regressions where as dependent variable (DV) was used Mean % of women at bachelor/master/PhD level of study 2013-2020 and the specific predictors related to women computer usage listed in the first column.

Predictor	<i>DV I. : Mean % of women at the bachelor's level of study 2013-2020</i>	<i>DV II. : Mean % of women at the master's level of study 2013-2020</i>	<i>DV II. : Mean % of women at the doctoral's level of study 2013-2020</i>
<i>Percentages (%) of Females, 25 to 64 years old with level of digital skills 2019</i>	Adj. R ² = 0.03; F(1,30) = 1.97; p = 0.17; Std β = -0.25	Adj. R ² = 0.04; F(1,30) = 2.15; p = 0.15; Std β = -0.26	Adj. R ² = 0.03; F(1,26) = 1.71; p = 0.2; Std β = -0.25
<i>Percentages (%) of computer use via females aged 16-74 (2017)</i>	Adj. R² = 0.12; F(1,30) = 5.36; p = 0.03; Std β = -0.39	Adj. R ² = 0.05; F(1,30) = 2.58; p = 0.12; Std β = -0.28	Adj. R ² = 0.07; F(1,26) = 3.17; p = 0.09; Std β = -0.33
<i>Females (16 to 74 years old) who have basic digital skills 2021</i>	Adj. R² = 0.12; F(1,30) = 5.13; p = 0.03; Std β = -0.38	Adj. R ² = 0.07; F(1,30) = 3.39; p = 0.08; Std β = -0.32	Adj. R ² = 0.02; F(1,26) = 1.62; p = 0.21; Std β = -0.24
<i>Average female PISA math skills score (2018)</i>	Adj. R ² = 0.09; F(1,24) = 3.33; p = 0.08; Std β = -0.35	n.s.	Adj. R ² = 0.05; F(1,21) = 2.25; p = 0.15; Std β = -0.31

Note: Those predictors which are significant at level $p < 0.05$ are in bold letters. Abbreviation n.s. means not significant.

Pisa Math skills score is an indicator of high quality of education in natural sciences. This is indirect proof of argument which claims the more countries invest in their education

system in math at secondary education level the higher affinity toward informatics arise. When we sum our results we can see that more women are exposed to computer use then their tendency to study informatics at university level is higher.

In the Table 3 we found that two predictors: *GDI (gender diversity index) 2020* and *Percentage of women in leadership in 2020* are significantly determining *Mean % of women at the PhD's level of study 2013-2020*. Here we have to note that these results are strongly influenced by the very small sample size, where $df = 12$. These small samples have a negative effect for the quality and reproducibility of regression results and therefore our findings should be taken with caution²⁵. From all predictors investigated we found that discrimination in family is statistically significantly predicting *Mean % of women at the bachelor's level of study 2013-2020* and is also influencing other level of study.

Table 3: Cumulative results of simple linear regressions where as dependent variable (DV) was used Mean % of women at bachelor/master/PhD level of study 2013-2020 and the specific predictors related to general women position in the society listed in the first column.

Predictor (IV)	<i>Mean % of women at the bachelor's level of study 2013-2020</i>	<i>Mean % of women at the master's level of study 2013-2020</i>	<i>Mean % of women at the PhD's level of study 2013-2020</i>
<i>GDI (gender diversity index) 2020</i>	n.s.	n.s.	Adj. R² = 0.3; F(1,12) = 6.69; p = 0.02; Std β = 0.6
<i>% women in leadership – absolute count in 2020</i>	n.s.	n.s.	Adj. R² = 0.34; F(1,12) = 7.66; p = 0.02; Std β = 0.62
<i>Best countries for women to work (points) in 2020</i>	n.s.	n.s.	Adj. R ² = 0.03; F(1,24) = 1.87; p = 0.18; Std β = 0.27
<i>Percentage of women on boards in largest publicly listed companies in 2021</i>	n.s.	Adj. R ² = 0.09; F(1,24) = 3.33; p = 0.08; Std β = -0.35	n.s.
<i>Discrimination in the family (2019)</i>	Adj. R² = 0.1; F(1,28) = 4.29; p = 0.048; Std β = 0.36	Adj. R ² = 0.05; F(1,28) = 2.53; p = 0.123; Std β = 0.29	Adj. R ² = 0.03; F(1,24) = 1.91; p = 0.18; Std β = 0.27
<i>Gender employment gap- from 20 to 64 (in %) in 2021</i>	Adj. R ² = 0.05; F(1,29) = 2.53; p = 0.12; Std β = 0.28	n.s.	Adj. R ² = 0.04; F(1,25) = 2.18; p = 0.15; Std β = -0.28
<i>% of part- time employment of women (18-24 years) in 2021</i>	n.s.	n.s.	n.s.

Note: Those predictors which are significant at level $p < 0.05$ are in bold letters. Abbreviation n.s. means not significant.

Surprisingly we found that there only moderate relationship between three levels of university study. Between *Mean % of women at the bachelor's level of study 2013-2020* and *Mean % of women at the master's level of study 2013-2020* we found medium size relationship, Kendall's Tau $b = 0.41$; $p < .001$ and small with *Mean % of women at the PhD level of study*

²⁵ JENKINS, D.G. – QUINTANA-ASCENCIO, P.F. (2020): A solution to minimum sample size for regressions. *PLoS one*, 15(2), e0229345.

2013-2020, where $\tau = 0.29$; $p = .014$. Similar situation is between master and PhD, where $\tau = 0.29$; $p = .014$. These results indicate that European women studying ICT do not fluently continue from bachelor level to master and to PhD in the same field of ICT. They leave the informatics study and start to study something different, or contrary enrol from different study background. In border terms these results could indicate that faculties have problems to retain students from bachelor study to master level. On the other side they are able to attract new students from different fields.

When we compare European post communistic countries with capitalistic countries we found that they do not significantly differ from each other but at all levels of university study mean percentage of women studying informatics is higher in post communistic countries. During communist era countries in soviet block of influence emphasized technical fields as key factor of progress and development. And at the same time they considered social sciences as less important, even inferior compared to natural and technical sciences. We presume that this approach left roots in post communistic countries culture and higher percentage of women in informatics is the legacy of it. On the other side, in post communistic countries we see statistically significant lag behind in variables: *Percentage (%) of Females, 25 to 64 years old with level of digital skills 2019* and *females' computer use 16 to 74 years old 2017* compared to capitalistic countries.

3 Discussion

Our future world is a digital world. All global economic heavyweight players, which are the US, Europe and China, intensively compete with each other in generating innovations and new products/services in the broader digital field. To produce a high end contribution, the ICT workforce has to be highly qualified, educated and should be available. University education in ICT is a necessary qualification for these employees. But as we discussed in the introduction, there is a significant shortage of these workers in Europe. From several different approaches designed to increase the absolute number of these workers in Europe one of the most promising is an engagement of more women into ICT, which de facto means to attract more women into ICT study. Therefore, the European problem with lack of ICT university educated workforce could be framed as a problem with low numbers of women studying ICT at university level. As we discussed in the introduction European countries differ significantly in the percentage of women studying informatics, where even neighbouring and very culturally similar countries have in some cases two times higher the percentage of women studying ICT than their neighbours. In our paper we asked if we could identify any social, cultural or macroeconomic factors influencing the percentage of women studying ICT at university.

Summing our results from theoretically proposed relationships between mean percentage of women studying IT and various cultural, political and macroeconomic constructs we found only few, which were significant.

Computer use by women in population is predicting *Mean percentage of women studying IT* at all three levels of study. Therefore, the argumentation for proliferation and use of computers is good for general digital skills use, but what is more important it does bring more women into informatics study at university. There was some discussion about maternity, work life balance and enrolment in informatics but at national level we did not found any significant prediction between these variables. Specifically, predictors such as *Births by mother's year of birth* in any cohort (15-19 years, 20-24 years, 25-29 years, 30-34 years) is not predicting the mean percentage of women studying IT at any level of study. The same for *Fertility rates* as predictor.

Women's average PISA score in mathematical skills in 2020 is close to significance in predicting *Mean percentage of women studying IT*. We can say that education and performance in mathematics is not so distinctive from informatics and does lead toward more engagement

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THE SIGNIFICANCE OF THE CLASSIFICATION OF SEAFLOOR FEATURES FOR THE APPLICATION OF ART. 76 UNCLOS IN THE ARCTIC OCEAN

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Abstract: Article 76 of UNCLOS contains a legal definition of the continental shelf. The “legal continental shelf” does not correspond to its scientific definition and was conceived for the purpose of granting sovereign rights to coastal states arising from this concept (and thus significant economic benefits applying *erga omnes*). Although the legal continental shelf is a fictitious term, it is based on strict scientific criteria that determine its outer limits beyond the 200 NM. How can morphology of the seabed be converted into law and what are the consequences of a different classification of relevant features? The article discusses the significance of the classification of seafloor features for defining the limits of the continental shelf. It is applied to specific seafloor features in the Arctic Ocean the classification of which was presented in the submissions to the Commission on the Limits of the Continental Shelf.

Keywords: submarine ridge, submarine elevation, oceanic ridge, continental shelf, Arctic Ocean

JEL: K33

Introduction

Article 76 of UNCLOS contains a legal definition of the term of continental shelf. The “legal continental shelf” does not correspond to its scientific definition and was conceived for the purpose of granting sovereign rights to coastal states arising from this concept (and thus significant economic benefits applying *erga omnes*). Although the legal continental shelf is a fictitious term, it is based on strict scientific criteria that determine its outer limits beyond the 200 NM.

The definition of the continental shelf in Article 76 of the UNCLOS implies that the shelf is the natural prolongation of its land territory and covers the seabed extending from the outer limit of the territorial sea to the edge of the continental margin. The entire continental margin includes rich deposits of mineral resources, so its importance from an economic point of view is not negligible.

The legal definition therefore does not include only the geological continental shelf itself, but the entire continental margin. The extension of the continent therefore means the shelf, the slope, and the rise, and in the case that it is not one of these parts of the continental margin, it is not the subject of the sovereign rights of the coastal state. Magnússon (2015) states that it would make more sense to use the concept of continental margin rather than continental shelf one.¹

¹ MAGNÚSSON, B. M. (2015): The Continental Shelf Beyond 200 Nautical Miles: Delineation, Delimitation and Dispute Settlement. Brill Nijhoff, Leiden, p. 8.

Why is the classification of submarine features so important when the legal continental shelf is a legal fiction²?

We talk about fictitiousness because, according to Article 76 (1), the 200 NM limit is the outer limit of the continental shelf - regardless of the geology or geomorphology of the land mass itself, and therefore even if the continental margin does not reach this distance. On the contrary, if the continental margin exceeds this limit, the coastal state must make a submission to the Commission on the Limits of the Continental Shelf to extend it and must support it with sufficiently relevant evidence. Therefore, the shelf may be narrower or wider than the UNCLOS 200 NM definition provides.

On the contrary, according to Taft, the current legal regime of the continental shelf is defined in a manner which is scientifically based, legally definable and politically acceptable.³ And it is these outer limits of the shelf beyond 200 NM that are based on geological, geomorphological, and bathymetric criteria.

UNCLOS contains in its provisions references to three types of undersea formations, according to the classification of which the largest possible outer limit of the continental shelf is determined from the baselines from which the width of the territorial sea is measured. Article 76 of the UNCLOS refers to ocean ridges of the deep ocean floor (paragraph 3), submarine ridges (paragraph 6) and submarine elevations that are natural components of the continental margin (paragraph 6, which in the second sentence contains a non-exhaustive enumeration of them).

We based the article on the provisions of the UN Convention on the Law of the Sea (UNCLOS, 1982), Scientific and Technical Guidelines of the Commission for the Limits of the Continental Shelf, the part dedicated to the Arctic Ocean, we analyzed submissions of the Arctic coastal states to the Commission on the Limits of the Continental Shelf and the Commission's recommendations to them. A legal analysis of geomorphological formations in the Arctic in the context of the work of the Commission for the Limits of the Continental Shelf is provided e.g., by Bjørn Kunoy (2017). George Taft, formerly Director of the Department's Office of the Law of the Sea Negotiations and Member of the U.S. delegation to the Third UN Conference on the Law of the Sea, also addressed this issue. Several authors, namely Bjarni Már Magnússon, Harald Brekke and Philip Symonds, Timo Koivurova and many others, deal with the delimitation of the outer limits of the continental shelf.

1 Defining the relevant seafloor features in context of continental shelf

UNCLOS does not contain a definition of the difference between oceanic ridges and submarine ridges, it only stipulates that, unlike an oceanic ridge, a submarine ridge can be a part of the continental margin - however, it is not a natural component of the continental margin like a submarine elevation.

Oceanic ridges have their geological origin in oceanic, not continental, crust, are not part of a continental margin under any circumstances, and therefore should not be considered part of a continental shelf. In case the feature is an oceanic ridge, the outer limit of the shelf will be a limit of 200 NM, which cannot be extended by States under any circumstances. The continental shelf does not include oceanic ridges, regardless of the geological composition of the land area (because land can also be of oceanic origin).

² MAGNÚSSON, B. M. (2015): *The Continental Shelf Beyond 200 Nautical Miles: Delineation, Delimitation and Dispute Settlement*. Brill Nijhoff, Leiden, p. 8.

³ SMITH, R.W. - TAFT, G. (2000): *Legal Aspects of the Continental Shelf*, In: COOK, P.J. - CARLETON, C.M. (2000): *Continental Shelf Limits: The Scientific and Legal Interface*. Oxford University Press, New York, p. 17. and TAFT, G. (2001): *Solving the Ridges Enigma of Article 76 of the United Nations Convention on the Law of the Sea*, presented at ABLOS Conference, Monaco (18 Oct. 2001), online.

On the other hand, submarine ridges and submarine elevations are considered part of the continental margin, but they are 2 different legal categories. The difference lies in the application of different constraint lines. In the case of submarine ridges, it is only a limit of 350 NM. In the case of submarine elevations that are a natural part of the continental margin, the state can decide between a constraint of 350 NM or 100 NM from the 2500 m isobath - whichever is more advantageous for it.

Due to the morphology of the seabed, more than one isobath may occur in the relevant area. The coastal state can choose any of them and it will be in accordance with the provisions of UNCLOS. There is always only one line at a distance 350 NM from the baselines.

In the event that the outer limit of the continental margin is less than 350 NM and the depth constraint lies more landward, there is no need to classify the seafloor feature, because the 350 NM distance line is an applicable constraint.

For a seafloor high to be considered a submarine elevation and to be able to use the depth constraint (100 NM from the 2,500 m isobath), geological affinity with relevant land mass is required.⁴ Submarine ridges may be geologically distinct along parts or the entire length of the ridge from the mainland of the coastal state.

Limit on the ocean ridges and, in essence, overall delineation of the outer limit of the continental shelf is important for the preservation of the deep seabed as a common heritage of mankind for the entire international community, not just an exclusive “club” of a small number of coastal states.

The deep ocean floor is located beyond the outer boundary of the continental shelf and contains features such as ocean basins, abyssal plains, abyssal hills, mid-oceanic ridges, fracture zones and seamounts.

The provisions of UNCLOS do not mention the nature of the crust of seafloor features, which is also pointed out by Brekke and Symonds.⁵

According to Kunoy (2017), geology is important regarding the determination of the seaward extend of the continental margin, but only as an exception to the general rule stated in Art. 76 (4) (b) regarding the foot of the slope (“evidence to the contrary”). On the other hand, it has a central role in the application of Art. 76 (5) and (6) (which is not reflected in findings of ITLOS, e.g., in case of Cook Islands where geological continuity principle applies). But when determining ridges, geology has a secondary role, geomorphology and bathymetry are primarily important.⁶

It is crucial for states that intend to extend their continental shelf to classify the relevant seafloor highs as submarine elevations and to support this claim with sufficient evidence (see submission of the Russian Federation 2001). Submarine elevation as a natural component of continental margin represents a stronger link to the landmass than “natural prolongation”. A seafloor feature classified in this way must share the same origin and geological characteristics with the landmass.

2 Classification of seafloor highs in the Arctic Ocean

The depth of the Arctic Ocean is small, so in several places it exceeds 350 NM before reaching a depth of 2,500 meters. In this case, it will therefore be more advantageous for the coastal state to delineate the outer limit of the continental shelf based on the depth constraint.

⁴ KUNOY, B. (2017): Assertions Of Entitlement To The Outer Continental Shelf In The Central Arctic Ocean. In: *The International and Comparative Law Quarterly*, Vol. 66, No. 2 (APRIL 2017), pp. 367-409.

⁵ BREKKE, H. - SYMONDS, P.A. (2004): The Ridge Provisions of Article 76 of the UN Convention on the Law of the Sea. In: NORDQUIST, M.H. et al.. (2004): *Legal and Scientific Aspects of Continental Shelf Limits*.pp. 169-199.

⁶ KUNOY, B. (2017): Assertions Of Entitlement To The Outer Continental Shelf In The Central Arctic Ocean. In: *The International and Comparative Law Quarterly*, Vol. 66, No. 2 (APRIL 2017), p. 395.

As mentioned above, in the context of defining the outer limits of the continental shelf, the classification of the features located on the seabed is very important, due to the application of the constraint lines mentioned in Article 76. It therefore depends on the evidence with which the coastal state will support its claim in the submission to the Commission for the Limits of the Continental Shelf because as we will illustrate later in the text, the Commission's opinion may develop and change in the view of provided data.

2.1 Russian Federation

In its first submission (2001) in respect of the Barents Sea, the Bering Sea, the Sea of Okhotsk and the central Arctic Ocean, the Russian Federation identified the Lomonosov Ridge and the Alpha-Mendelev Ridge as a natural prolongation of its territory.

The USA in its notification states that the Alpha-Mendelev Ridge is “geologic feature formed on oceanic crust” and has “identical origin to Iceland-Faroe Ridge” and that it is “not a part of any state's continental shelf”. They consider Lomonosov Ridge as “freestanding feature in deep, oceanic part of the Arctic Ocean Basin and not a natural component of the continental margins of either Russia or any other state.”⁷ The USA therefore considers Lomonosov and the Alpha-Mendelev Ridge to be oceanic ridges that they are not a continuation and natural extension of the continent. These ridges, however, do not have any direct significance for possible US submission, but the states have the right to comment the submission in view of rule 50 of the Commission's Rules of Procedure.

The Commission stated that according to the materials provided in the submission the Lomonosov Ridge cannot be considered a submarine elevation under the Convention and according to the current state of scientific knowledge, the Alpha-Mendelev Ridge Complex cannot be considered a submarine elevation under the Convention.⁸ Thus, the commission did not reject the idea that the Lomonosov Ridge is a submarine elevation, it just pointed to insufficient evidentiary documentation.

The revised submission of the Russian Federation in respect of the Arctic Ocean (2015), concerning the delimitation of the outer edge of the continental shelf, is based on the scientific assumption that the central Arctic submarine elevations, among them the Lomonosov Ridge, the Alpha-Mendelev Rise (the term “rise” is already used instead of ridge) and the Chukchi Plateau, as well as the Podvodnikova and Chukchi Basins separating them, have a continental character.⁹ The Russian claim is based on the argument that the Lomonosov ridge and the Alpha-Mendelev Ridge are not oceanic ridges or submarine ridges, but only submarine elevations. Since based on the provisions of Article 76 (6) UNCLOS does not apply a limit of 350 NM in the case of elevations as in the case of submarine ridges, it would be possible to delineate the outer limit of the shelf based on 100 NM from the 2,500 m isobath, thus significantly expanding it.

In 2019, the Commission confirmed the position of the Russian Federation that the Lomonosov Ridge, the Medeleev Rise, as well as the Podvodnikov Basin are submarine

⁷ REPRESENTATIVE OF THE UNITED STATES OF AMERICA TO THE UNITED NATIONS (2002): Notification regarding the submission made by the Russian Federation to the Commission on the Limits of the Continental Shelf. a [online].

⁸ RUSSIAN FEDERATION (2015): Partial revised submission of the Russian Federation to the Commission on the Limits of the Continental Shelf in respect of the continental shelf of the Russian Federation in the Arctic Ocean. [online]

⁹ RUSSIAN FEDERATION (2015): Partial revised submission of the Russian Federation to the Commission on the Limits of the Continental Shelf in respect of the continental shelf of the Russian Federation in the Arctic Ocean. [online].

plateaus and are geologically similar to the Russian continent, but this does not automatically confirm Russia's claim.¹⁰

In the Recommendations to the 2015 Submission adopted in 2023, it is established that “Lomonosov Ridge, Mendeleev-Alpha Rise, and Podvodnikov Basin are submarine elevations that are natural components of the margin in accordance with article 76, paragraph 6. Hence, the depth constraint (isobath 2500 m + 100 NM) can be applied for the delineation of the outer limits of the continental shelf.”¹¹

The data regarding the southern part of Amundsen Basin were considered insufficient and so the Commission recommended to make a partial revised submission in respect of its continental shelf in that area. Thus, on 31 March 2021, the Russian Federation submitted two addenda to the partially revised 2015 submission in respects of the Arctic Ocean. The first addendum covers the Gakkel Ridge, the Nansen and Amundsen Basins, and the second the Lomonosov Ridge, the Alpha-Mendeleev Rise, the Amundsen and Makar Basins, and the Canada Basin¹², claiming 70% of the seafloor in the central parts of the Arctic Ocean.¹³

2.2 Kingdom of Denmark

Denmark in its submission in respect to the Northern Continental Shelf of the Faroe Islands (2009) refers to the Faroe-Iceland Ridge and the Ægir Ridge (which, in its southern part, merges with the northern slope of the Faroe-Iceland Ridge) as “seafloor highs”. The Ægir Ridge comprises an extinct part of the spreading ridge system that created the oceanic seafloor beneath the Northern Deep as well as the Faroe-Iceland Ridge. The active spreading ridge today is located beyond the continental margin of the Faroe Islands.¹⁴

Denmark considers the Ægir Ridge a submarine ridge that since is morphologically continuous with the continental margin north of the Faroe Islands and falls within a common envelope of the foot of the continental slope, yet is an extinct seafloor spreading ridge that is geologically different from the landmass of the Faroe Islands. Since the Commission accepted Denmark's position, the provisions of Article 76 (6) that the fixed points forming the line of the outer limits of the continental shelf must not exceed 350 NM from the baselines.

The outer limits of the continental shelf north of the Faroe Islands extend to the distance of 350 NM from the baselines from which the territorial sea lines around the Faroe Islands are measured. To the west, north-west, and south-east, the outer limits of the continental shelf are delineated by the 200 NM limits of Iceland, Jan Mayen and the mainland of Norway, respectively.¹⁵

By submission from 2016 in respect of the Northern continental shelf of Greenland, Denmark became the first country to claim sovereign rights over the North Pole. The Danish and Greenlandic governments jointly claim a shelf of approximately 900,000 km².

¹⁰ STAALESEN, A. (2019): Russia is winning support for its claims on Arctic shelf, says chief negotiator. [online]. In: Barents Observer (28.11.2019).

¹¹ COMMISSION ON THE LIMITS OF THE CONTINENTAL SHELF (2023): Recommendations of the Commission on the Limits of the Continental Shelf in regard to the Partial Revised Submission made by the Russian Federation in respect of the Arctic Ocean On 3 August 2015 with Addenda submitted on 31 March 2021 [online].

¹² UNITED NATIONS (2021): Receipt of two addenda to the executive summary of the partial revised Submission made by the Russian Federation to the Commission on the Limits of the Continental Shelf in respect of the Arctic Ocean. [online].

¹³ BREUM, M. (2021): Russia extends its claim to the Arctic Ocean seabed. In: Arctic Today (4.4.2021) [online].

¹⁴ THE KINGDOM OF DENMARK (2009): Partial Submission of the Government of the Kingdom of Denmark together with the Government of the Faroes to the Commission on the Limits of the Continental Shelf The Continental Shelf North of the Faroe Islands. Executive Summary. [online].

¹⁵ THE KINGDOM OF DENMARK (2009): Partial Submission of the Government of the Kingdom of Denmark together with the Government of the Faroes to the Commission on the Limits of the Continental Shelf The Continental Shelf North of the Faroe Islands. Executive Summary. [online].

Denmark considers the Lomonosov Ridge, the Gakkel Ridge, the Alpha-Mendelev Ridge Complex and Chukchi Borderland as integral parts of the Northern continental margin of Greenland. The Lomonosov Ridge is marked in the filing as “a sliver of continental crust” and “seafloor high”. The Gakkel Ridge is considered to be “an active, ultra-slow seafloor spreading ridge”. The Alpha-Mendelev ridge complex is “a volcanic plateau” and it has proposed that it is “an oceanic plateau containing remnants of continental material”. The submission further states that the Alpha-Mendelev Ridge Complex and Chukchi Borderland are morphologically continuous with the land mass of Greenland, however, the data do not provide for their classification as “submarine elevations”, which would be a component of the continental margin.

2.3 Canada

Canada in its submission in respect of the Arctic Ocean (2019) asserts that Canada's continental margin in the Arctic Ocean is part of a morphologically continuous continental margin that includes a number of extensive seafloor highs. These include the Central Arctic Plateau (Lomonosov Ridge, Alpha Ridge and Mendelev Rise), which forms a submerged extension of the Canadian mainland. Geological and geophysical evidence further demonstrates that the Central Arctic Plateau is continuous with the Canadian mainland and as such is a natural part of its continental margin. It does not explicitly (unlike the Russian Federation or Denmark in their submissions) comment on the nature of the aforementioned seafloor heights.¹⁶

In 2022, Canada submitted to the Commission an addendum to its original submission. It covers an additional area of continental shelf extending beyond the limits provided for in that partial submission, encompassing the full length of the Central Arctic Plateau.

Addendum states that the Central Arctic Plateau is considered a “seafloor elevation” in the context of Article 76 and the Scientific and Technical Guidelines of the Commission on the Limits of the Continental Shelf.¹⁷

2.4 Iceland

Iceland in submission in respect of the area of the Ægir basin and the western and southeastern parts of the Reykjanes Ridge (2009) considers the Reykjanes Ridge to be an integral part of the extension of its mainland territory because there is continuity in terms of morphology, geological origin, and history with Iceland.¹⁸

Subcommission considered that the region is part of the continental margin of Iceland for the purposes of article 76. While some members of the Commission in recommendations (2006) accepted the consideration of the Reykjanes Ridge as a “submarine elevation”, other members of the Commission arrived at the conclusion that the data and information contained in the Submission did not support its consideration as a submarine elevation. The Commission could not arrive at the conclusion that the depth constraint was applicable and considered that the data in the Submission were inconclusive to support the western and southern parts of the Reykjanes Ridge as a natural component of the continental margin of Iceland. The Commission decided to recommend only those fixed points in the western part of the Reykjanes ridge constituting the outer limits of the continental shelf that are located within 350 NM from the baselines of Iceland. In the western part of the Reykjanes Ridge, the outer limit of the

¹⁶ GOVERNMENT OF CANADA (2019): Partial Submission of Canada to the Commission on the Limits of the Continental Shelf. Executive Summary. [online]

¹⁷ GOVERNMENT OF CANADA (2022): Addendum to the Partial Submission of Canada to the Commission on the Limits of the Continental Shelf regarding its continental shelf in the Arctic Ocean. [online]

¹⁸ ICELAND (2009): Partial Submission to the Commission on the Limits of the Continental Shelf pursuant to article 76, paragraph 8 of the United Nations Convention on the Law of the Sea in respect of the Ægir Basin area and Reykjanes Ridge. Part I. Executive Summary. [online].

continental margin beyond 200 NM is based on fixed points 60 NM from the foot of the continental slope. One fixed point is located on the 200 NM line of Greenland's exclusive economic zone.¹⁹

Based on the above, Iceland submitted in 2021 a Submission in respect of the western, southern, and southeastern parts of the Reykjanes Ridge containing additional information supporting the argument that the Reykjanes Ridge is a natural part of Iceland's continental margin due to its geological connection to its mainland territory.²⁰

From the perspective of Reykjanes Ridge classification, recommendations in respect of Bouvetøya (Norway) from 2019²¹ are important for Iceland. They can be considered an important precedent which bears strong similarities to the circumstances on Reykjanes Ridge. The recommendations acknowledge that a divergent plate boundary geologically classified as a mid-oceanic ridge, which is under strong influence from hotspotridge interaction, can constitute a submarine elevation that is a natural component of the continental margin in the sense of article 76 (6).

Kunoy (2017) states that according to the Recommendations in respect of Wallaby Composite High and concerning the Reykjanes Ridge, it is not clear what geological data are relevant to the Commission.²²

Conclusion

The possibility of extending the continental shelf of coastal states also depends on the issue of classification of seafloor features. Indeed, Article 76 of UNCLOS defines 3 types of underwater formations and, according to them, determines the possibility of extending the outer limit of the shelf:

- 350 NM for submarine ridges,
- for submarine elevations that are part of the continental margin, it is possible to choose from two constraints – 350 NM from baselines or 100 NM from the 2,500 m isobath,
- 200 NM for oceanic ridges, as they are part of the deep ocean floor that the shelf does not include.

In the submissions of the states to the Commission for the Limits of the Continental Shelf, we can observe an effort to classify submarine highs as submarine elevations. This is due to the shallowness of the Arctic Ocean, which reaches a distance 350 NM from the baselines before reaching a depth of 2,500 meters (which are the maximum constraint lines specified in UNCLOS). The state can choose the one which is more favorable.

The Commission bases its recommendations to the submissions on morphological continuity and geological composition, but it is not always clear which criteria will be relevant to the Commission. Granting the status of a submarine elevation, however, does not automatically mean acknowledgment of the claim of relevant state that filed the submission to the Commission.

¹⁹ COMMISSION ON THE LIMITS OF THE CONTINENTAL SHELF (2016): Summary of Recommendations of the Commission on the Limits of the Continental Shelf in regard to the Submission made by Iceland in the Ægir Basin Area and in the Western and Southern Parts of Reykjanes Ridge on 29 April 2009 [online]

²⁰ ICELAND (2021): Revised Partial Submission to the Commission on the Limits of the Continental Shelf pursuant to article 76, paragraph 8, of the United Nations Convention on the Law of the Sea in respect of Reykjanes Ridge. aPartaI.aExecutiveaSummary.[online].

²¹ COMMISSION ON THE LIMITS OF THE CONTINENTAL SHELF (2019): Summary Of Recommendations Of The Commission On The Limits Of The Continental Shelf In Regard To The Submission Made By Norway In Respect Of Bouvetøya And Dronning Maud Land On 4 May 2009 [online].

²² KUNOY, B. (2017): Assertions Of Entitlement To The Outer Continental Shelf In The Central Arctic Ocean. In: The International and Comparative Law Quarterly, Vol. 66, No. 2 (APRIL 2017), pp. 367-409.

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PRESENT OF THE MIGRATION POLICY OF THE EUROPEAN UNION

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Abstract: Application of the migration and asylum policy is currently one of the most watched processes of the effectiveness of the EU instruments for solving the crises that the EU is going through. The aim of the article is an attempt to compare the possible causes of the migration crisis from 2015 with the current migration wave and describe the consequences of the increase in migrants in the EU member states. A significant indicator is illegal migration to the EU from third countries based on statistical analysis by country of origin and the number of asylum seekers in some EU member states. In the article, we point out the differences of opinion on EU migration policy from the point of view of the needs of the labor market and the demographic development of the EU. We point out that the causes of both migration waves are different, and at the same time we can observe the effects of migration from a social and economic point of view over time.

Keywords: European Union, migration and asylum policy, free movement of persons

JEL: J21, K37, F22

Introduction

Since the beginning of the new millennium, the European Union has been going through not only crises, but we can note that almost disasters, and that in very short intervals. Some of these events are repeated or continue to exist latently. Only their consequences are covered by other crisis's phenomena in a short period of time. We try to evaluate some crises as black swans¹ (based on Taleb's theory) as unexpected phenomena, but upon closer examination, we find that certain signals of existence were there, but for unknown reasons these signals were either not accepted or were not communicated clearly enough by the relevant actors of "European" policies. Problems with migration, especially illegal migration, continue to manifest themselves continuously in certain EU member states even after 2015, they just don't receive as much media attention as e.g. war in Ukraine. Also, the covid disease represented a certain limitation for the migration of not only our own citizens, but also the robustness of migration from third countries decreased. Migration, primarily illegal, currently affects not only the traditionally buffer states of the EU (Italy, Greece) forming the external border of the EU, but also states through which a significantly smaller number of illegal migrants penetrated in the recent past (Slovakia, the Czech Republic), even nowadays we encounter the term "transit" migrants.

1 Migration and asylum policy of the EU

When describing the migration and asylum policy of the EU, we based on the legislative regulation of the EU migration policy (so-called Schengen Agreement) and asylum policy (so-called Dublin Regulations). The legislative regulation of both policies within the Slovak Republic drawn from the database of EU and SR legislation EUR - lex and Slov-lex and professional publications focused on legal, economic, social, political and security aspects of

¹ TALEB, N.N. (2011). Černá labuť.

migration. The basis for the application of EU regulations was the statistical database of the EU - Eurostat, which are an empirical indicator of migration waves primarily to the EU from third countries and the demographic structure of migrants, too. When writing, we used other professional literature in print form and articles from internet sources, mainly published after 2016, which capture and analyze the causes and consequences of the migration crisis from 2015. This gives us the possibility of comparison with certain phenomena - e.g. analysis and causes, and in some cases also impact, of the current wave of migration to the EU.

From the criteria and specifications of migration according to Abraham² we identify migration in terms of time (irreversible, temporary, pendular), in terms of causes, according to forms (organized, unorganized), consensual and forced, and it can be also classified according to the motives and interests of migrants. However, the most common criterion for the classification of migration in the context of EU migration policy is the legality of migrants' stay. According to this criteria we divide migration into legal and illegal, while the mentioned classifications also create the context of the current situation. The definition of the terms migration and asylum is enshrined in primary EU law in the Treaty on the Functioning of the EU, which talks about the so-called area of freedom, security and law.³

Basic legal aspect of migration policy is the so-called The Schengen system, which was created on the basis of the intergovernmental cooperation of the gradually forming EU in 1985 by signing The Schengen Agreement, which was transformed into the so-called of Schengen II from 1995.⁴ The basic conditions of entry are summarized in the following conditions:⁵

- a valid travel document with a sufficient period of validity
- visa, if required
- enough financial resources to stay in the given territory, but also to return to the country of origin
- the person must not be registered in the Schengen information system as an undesirable person

The adjustment of migration law pursues goals such as ensuring the security and economic interests of the state, solving the problems of demographic development, supporting economic growth, labor requirements and the competitiveness of the economy.⁶

The right of asylum is based on international obligations in the field of human rights and humanity. Primary law - Treaty on the Functioning of the EU, Article 78 refers explicitly to the Geneva Agreement of 1951.⁷ The basic instrument of the asylum policy is the so-called Dublin Convention. This convention sets out the principles and mechanisms for deciding which EU member state is responsible for examining an asylum application. . This convention also went through its development from the so-called Dublin I to the currently valid Dublin III, in which better protection is provided to applicants until their status is determined. At the same time, this regulation creates a new system for early detection of problems in national asylum

² ABRAHÁM, M. (1991) : Demografia, pp. 119-120.

³ CONSOLIDATED VERSIONS OF THE TREATY ON EUROPEAN UNION AND THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION.

⁴ THE SCHENGEN ACQUIS - Convention implementing the Schengen Agreement of 14 June 1985 between the Governments of the States of the Benelux Economic Union, the Federal Republic of Germany and the French Republic on the gradual abolition of checks at their common borders

⁵ BOLEČKOVÁ, M. (2010): Migrační politika, p. 62.

⁶ CHRISTIAN, SCH. H. (2016): Vymezení migračního práva vůči azylovému právu in Aktuální právní aspekty migrace, p. 23.

⁷ CONSOLIDATED VERSIONS OF THE TREATY ON EUROPEAN UNION AND THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION.

and reception systems and for addressing their root causes before they develop into large-scale crises.⁸

In September 2023, the EU adopted a document entitled Communication from the Commission New Pact on Migration and Asylum⁹. This document is a response to the migration crisis and the main articles of which are the creation of a common European framework for managing migration and asylum. An essential factor is the new procedure for quickly determining the status of a migrant upon arrival. The main identification feature will be fingerprints, which will be entered into the EURODAC database, and other actions that will be carried out for identification, e.g. state of health, even before entering the EU territory. The biggest controversy is caused by the part of the pact called the Common Framework of Solidarity and Sharing of Responsibility, which assumes a certain degree of solidarity between EU member states, which in practice means the redistribution of migrants according to certain quotas. Other parts of the document specify all existing tools for the application of the protection of the EU's common borders, including an effective return policy. Permanent redistribution mechanisms for the redistribution of migrants began to appear in 2015, when the EC presented this mechanism for 40,000 migrants, which of course was a very underestimated estimate, and these numbers gradually began to increase.

The fact is that migrants will be allocated without the consent of the internal power, without this power being able to tell about their numbers, without which country they are from, without from which civilization environment they come, without taking into account the needs of the labor market and the social system, without the safety of its citizens and others key interests, such an idea has a threatening and even dystopian dimension.¹⁰ From the point of view of the so-called of the Schengen area, this idea is really utopian, because it is not realistically possible to restrict the movement of migrants after entering the EU area, as long as they obtain a certain status (it is not resolved which?).

2 The current situation of migration to the European Union

Moral attitudes towards migration are misleadingly linked to attitudes towards poverty, nationalism and racism. Rational discussions about migration policy are only possible if we set aside such perceptions.¹¹ Defenders of mass migration use two supposedly rational arguments to justify it. First, Europe has a labor shortage and second, Europe is dying out and has a demographic problem.¹²

The migration crisis of 2015 tested both legal systems – the migration policy of the EU and the asylum system of the EU member states. The reason for the extraordinary increase in migrants to the EU was political events related primarily to the war conflict in Syria and the so-called Arab Spring, i.e. political movements in the states of North Africa, especially in Tunisia and Libya. In the first wave of migration, groups of migrants – humanitarian migrants – refugees, migrants - asylum seekers or economic migrants were not clearly identify. In general, migrants were perceived as refugees from Syria, while Table 1 shows that migrants from Syria made up only a quarter of asylum seekers.

⁸ REGULATION (EU) No 604/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013 establishing the criteria and mechanisms for determining the Member State responsible for examining an application for international protection lodged in one of the Member States by a third-country national or a stateless person (recast).

⁹ EURÓPSKA KOMISIA: Oznámenie Komisie nový pakt o migrácii a azyle.

¹⁰ BŘICHÁČEK, T.(2016): Unie ve víru migrační krize, p. 140.

¹¹ COLLIER, P. (2017) : Exodus: jak migrace mení náš svět, p. 15.

¹² ROŽŇÁK, P., KUBEČKA, K. a kol. (2018): Země Visegrádu a migrace, p. 195.

Table 1 Number of asylum seekers by country of origin in 2015 and in 2022

<i>Country of origin</i>	<i>2015</i>	<i>2022</i>
Syria	362 775	131 970
Afghanistan	178 230	113 495
Iraq/ Venezuela	121 535	50 050
Others	593 100	493 570
Together	1 255 640	881 220

Source: EUROSTAT, 2023

In 2022, the number of asylum applications in the EU began to increase dramatically again, up to 64% year-on-year, even though it has not yet reached the peak of 2015 (or 2016). This number also includes repeated applications and asylum, but this has also been the case in previous years. Despite the war in Ukraine, the number of asylum applications of Ukrainian citizens was in 12th place. Eurostat's monthly statistics from the beginning of 2023 show that the average number of asylum seekers is around 90,000,¹³ which indicating that the number of asylum seekers will be close to the level at the end of 2015. The number of asylum seekers from Syria in 2022 has decreased by a third, but the number of asylum seekers from other countries is down from the peak in 2015 by only 100,000 applicants. So, they are probably not asylum seekers for humanitarian reasons, because they are primarily citizens of Syria. Slovakia is in 27th place in this statistic, Hungary is in 28th place, which means that Slovakia is only a transit country and not a destination country for asylum seekers.

In addition to detected asylum applications, the number of illegal border crossings also increased significantly in 2015, as not all migrants applied for asylum. These numbers of illegal crossings are not complete, because especially migrants who swam may not be caught immediately after crossing the sea border, or when entering the mainland. While 126,423 illegal border crossings (by sea and land) were recorded in 2020, 200,101 such crossings were recorded in 2021.¹⁴ In 2022, there were 330,000 illegal border crossings, the most since 2016 and a 64% increase on the previous year¹⁵, in the first eight months of 2023, the number of illegal crossings reached 232,350, while the number of illegal crossings on the migration route from the Mediterranean Sea doubled.¹⁶ 80% of asylum applications are made by persons under the age of 35, while the majority are men (70.8%), only in the age category over 65 are women predominant (more than 60%).¹⁷

Among the 20 nationalities that received the most first-instance decisions in 2022, meaning that asylum or subsidiary protection was granted, Syrians had the highest rate of applications being recognized, at 93%. They were followed by Ukrainians (86%) and Eritreans (84%).¹⁸ So practically, every applicant for a certain form of international protection originating from Syria was successful in the proceedings.

¹³ EUROSTAT (2023): Asylum and first time asylum applicants - monthly data.

¹⁴ FRONTEX (2022): Risk Analysis 2022/2023.

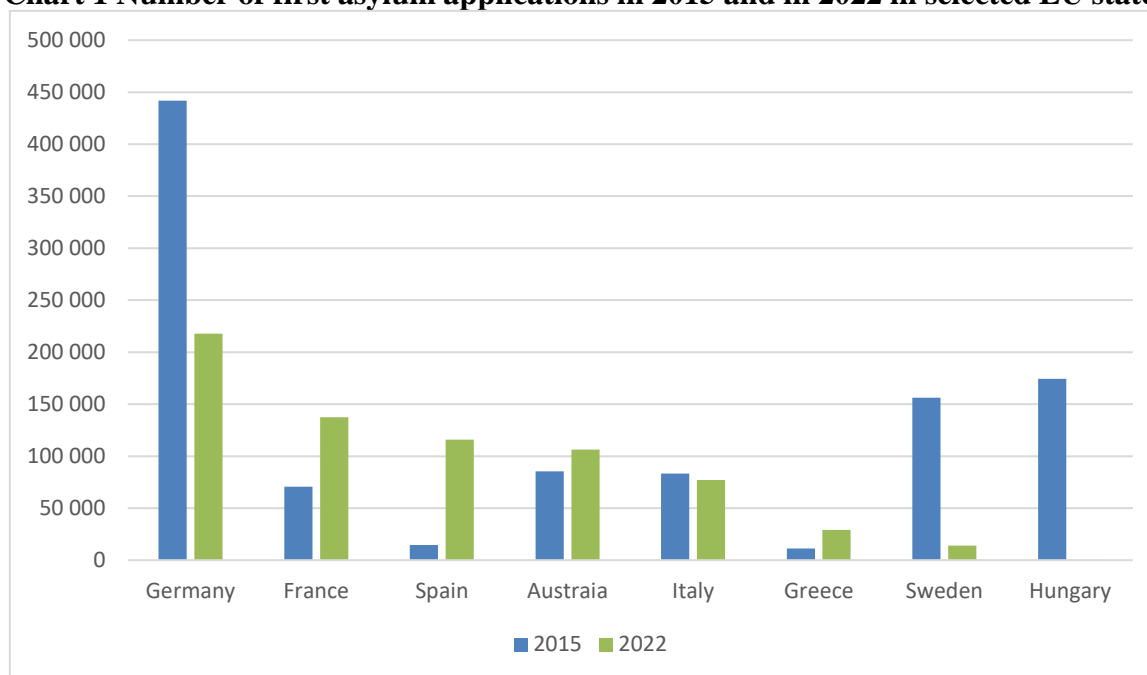
¹⁵ FRONTEX (2023) : Frontex EU's external borders in 2022: Number of irregular border crossings highest since 2016.

¹⁶ FRONTEX (2023): Central Mediterranean accounts for half of irregular border crossings in 2023.

¹⁷ EUROSTAT (2023): Annual asylum statistics .

¹⁸ EUROPEAN UNION AGENCY FOR ASYLUM (2023): Asylum Report 2023: Executive Summary, p. 22.

Chart 1 Number of first asylum applications in 2015 and in 2022 in selected EU states



Source: Eurostat, 2015; Eurostat, 2023

Most migrants applied for asylum in Germany, while Germany is not a buffer state that would have external borders with migration waves like theirs, as e.g. stated by Břicháček.¹⁹ Germany decided to use the so-called sovereignty clause²⁰ or humanitarian reasons, it began to process requests for international protection of all Syrian citizens, regardless of which country they entered the EU through. The statements of the then Chancellor Angela Merkel also contributed to the "invitation" of potential migrants, which directed the flow of migrants to Germany, Sweden and Hungary. At the same time, on the basis of this principle of which the so-called Dublin Regulation (EU Regulation 604/2013) works, was violated significantly when these migrants were transported directly to Germany by train. The migration situation in 2015 pointed out the weaknesses in the application of not only the EU migration policy, but also the limits of the asylum procedure in those member states that are most attacked by the influx of migrants.

Illegal migration is related closely to the abuse of asylum processes. In the context of the Schengen area, a dangerous combination is created for the free movement of those migrants who have applied for some form of international protection, but they are not interested in the result of this procedure. Because the member states don't have the opportunity to obtain verified information about the migrant and thus they can move freely throughout almost the entire territory of the EU and other states forming the Schengen area.

In 2023, the Slovak Republic became the target of illegal migrants to a significantly higher extent than in 2015, and it was in this context that the term "transit migrants" began to be used, which in itself does not make sense considering their subsequent practically free movement on the territory of the Slovak Republic. In the context of the Act no. 480/2002 on

¹⁹ BŘICHÁČEK, T.(2016): Unie ve víru migrační krize, p. 19.

²⁰ REGULATION (EU) No 604/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013 establishing the criteria and mechanisms for determining the Member State responsible for examining an application for international protection lodged in one of the Member States by a third-country national or a stateless person (recast), Article 17.

asylum, Criminal Code of the Slovak Republic²¹ and the Schengen Agreement, such a situation is unacceptable and fundamentally illegal. Most of the captured illegal migrants did not have any identification documents with them (of course, not even education documents), but if they were from Syria, there is a high probability of being granted asylum. It is also not known that they applied for this asylum in the Slovak Republic.

Conclusion

Currently, the migration policy of the EU is once again on the list of problems that the EU must urgently solve. Especially illegal migration causes problems for the population of the "receiving" EU states. It is an undeniable fact that the number of migrants, and thus asylum seekers and, with it, illegal migrants, is increasing and statistically approaching the values of 2015. Today it is clear that the majority of migrants are not running away from something, but for something. It is necessary to admit honestly that the vast majority of migrants are so-called economic migrants, which follows from the statistical analyzes presented in the article, while migrants go to EU member states with the highest standard of living and which provide the most favorable social benefits.

The gender and age structure of migrants does not meet the expectations of the advocates of improving the demographic structure - mainly young men and a minimum of women migrate to Europe. In the future, the EU primarily needs to improve the ratio between the economically active population and the ratio of senior citizens. At the same time, the gradual decline of the EU population also has several potential advantages - e.g. growth of the share of GDP per capita, therefore this argument for migration has no justification.

The second argument for mass migration – the lack of labor force, especially highly qualified, is refuted easily. None of the available statistics track the level of education of migrants or expertise. It is a well-known fact that almost all migrants do not have identity documents and therefore no education documents, not to mention that the process of nostrification of education documents in the EU also has its own rules and is quite complicated for graduates of educational institutions from third countries.

When evaluating the current situation with illegal migration, we note that the number of illegal migrants is close to the state of the migration crisis of 2015. If we return to the black swan theory - we simply cannot accept the current situation with migration as unexpected and surprising, the EU should learn from which she neglected before and after 2015.

The EU has a qualified instrument called FRONTEX, which should provide a preventive service, not only an intelligence service for other security forces of the member states, but also to strengthen their repressive forces in suppressing illegal migration. Also, the European tool for identifying migrants based on EURODAC fingerprints is effective in the movement of migrants within the EU.

On the other hand, it would be fair to analyze the consequences of migration in the countries from which the migrants come, especially the economic and social consequences. Physically well-prepared young men go on the migration route, which probably does not improve the demographic development in the EU, but at the same time brings its consequences in the countries of their origin. It is also necessary to focus on the conditions in which migrants are during the administration of their stay or their return to the country of origin and their further integration into the society of the receiving country. However, the description of this side of the migration was not the purpose of the article.

The consequences of migration to the host country are social, economic, political and security. Given that a time has passed since 2015, which is long enough for partial evaluations,

²¹ Zákon č.480/2002 Z. z. o azyle v znení neskorších predpisov, zákon č. 300/2005 Z. z.trestný zákon v znení neskorších predpisov.

it is necessary to analyze the effectiveness of EU migration policy instruments as well as its consequences in all areas of impact without false political and cultural-ethical overtones. The current wave of migration to Europe is not a black swan, and if - we need to learn from the previous one according to this theory.

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SELECTED AREAS OF CHANGES IN THE GLOBAL GAS MARKET

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Abstract: This article characterizes the global gas market and focuses on the largest importers and exporters of this commodity. Article focuses on the geopolitical changes that affect the gas market. We describe the distribution structure and its future shape. We focus on the three main regional gas markets, namely European, Asian and North American. The main objective of this article is to highlight the influence of globalisation to the gas market, and show the impact of geopolitical events on the main characteristics of the gas market. We want to raise awareness of gas geopolitics importance, as it directly affects every citizen in the form of high energy prices. The method of analysis, synthesis and the comparative method were used in the writing process.

Keywords: Globalization, European Union, International Relations, Gas, Energy, Liquefied natural gas

JEL: F68, F5, F00, P18

Introduction

Throughout history, geopolitics has always played a fundamental role in the national strategies of states. Nowadays, geopolitics has different definitions depending on the factors of analysis. However, geopolitical analysis usually focuses on the exploitation of natural resources and the impact of geographical characteristics on national and foreign policy. One cannot ignore the importance of the geographical conditions of states as actors in international relations who are able to exploit them and thus can gain a decisive advantage internationally. Energy resources are a key factor in geopolitics. This statement can be substantiated by the fact, that the centres of import and export of energy sources, or transit routes, can have a major impact not only on the international economy but also on politics. It is important to understand energy geopolitics as it has huge impact on the effectiveness of national strategy and on the economic growth of countries and regions. Energy resources have been the driving force of the world economy and are essential, in order to ensure national and global stability and security. With the growing demand for energy, this sphere is becoming more and more relevant, urgent and analyzed. The increase in energy demand has put pressure on energy markets and is emerging as one of the factors increasing geopolitical tensions between fossil fuel exporting and importing countries. At the same time, risks and threats to energy security and the vulnerability of transit infrastructures are escalating. Energy resources are changing geopolitical realities and can be a source of power, control or influence in the exact same way as they can represent vulnerabilities for states. Resources can promote economic growth and prosperity or negatively affect the economic instability and decline of countries.

Geopolitical changes in the energy market

The contemporary world is centred on a multitude of geopolitical issues. Attention is mainly focused on the confrontational line currently being drawn on the Euro-Asian continent, namely with our immediate neighbour, Ukraine. This conflict will fundamentally affect the future development of geopolitics and the global economy. The geopolitical changes that we

are witnessing outline fundamental changes in the international reorientation of the world powers and highlight the power of the megatrends that we encounter in our daily lives, which are directly linked to energy geopolitics. Among those changes we witness the strengthening of economic ties between Russia and China, Russia and India, and also Pakistan, as evidenced of the cooperation of these countries in building energy infrastructure and the strengthening of their import-export relations. We also see Europe's interest in eliminating its dependence on Russian gas supplies and its substitution by the norwegian, caspian, algerian and LNG supplies. We also recognize the desire of the USA to transport as much liquefied natural gas (LNG) as possible to the other markets, especially to the global demand leader of LNG- Asia Pacific. This region may be pivotal for the US energy policy, as it is declaring new shape of the energy market, new trade rules and market mechanisms. From the statements mentioned above, we may state, that the global gas market is changing, and its previous arrangement is being reshaped. Energy is an essential resource for the daily functioning not only of individuals but also of communities, countries and world societies. The energy sector also includes the gas sector, which plays an indispensable role as a transitional fuel towards a green society¹. As we have recently witnessed meteoric rise in gas prices on the European energy market, we have been able to understand, how every household may be affected by the volatility of the gas price and how the lack of diversification of resources and the dependence on this commodity may be dangerous. Gas is perceived by some countries as a mean of enforcing their geopolitical position and power, which shows the importance of this commodity and encourages us to study the issue more intensively.

Characteristics of the global gas market

The importance of natural gas is growing globally. Due to its potentially clean and safe nature, natural gas is characterised as a transitional fuel² and is therefore an important part of the global energy system in the transition to green energy, as confirmed by the European Union's position. Natural gas is a multi-purpose raw material. In addition to its heating properties, countless other applications have been added since the days of ancient China or the lighting of industrial Europe. Natural gas is currently used in three main areas: the domestic and commercial sectors, in the industry and for the electricity generation.

Natural gas is nowadays one of the fastest growing primary energy sources. Global gas demand is forecast to grow by 10% between 2021 and 2030³, with the Middle East and China leading the way. Demand, in general will increase mainly in the energy and industrial sectors⁴. Growth will continue to rise due to the oil prices, green energy policies, electricity demand and rising consumption in Asia. The claim that gas will replace coal as the most important source of energy over the next three decades, potentially affecting the share of oil in many industrialised countries, is no longer an illusion, but rather an energy plan. We have seen many changes in the gas sector over the last two years. Whereas natural gas was once sold in separate regional markets, it is now transported across oceans for consumption in different parts of the world and for a wide range of industries. When talking about geopolitics and the global gas market, some geopolitical analysts view the interaction between states as a zero-sum game. Countries are trying to acquire more territory, resources, to achieve more power and to improve country's importance on the global scale. In such decision-making, relative gain is crucial. In this sense, gas geopolitics brings about various situations of disagreement, threats and possible confrontations between states seeking to acquire energy resources at the expense of others. Leading energy experts (such as David Victor, Amy Jaffe, Mark Hayes and others) work with

¹ STRAUSS, M. (2022): EU declares nuclear and gas to be green.

² STRAUSS, M. (2022): EU declares nuclear and gas to be green.

³ FULWOOD, M.(2023): A New Global Gas Order? (Part 1):The Outlook to 2030 after the Energy Crisis.

⁴ FULWOOD, M.(2023): A New Global Gas Order? (Part 1):The Outlook to 2030 after the Energy Crisis.

a broader understanding of geopolitics. For them geopolitics is not just a competition for large territories or resources, but also the opportunity to benefit from the cooperation with other states. They state that the interaction of international players is influenced by a wide range of factors such as geography, culture, demography, economics or technology. When a competitive gas transmission route is decided on the basis of parameters mentioned above, the costs and benefits are shared among countries and are not directed to just one participant of the project. A country that imports energy resources (such as Slovakia) puts part of its energy security system into "foreign" hands. Thus, exporters depend on a stable political environment in order to transport their gas safely through the pipeline and importers need safety guarantees of transporting the energy media they need for their own consumption. Both thus contribute to the political stability of the other. The "geopolitics of gas" means not only the strengthening of a state's global position, but also the political actions of the parties (government, investors, etc.) that decide which (gas) project for example will be implemented, how profits will be distributed, and what risks of dependence will be perceived from international gas trade. However, before trading of the commodity, it must be imported or exported first.

The largest importers of natural gas include China, Japan, Germany, the USA, Italy, and Mexico⁵. Within the world's major economies, it ranges from less than 10% to around 50% for India, China and Russia⁶. In terms of natural gas production for 2020, the US leads with nearly 948 billion cubic meters, followed by Russia (693 billion cubic meters), Iran (253.8), China (204.8), Qatar (184.9), Canada (158.3), and Australia (153.6 billion cubic meters)⁷. The problem is that many of the world's leading natural gas exporters are located far from major consumer markets, e.g. Qatar, Australia. Natural gas is the world's third largest energy source after oil and coal. In 2022, gas accounted for more than 20% of the world's total electricity generation⁸. Growth in 2015-2040 is expected to occur in all regions of the world and consumption of gas is developing globally. For example, Asian demand is expected to grow 2.5-fold, leading to an increase in the region's share of world gas consumption - from 14% in 2015 to 24% in 2040, almost doubling, to 250 bcm⁹. Gas consumption in African countries will increase, mainly due to demand in the gas-producing countries themselves, with no intra-regional trade expected to develop. Gas consumption in the Middle East, where gas primarily replaces oil and is used in the power sector (including for water treatment and desalination), will increase by a factor of 1.5, or 250 bcm, including a 150 bcm increase in gas consumption in Iran¹⁰. In South and Central America, as the economy grows, most of the increase in energy consumption will come from gas. As a result, gas consumption in the region will increase by a factor of 1.7, approaching if not exceeding 300 bcm¹¹. Conversely, in the post-Soviet countries, with their high gas intensity, the growth in gas consumption will slow down, the increase in 2015-2040 will be around 13%¹². Forecasts of future gas consumption are strongly linked to the question of whether there will be sufficient gas reserves. Global natural gas reserves are estimated to last about 52 years¹³. Until then, the EU has committed to carbon neutrality under the adopted "Green Package"¹⁴, and many countries are expected to follow its steps. Apart from that, the volume of gas reserves tends to grow. With the removal of economic and political

⁵ OEC (2023): Natural gas in gaseous state.

⁶ OUR WORLD IN DATA (2022): Share of primary energy from gas.

⁷ STATISTA (2020): Leading countries based on natural gas production in 2020.

⁸ INTERNATIONAL ENERGY AGENCY (2023): Global electricity demand growth slowed only slightly in 2022 despite energy crisis headwinds.

⁹ ERIRAS (2022): Mirovye gazovye gorizonty do 2040 goda.

¹⁰ INTERNATIONAL ENERGY AGENCY (2020): 2021-2025: Rebound and beyond.

¹¹ STATISTA (2023): Dry natural gas consumption in Latin America from 2018 to 2020 with forecast until 2024.

¹² ERIRAS (2022): Mirovye gazovye gorizonty do 2040 goda.

¹³ WORLDOMETER (2023): World Natural Gas Statistics.

¹⁴ EUROPEAN COMMISSION (2020): A European Green Deal.

barriers in the areas of occurrence and the use of the latest technologies, additional reserves are likely to be discovered. Reserves from countries such as Nigeria or from permanently frozen areas (such as the Arctic) may make a significant contribution to the future gas production. Because of the increase in production and the desire to reduce countries dependence on gas imports, countries are trying to find production from new sources such as shale. Shale gas is natural gas found in shale deposits and pores. Such gas is found at great depths (1.5-6km)¹⁵ and its extraction uses hydraulic fracturing or fracking, which is energy intensive and non-environmental as it requires large volumes of water.

The development of distribution infrastructure is very important for gas producing countries. This also has certain geopolitical implications and contexts. Russia accounts for the largest share of total proven natural gas reserves (25.5%)¹⁶. Iran and Qatar account for more than 30%, while the USA accounts for 3.4%¹⁷ of world natural gas reserves. Thus, more than half of the world's gas reserves are in three countries and almost 3/4 of the world's reserves are in the Middle East and post-soviet countries. These are areas far from the main sales points, especially in countries where gas demand is expected to grow fastest in the future. The need to create infrastructure that connects supply areas with consumers is seen as one of the main constraints to global gas consumption. As most of the world's reserves are located in areas where there is no tradition of legal and political stability, or gas is used as a kind of weapon to achieve political objectives, attracting investors is more difficult. Consequently, without investment, there will be no infrastructure; without transportation routes, natural gas will not enter the path of full globalisation. As it was already mentioned, more than half of the world's gas reserves are located in three countries: Russia, Qatar and Iran. This reinforces consumers fears of disruption to vital gas supplies due to the potential monopoly of key exporters on the supply of raw materials. Traditionally, gas has been transported only through pipelines. Such physical constraints have made gas markets regional and less flexible to adapt. Markets have been essentially monopolistic and thus closed. At the beginning of the 20th century, the merger of gas and power companies resulted in the formation of large energy companies that combined gas production, transmission and distribution. This is why there is a desire for liberalisation, competition and market openness in the modern gas market. The essence of liberalisation is the removal of monopolies. Liberalisation should create a competitive environment and improve economic efficiency. An open market does not necessarily mean a fall in gas prices, but it will lead to an efficient allocation of resources, capacity and investment. It may also strengthened energy security. In liberalising the gas market, we must also remember the nature of the contracts between gas exporters and importers. In the past, the gas market mainly involved long-term contracts. We are talking about contracts for 10 years or more, for certain volumes of gas supply (for example, in 2008 SPP signed a 20-year contract with the Russian company Gazprom for the supply of natural gas¹⁸). However, the share of short-term contracts (especially for LNG, purchase and sale contracts) is steadily increasing. Thus, contractual relations and their nature are also changing and partly becoming more complicated, contributing to changes in international gas trade.

A key attribute for a liberalised gas market is to have a well-developed infrastructure network. There are two main ways of transporting gas from producers to consumers: via pipelines or in the form of liquefied gas transported by ships. The two modes of transport have both common and distinct characteristics. They have in common their capital intensity, the length of their construction and the return on investment, which starts long after the start of operations. However, unlike LNG, gas transported by pipeline is more efficient for short-

¹⁵ GEOLOGICAL SURVEY OF SWEDEN (2020): Shale Gas.

¹⁶ OECD (2020): Fossil fuel support: Country note, Russia Federation.

¹⁷ WORLDOMETER (2023): World Natural Gas Statistics.

¹⁸ SITA (2012): SPP sa podarilo podpisat' dodatok k zmluve Gazprom.

distance transmissions. It should also be noted that this mode of transport links suppliers and consumers, which requires a certain degree of mutual trust. LNG transported by ships is a more flexible transport option than via pipelines. Shipping allows trade with different and distant destinations, which increases the geopolitical importance of natural gas. Where once distant natural gas markets were inaccessible, such a barrier disappears in the case of LNG transport.

Transportation, production as well as the geopolitical situation on the gas market influence the gas price. It is therefore one of the key indicators of the gas market situation. We can take an example. Gas prices in Europe have risen very rapidly in winter 2022 (up to 192 eur/MWh¹⁹), compared to 3,63eur/MMBtu(Milion British Thermal Units)²⁰=12,38eur/MWh in the US. The price of gas in Europe has been significantly affected by Russia's decision to restrict gas supplies to the European Union, the explosion of the Nord Stream II pipeline and the EU's decision to move away from Russian gas supplies.

Transportation of gas leads us directly to the international gas trade. Globally, we can talk about three main regional markets: the European, Asian and North American. The geographic centre of the global gas market is expected to shift to Asia, linked to an increase in demand in the region and a decline in consumption in North American and Europe. Until the last year (before the war in Ukraine), the European gas market was dominated by pipeline gas supplies, mainly from Russia, which accounted for more than 40% of EU gas imports²¹. Such a share of imported gas was main concern to Europe's energy security. Even though in 2023 the share of russian imported gas to Europe is only 15%, ENTSO-G²² declares that Europe will be unable to meet gas demand without Russian supply in the event of an exceptionally cold winter (in its winter outlook, it considers a reference scenario based on estimates provided by the TSOs, as well as separate 'cold' scenarios that assume the highest winter demand since winter 2009-10 at a country level). Europe is known by deep integration and the desire to diversify its energy supplies. It's main intention in energy field is to cut its market off from Russian gas. This desire is motivated by the fear of Russia's weaponisation of its energy media and motivation of cutting Russia's benefits from gas exports. The European Commission expects the EU's combined Russian pipeline gas and LNG imports to be roughly 40-45 bcm this year. In the current situation, the EU could continue to rely on spot LNG purchases to meet its gas demand needs if more long-term contracts are not signed, according to the International Energy Agency's World Energy Outlook report. Gas consumption in the bloc will likely fall in the coming years, mostly because of increased renewables capacity. But unless more long-term contracts are signed, Europe could continue to need to buy 160-180 bcm/y of gas on spot markets to meet demand. On a wider scope, the agency said that the "golden age of gas", referring to a period of rapid demand growth since 2011, is now over. The North American market is largely self-sufficient. Cross-border pipeline trade between Canada and the US, together with the countries own production, can ensure total consumption of the region. Thus, the supply of natural gas that exceeds demand in North America allows for the growth of U.S. natural gas exports. This oversupply of natural gas provides Canada and the U.S. with the flexibility to supply natural gas to other regions that rely heavily on LNG, including China, Japan and South Korea²³ From highly export oriented North American region we have contrasting Asian market, that is characterised by a high demand for LNG, which is not a surprise given the main characteristics of the region (many island states, few gas reserves of its own).

¹⁹ ENERGY MONITOR (2023): Weekly data: European gas price lowest since the start of the energy crisis.

²⁰ U.S. ENERGY INFORMATION ADMINISTRATION (2023): Henry Hub Natural Gas Spot Price.

²¹ DG ENERGY (2022): Quarterly report On European gas markets.

²² ENTSO-G (2023): Winter supply outlook.

²³ GLOBAL DATA (2022): North America Natural Gas Market Outlook By Supply And Demand, Production Breakdown And Trade Activity.

Uncertainty in the global economy is expected to increase in the near future and oil and other fossil fuel prices are expected to remain volatile. Renewable energy is also one of the main drivers of sustainable energy in our time. Renewable energy will continue to be a very important subject in the international market with a high share of solar and wind power, but they won't be able to ensure the whole demand of energy consumption, where the role of gas prevails. The main challenge for the gas market in the coming years is therefore to develop and implement new technologies and innovations that will make it cleaner and more "renewable". Hydraulic fracturing and LNG technology have changed the configuration and scope of the gas trade, and for the first time we are witnessing the emergence of a global gas market that includes new regions.

Conclusion

The current global gas market is beginning to liberalise considerably. The reasons contributing to this are as follows: inter-state relations and geopolitics, changes in contractual relations between importers and exporters (short-term contracts are on the rise), the diversification of transport routes by countries and a significant increase of LNG supplies. As the demand for gas continues to grow, countries must find ways to diversify their transport routes to ensure stable and low prices for this commodity. To achieve these objectives, it is essential to continue to analyse the global gas market and the impact of geopolitics on this commodity.

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NEW EU CRYPTO-ASSETS REGULATION, OVERVIEW AND CHALLENGES¹

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Abstract: The regulation aims to balance the need for consumer protection and regulatory oversight with innovation in the crypto sector. DeFi projects operating in the EU should closely monitor developments related to MiCA and seek legal counsel to ensure compliance with any new regulatory requirements that may arise. In overall, how does the new regulation reflect the real needs of multibillion crypto market?

Keywords: Crypto-Asset, MiCA, Crypto Markets, Crypto Regulation

JEL: E43, E58, G21

Introduction

This paper provides a comprehensive analysis of new legally effective legislation in the EU of crypto-assets and their regulation on financial markets, delving into key aspects of what is Markets in Crypto-Assets Regulation, application of new obligations, key takeaways and challenges posed over markets and supervised entities, mainly banks.

This study is set to identify the potential challenges remaining after adoption of the regulation. Main challenges are focused on needed legislation on decentralized digitalized cryptographic finance and crypto-assets. The study will focus on the areas not addressed in the legal text and will point out missed opportunities to be considered by the policy makers and supervisors.

Methodology

In the first part of the paper, we will introduce aforementioned regulation, list and explain main definitions and objectives of adopted legislation. In the second part we will focus on main issue excluded from the regulation, the decentralized finance applications and connotations of such legislative decision. In the last part of the text, we will introduce analysis of main pitfalls of adopted regulation and suggestions for improvement. For the methodology, we will use legal analysis of regulation and its implications on the market. Concept of the paper dwells in legal analysis, therefore we are not using any comprehensive data for evaluation.

1 Crypto Regulation of European Union

Markets in Crypto-Asset Regulation (MiCA) was presented by the European Commission in September 2021.² In March 2022, amendments were presented by the EU

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² EU Regulation 2023/1113 on information accompanying transfers of funds and certain crypto-assets and amending Directive (EU) 2015/849.

Parliament to the Commission proposal of MiCA.³ The regulation, Markets in Crypto-Assets, hallmark framework for this new instrument in EU was ratified by the Economic and Financial Affairs Council of the EU on 16th of May, 2023. Supervised entities now prepare for its obligations and opportunities.

As for MiCA recitals in its first paragraphs explains, it is important to ensure that EU financial services laws are ready for the digital age, and contribute to a future-proof economy, including by enabling the use of innovative technologies⁴, as for example the distributed ledger technology (DLT). EU expects that many applications of DLT, including blockchain technology, will develop in novelty types of businesses that, together with the crypto-asset market itself, will create an economic growth and new employment opportunities.⁵

Crypto-assets are one of the main applications of DLT, namely blockchain. As MiCA explains, cryptos are digital representations of value or of rights that have the potential to bring significant benefits to market participants. Representations of value include external, non-intrinsic value attributed to a crypto-asset by the parties concerned. This approach however delves in the main risk connected to the money laundering. In the connection, with MiCA another regulation was adopted, which main contribution is strengthening AML/CFT rules within the crypto industry. Transfer of Funds Regulation (TFR), the EU implementation of the Financial Action Task Force (FATF) Travel Rule was adopted. TFR requires crypto business to identify their customers as goes for KYC regimen. Information about the source of the digital asset and its recipient, for example name, account numbers, date of birth and address, must travel with the transaction and be stored on both sides of the transfer.⁶

Main goals of MiCA could be listed in few points. Establishment of legal environment for crypto businesses in the EU would be the main. Hand in hand offering efficiency, legal certainty of industry subjects, supervision and delivering transparency, uniformity and security in the DLT part of finance. As can be found in MiCA Explanatory Memorandum, aim of the regulation is to ensure a state-of-the-art realm for crypto-assets market participants.⁷ MiCA constitutes a regulatory response to the fact that Member States have recently legislated on issues related to crypto-assets leading to market fragmentation. Essentially, MiCA is taking some of the good practices already used in financial market regulations and applying them to the crypto industry. As for the analysis point of view, we find that key objectives of MiCA are: replacing individual legislation found within several EU states with one unifying and effective framework using legal instrument of regulation (and not proposed directive, which application could lead to several regulatory discrepancies within the legal system of EU member states), to set clear rules for crypto-asset service providers and token issuers, and to provide more certainty in the regulation of crypto assets where it is not covered by the existing financial regulations.⁸ For the convenience, we can shortly list few of the industry players affected by the MiCA, as goes for custodial wallets, exchanges for crypto, trading platforms, advisory and consultant firms, portfolio managers.

³ Report on the proposal for a regulation of the European Parliament and of the Council on markets in crypto-assets and amending Directive (EU) 2019/1937.

⁴ The future impacts of MiCAR ‘Top-Up’ on Luxembourg AIFMs [online]. In: AKD.FOLEON.

⁵ MiCA Explanatory Memorandum, 4–5 and ESMA, Advice-Initial Coin Offerings and Crypto-Assets, 9 January 2019, ESMA 50-157-1391.

⁶ Presidency compromise proposal regarding Regulation on Markets in Crypto-assets, and amending Directive (EU) 2019/1937.

⁷ The future impacts of MiCAR ‘Top-Up’ on Luxembourg AIFMs [online]. In: AKD.FOLEON.

⁸ MiCA & TFR: Why you should pay attention to new EU regulations.

1.1 Crypto-assets defined by the MiCA

MiCA in its body focuses on three types of crypto instruments, called crypto assets. Utility tokens (UT) providing access to an existing good or service, enabling the holder to collect the good or use the service, or when the holder of the crypto-assets has the right to use them only in exchange for goods and services in a limited network of merchants with contractual arrangements with the offeror.⁹ E-money tokens (EMT) or electronic money token means a type of crypto-asset that purports to maintain a stable value by referencing the value of one official currency, therefore those are a stablecoins backed by steady financial value of precisely one fiat currency.¹⁰ Asset -referenced tokens (ART) are stablecoins backed by combination of several financial instruments with stable value, within the MiCA it means a type of crypto-asset that is not an electronic money token and that purports to maintain a stable value by referencing another value or right or a combination thereof, including one or more official currencies.¹¹

MiCA defines utility tokens as a type of crypto-asset which is intended to provide digital access to a good or service, available on DLT, and is only accepted by the issuer of that token,¹² therefore they provide access to a specific product or service within a blockchain-based ecosystem. These tokens are not intended as investments but serve as a means of accessing or using a particular platform or application. Regulation of utility tokens can vary significantly from one country to another. In many jurisdictions, utility tokens are subject to existing financial regulations, such as securities laws, if they exhibit characteristics of traditional securities. If a utility token is deemed to be a security, it may be subject to registration, disclosure, and other requirements. It's important to note that the regulatory landscape for cryptocurrencies and tokens, including utility tokens, is rapidly evolving. Some countries have introduced specific regulations or guidelines for cryptocurrencies and token offerings. For example, the United States has the Securities and Exchange Commission (SEC) that plays a significant role in regulating token offerings and determining whether they should be classified as securities.

Electronic money tokens or EMT is a cryptographic token used for exchange and is backed by a single fiat currency. The biggest difference between an asset-referenced token (ART) is that it can only be pegged to one fiat currency, for example, Tether or USDC. As per MiCA, EMTs are to be backed by tangible world assets. E.g. if an issuer issues EUR 100 000 of a Euro-pegged EMT, the issuer would need to have EUR 100 000 (or assets denominated in EUR) stored somewhere, i.e. in a vault or bank account. Like Electronic Money, which holds a one-for-one equivalence, EMTs operate similarly but are based on Distributed Ledger Technology (DLT). With the implementation MiCA of the framework, EMT issuers and providers will be subject to further obligations, such as: The European Banking Authority (EBA) will supervise and regulate all EMTs. EMT issuers will need an Emoney license (falling under the Electronic Money Directive) and a MiCA license to be legally allowed to issue EMTs.¹³ Not to be forgotten, strict capital and prudent obligations will be implemented.

Asset-referenced tokens or ART is a cryptographic token used for exchange. Its value can be pegged to more than one fiat, physical asset, cryptocurrency, or a mixture of all three, as seen with PAX Gold, DIAM or the ill-fated Libra Coin from Facebook. ARTs are stablecoins because they try to mirror themselves to the value of a defined basket of assets. For example,

⁹ EU Regulation 2023/1113 on information accompanying transfers of funds and certain crypto-assets and amending Directive (EU) 2015/849.

¹⁰ The EU Markets in Crypto-Assets (MiCA) Regulation Explained [online]. In: Legal Nodes.

¹¹ EU Regulation 2023/1113 on information accompanying transfers of funds and certain crypto-assets and amending Directive (EU) 2015/849.

¹² GARRIDO, J. M. (2023): Digital Tokens: A Legal Perspective, IMF WP/23/151.

¹³ What is Mica Regulation and how will it impact Crypto? [online]. In: LEDGERNOMIC.

Libra tracked the value of a basket of fiats. The value of one Libra was determined by the value 50% USD, 18% Euro, 14% Japanese yen, 11% Pound sterling and 7% Singapore dollar. With the implementation of the MiCA framework, ART issuers and providers will be subject to further obligations, such as: all ARTs will be supervised by the European Markets and Securities Authority (ESMA) unless deemed “significant, ” which will be handed over to the European Banking Authority (EBA). Only token issuers with a registered office in the EU will be allowed to issue ARTs. This registration includes proper supervision and monitoring of offers to the public of ARTs. ARTs not pegged to a European currency will be constrained to preserve the EU’s monetary dominance.¹⁴

1.2 Regulatory exclusions and implications

MiCA also imposes strict regulation and ban on algorithmic stablecoins, while also requires fiat-backed stablecoins to be backed by a liquid reserve. Other requirements for stablecoin issuers will include implementing certain procedures to safeguard the backing assets and reserve assets, establishing complaints-handling procedures and procedures for preventing market abuse and insider trading, establishing and maintaining a reserve of assets insulated from other assets which shall be held in custody by a third party.¹⁵

As the crypto, or blockchain industry knows, lot of capitalization was forced into crypto type of non-fungible tokens, known as NFTs. MiCA in general does not include NFTs into its regulatory perspective. MiCA will only apply to NFTs under the circumstances, when the NFT has characteristics of one of the applicable assets, using analogy, only if the NFT is viewed as countable with stable, monetizable value. In other words, NFT is viewed as a utility token or financial instrument. Main aspect in consideration will be the NFT’s token legal design. Simply assigning a unique identifier to a token as NFT is not an indicator of non-fungibility. Under MiCA, non-fungible tokens issued in large series could be considered fungible and therefore require an authorization. Most likely, this will influence projects that fractionalize NFTs.¹⁶

MiCA as a Regulation does not regulate crypto as a technology, or DLT on which crypto is build. Its sole response is to regulate market activities on which crypto is monetized and traded. For this purpose, in its first step of drafting, there was need to somehow define the crypto for its market use. In the same shot regulation had to define the crypto in the umbrella like equation, so any new crypto would be in the set scope. Article 3 of MiCA provides a glossary. Article 3(1) no 5 states that for the purposes of the MiCA Regulation, ‘crypto-asset’ means a digital representation of a value or of a right that is able to be transferred and stored electronically using distributed ledger technology or similar technology.¹⁷

The paragraph refers to distributed ledger technology (DLT) or ‘similar technology’. It could be argued that the main ideas behind regulating crypto-assets were to indirectly regulate the DLT and to provide legal certainty with future boom of this technology. The controversy could arise from the term of ‘similar technology’. The question should be asked on the fact that if we have a new and similar’ technology, if this innovation should fall under MiCA. As legislation of innovations reality teaches as through the recent history, very quick regulation of financial innovations will affect the product and maybe set them for failure.¹⁸

¹⁴ Stablecoins Are No More: MiCA’s EMTs and ARTs Explained [online]. In: 21Analytics.

¹⁵ MiCA & TFR: Why you should pay attention to new EU regulations.

¹⁶ The fractionalization of assets is common in traditional finance for high-value assets like vacation homes, aircrafts and luxury cars. This allows an investor to expose his portfolio to an expensive asset without having to own it outright. Put another way, fractionalizing an asset also fractionalizes the risks and costs associated with investing in that asset. The same logic applies to NFT fractionalization.

¹⁷ The EU Markets in Crypto-Assets (MiCA) Regulation Explained [online]. In: Legal Nodes.

¹⁸ MiCA Explanatory Memorandum, 4–5 and ESMA, Advice-Initial Coin Offerings and Crypto-Assets, 9 January 2019, ESMA 50-157-1391.

MiCA tried in its definition of crypto-assets to set very broad regulation, however the market and policy makers have to bear in mind that important classes of virtual assets have been excluded from the MiCA's scope. More importantly, though, even if a financial instrument is based on DLT or a similar technology, it will fall under the existing EU financial markets legislation (MIFID or EMD), not under the regulatory umbrella of MiCA. Thanks to such an approach, we can see that the principle of technological neutrality is respected.¹⁹

With MiCA, industry subjects that have been authorized in one EU country will now be approved to provide their services in all other EU member states. Said practice is called passporting, and is well established in other industries as well, for example bank with bank authorization in France can freely provide services in Slovakia, be it notified to home state regulator.

The regulation has a clear roadmap ahead following its adoption. MiCA officially entered into force twenty days post its publication in the Official Journal of the European Union, around June 2023. Fast forward twelve months, in June 2024, the European Securities and Markets Authority (ESMA), in collaboration with the European Banking Authority (EBA), is expected to have prepared draft delegated acts. Set timeline is important, because sections of Title III and Title IV of the MiCA, which cover asset-referenced and e-money tokens, are set to be applicable with legal consequences.

Finally, by December 2024, ergo eighteen months, the rest of the MiCA rules will be in full effect. Therefore, by the close of 2024, all components of the MiCA regulation should be actively governing crypto-business operations within the EU.²⁰

2 MiCa on DeFi

We have discussed the new DLT regulation of crypto-assets. MiCA however somehow excludes one of the biggest tech umbrellas with the most promising finance innovation on the said technology, the decentralized finance applications, or in acronym: DeFi. DeFi is an umbrella term for financial services on public blockchains, primarily Ethereum. The said applications are being developed in purpose of omit finance intermediary, for example banks. DeFi using smart contracts technology are suited to implement most of the things that banks support — earn interest, borrowing and lending, insurance products, trade derivatives, trade assets; all without third party.

MiCA as the new, comprehensive regulation set for crypto-assets has some challenges and/or implications within the regulation of DeFi. First, we can mention the regulatory clarity: MiCA could provide legal certainty for DeFi projects and crypto asset providers operating within the EU. This clarity can help projects understand their obligations and regulatory requirements. DeFi therefore could be regulated under the scope of crypto asset service providers section; as MiCA explains, crypto-asset service provider means a legal person or other undertaking whose occupation or business is the provision of one or more crypto-asset services to clients on a professional basis, and that is allowed to provide crypto-asset services in accordance with Article 59 of MiCA (1). With DeFi, there is no central authority. Instead, authority is distributed in a decentralized approach that is intended to provide more power and control to individuals. In the DeFi model, all transactions for buying, selling, loans and payments with cryptocurrency can occur without a central authority in a peer-to-peer (P2P) approach. Custody of assets is a fundamental component of any financial model. In the DeFi approach, individual traders have control over the private cryptographic encryption keys, which

¹⁹ European Union: MiCA (Markets In Crypto Assets) Dissected - Part 2 [online]. In: mondaq.

²⁰ MiCA & TFR: Why you should pay attention to new EU regulations.

enable custody of cryptocurrency assets. Financial transactions within the DeFi model are enabled with smart contracts.²¹

Under MiCA, crypto asset service providers, including DeFi platforms, may be required to register with regulatory authorities and obtain authorization to operate. This could mean increased regulatory oversight for DeFi applications. For the consumer protection, MiCA aims to enhance consumer protection by requiring crypto asset providers to implement measures to safeguard customer funds and provide clear information to users. DeFi platforms may need to comply with these measures to protect their users. The regulation is also expected to include Anti-Money Laundering (AML) and Counter-Terrorist Financing (CFT) requirements. DeFi platforms may have to implement AML/CFT measures to combat illicit activities, including user identification and transaction monitoring. One of the arguments why DeFi will fall under the scope of MiCA is the stablecoin regulation. Stablecoins (ART or EMT), often used in DeFi, face specific regulations under MiCA. Issuers of stablecoins and platforms that use them are subject to additional regulatory requirements.

With said, the main question arises, will MiCA apply to DeFi apps? For the most part no, MiCA won't apply to DeFi Apps, as they are set to function without financial intermediaries, which are to be regulated by it. If the app uses ART or EMT in the algorithm of smart contracts, can it still fall under the MiCA regulation? The problem here arises from the fact, that DeFi is automatized and executed by smart contract (the transaction starts when the pre-set requirements are met automatically by the PC code). MiCA regulates subjects on the crypto markets, not the technology. Therefore, we can argue, that DeFi is out of scope, which is troubling in the prism of legal certainty. Or not? Well maybe the sole purpose and success of DeFi is the said situation – to be out of the scope from the regulation. If DeFi will be regulated, it can become obsolete. And certainly, it is not build for everybody, or common consumer, but for consumers with specific needs. But here the main question of risk mitigation arises – what about AML/CFT issue within this setup? We can argue, that DeFi are not suited for the prudent financial system, because of the high AML risk. However, banks and financial institutions are not expected to use DeFi on large scale because of the conflict of interest – the sole existence of DeFi is threatens the premise of financial intermediaries.

3 Pitfalls and suggestions for improvement

While MiCA seeks to address important issues in the crypto space, it also faces several potential pitfalls and challenges. We can start with the risk of overregulation. Excessive regulation could stifle innovation in the crypto industry, making it difficult for startups and smaller companies to enter the market and compete. This may lead to a concentration of power among larger, well-funded entities that can navigate the regulatory burdens. In the next point, the already addressed: innovation suppression. Cryptocurrencies and blockchain technology have the potential to drive innovation in finance and other industries. Excessive regulation might discourage entrepreneurs and innovators from pursuing new ideas in the crypto space, potentially inhibiting the development of transformative technologies. With MiCA, we can also pinpoint on a regulatory uncertainty. While regulation is important for consumer protection and market integrity, overly complex or ambiguous regulations can create uncertainty. Businesses may struggle to interpret and comply with the rules, and this uncertainty can slow down industry growth. Compliance with MiCA's requirements can be expensive, particularly for smaller crypto businesses. Meeting these costs might lead to the consolidation of the industry, with larger players dominating the market.

²¹ TOMCZAK, T.: Crypto-assets and crypto-assets' subcategories under MiCA Regulation, Capital Markets Law Journal, Volume 17, Issue 3, July 2022.

Next point of global competition focuses on the global nature of the crypto markets, which means that businesses can easily relocate to jurisdictions with more favorable regulatory conditions. MiCA must compete with international jurisdictions to attract and retain crypto businesses.

Also, privacy concerns are a rising issue. The regulation's requirements for user identification and transaction monitoring can raise privacy concerns. Striking a balance between regulatory transparency and the right to privacy is challenging. Enforcing MiCA regulations can be difficult due to the pseudonymous nature of blockchain transactions. Jurisdictional challenges and cross-border issues further complicate enforcement efforts. Ineffective regulation of decentralized platforms was already touched with DeFi platforms, which often operate autonomously on blockchain networks, present unique regulatory challenges. Regulating these decentralized entities can be challenging as they may not have central points of control.

We could also argue with the regulation arbitrage. Businesses may engage in regulatory arbitrage by relocating to jurisdictions with less stringent regulations. With the said, regulatory changes can sometimes lead to unintended consequences. For example, strict regulations might drive certain activities underground or result in the creation of new, less-regulated, or unregulated markets, which is highly possible with the crypto industry, as its main flagship: Bitcoin, was created with the main focus to escape regulation. Also, the complexity of MiCA and requirements may pose educational challenges for businesses and users. Ensuring that participants in the crypto market fully understand their obligations and rights can be a significant undertaking. To address these pitfalls, regulators must engage with stakeholders, seek expert input, and be adaptable to evolving circumstances in the crypto space. The key is to find a balance that promotes innovation and protects consumers while maintaining the integrity of financial markets.

To effectively address the challenges of regulating markets in crypto assets, a multi-faceted approach is necessary:

- Encouraging innovation within the crypto sector is essential for growth and advancement. However, this must be balanced with the need for security and protection. One approach is to establish regulatory "sandbox" environments where emerging technologies can operate with fewer restrictions while being closely monitored for risks.
- Regulations should be comprehensive, providing clear guidelines for market participants. Additionally, they should remain flexible and adaptable to accommodate technological advancements and changing market dynamics. This allows for regulatory agility and responsiveness to emerging challenges.
- Crypto assets often transcend national boundaries, necessitating international cooperation. Regulatory bodies and governments should collaborate to harmonize regulations and establish common global standards for crypto asset regulation. This will help address cross-border challenges and reduce regulatory inconsistencies.
- Robust enforcement mechanisms are crucial for maintaining the integrity of crypto markets. Regulatory bodies should allocate sufficient resources and expertise to ensure efficient enforcement. Utilizing advanced technologies, such as blockchain analytics, can assist in tracing illicit activities and enforcing compliance.
- Striking a balance between regulatory transparency and user privacy is vital. Regulators should develop privacy-preserving solutions that enable oversight without compromising sensitive user data. Setting clear guidelines for data protection and user identification, with a focus on transparency and informed consent, is essential.
- Educational programs are necessary to enhance understanding of crypto assets and their associated regulations among businesses and consumers. These initiatives can help raise

awareness about potential risks and best practices within the crypto space, fostering responsible participation.

- Collaboration between regulatory bodies and the crypto industry is essential. Industry stakeholders should actively participate in the regulatory process, potentially through self-regulation and the establishment of industry standards. This collaboration can enhance regulatory effectiveness and align industry practices with regulatory requirements.
- Exploring innovative regulatory mechanisms, such as decentralized autonomous organizations (DAOs) for self-regulation, can complement traditional regulatory approaches. Additionally, leveraging regulatory technology (regtech) solutions can streamline processes and enhance compliance.
- Establishing regulatory bodies or councils dedicated to ongoing monitoring of the crypto industry is crucial. Regulations should be subject to regular review and updates to ensure they remain relevant and effective in addressing emerging challenges and technological advancements.
- Clarity regarding the legal status of crypto assets, including clear classifications for different types of tokens (securities, commodities, utility tokens, etc.), reduces uncertainty and fosters confidence in the regulatory framework.

By implementing these strategies, regulators and policy makers can create an environment that encourages responsible innovation in the crypto asset space while safeguarding the interests of consumers and maintaining the integrity of financial markets. Effective regulation should strike a balance between fostering innovation and ensuring regulatory compliance, with a flexible and adaptable approach that keeps pace with the ever-evolving crypto landscape. There is no space, now, to evaluate how MiCA encompasses with the said recommendations. Only in first years of its full implementation we can responsibly argue which road to take. This is the challenge for the next paper.

Conclusion

The Markets in Crypto Assets regulation, proposed by the EU to regulate crypto assets, faces several significant challenges and complexities. The crypto asset ecosystem is incredibly diverse, encompassing everything from cryptocurrencies like Bitcoin to stablecoins, utility tokens, security tokens, and decentralized finance (DeFi) tokens. Crafting a regulatory framework that covers all these different assets and their uses is a complex task. MiCA focuses only on the fraction of the said technology finance instruments, which can pose significant challenges for legal certainty and financial system wealth. The crypto industry is known for its rapid pace of technological innovation. New products, services, and technologies constantly emerge, and regulators must find ways to adapt and remain current with the evolving landscape. Many crypto assets and services are inherently global, operating across borders. Crafting effective regulation at the EU level while ensuring international cooperation and alignment with global standards presents challenges. Regulators must strike a balance between fostering innovation in the crypto space and protecting consumers and investors. Overregulation can stifle innovation, while under-regulation can lead to potential risks for users and consumers. Enforcing crypto regulations can be difficult due to the pseudonymous nature of blockchain transactions and the global reach of the industry. Jurisdictional challenges, especially in cross-border cases, can hinder effective enforcement. Some crypto assets and services involve the handling of sensitive user data. Balancing privacy concerns with the need for regulatory transparency can be challenging. DeFi platforms often rely on smart contracts, which operate autonomously. Regulating these platforms can be complicated, as they may not have central points of control. Ensuring that they adhere to legal requirements and provide necessary

protections is a challenge. The crypto market is highly fragmented, with numerous exchanges and platforms operating globally. Ensuring consistency and harmonization across these platforms is a challenge, especially in an international context. The complexity and risks associated with crypto assets can lead to misconceptions and misunderstandings among the public. Regulators must address these challenges to ensure consumers make informed decisions. Different EU member states may have varying interests and priorities when it comes to crypto regulation. Harmonizing these interests while creating a unified regulatory framework can be a challenge. Crypto businesses may seek to relocate to jurisdictions with more favorable regulatory conditions, a phenomenon known as regulatory arbitrage. MiCA must address this challenge to ensure that regulation remains effective. Regulators often struggle to keep pace with the speed of technological innovation in the crypto sector. They need to allocate resources and expertise to bridge this gap.

MiCA's success will depend on how it addresses these challenges and provides a regulatory framework that fosters innovation, protects consumers, and ensures the integrity of financial markets. It is essential for regulators to engage with stakeholders, seek expert input, and stay adaptable to evolving circumstances in the crypto space.

Aim and contribution to the academic discussion regarding crypto regulation in this paper are thoroughly analyzed benefits and pitfalls of the EU ambition; to regulate markets orbiting around crypto assets. As for the customer point of perspective and all in all, perspective of society, the main contribution of this regulation is mitigation of AML risks deprived from the crypto business, mainly the implementation of the FATF Travel rule regulation. We believe that sound regulation of this emerging (or already stable) market is key to its resilience and contribution not the financial stability.

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THE UNITED NATIONS & ARMED CONFLICTS¹

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Abstract: The competence of the UN in relation to armed conflicts is complex and it shows certain ambiguities. The aim of this paper is to outline the relationship between the UN as a universal international organization with a global scope and armed conflicts, the number of which is increasing in the world on yearly basis. Among the partial objectives, it is possible to include the legal identification of the actions of the main UN bodies in relation to armed conflicts (or more precisely international peace and security), through an outline of terminological and competence ambiguities, and an outline of the "illustrative" reality of armed conflicts in 2014 and the UN's response through the acts of the UN Security Council.

Keywords: United Nations, armed conflicts, UN Security Council, UN and Yemen

JEL: K33, F51, F53

Introduction

The United Nations was founded on the euphoria after the Second World War, and on the foundations of the failure of the League of Nations. „In the aftermath of World War II, the UN reflected the desire of the victorious states to maintain world peace and to attack the conditions that appeared to foster war: colonialism, poverty, inequality.“²

The League of Nations was founded in 1919 based on the vision of creating an international organization that would be able to prevent military escalations between states through diplomacy. An ideal view of the creation and functioning of the League of Nations would be through the competence of strengthening international cooperation with the aim of achieving international peace and security. The scope of the Permanent Court of International Justice, which was supposed to serve as a functional alternative to the military solution of international disputes between states, must also be included in this picture. However, the League of Nations became essentially obsolete precisely because of its failure to stop the Second World War. The result of efforts to maintain peace and security more efficiently and permanently was the signing of the UN Charter and the creation of a universal international organization, one of whose main tasks is the maintenance of peace and security. To achieve this goal, the founding members, or consequently, the member states of the UN allowed the UN system of collective security to have powers to maintain peace and international security, while the exercise of these powers is primarily concentrated within the UN Security Council. „In an effort to improve on the functioning of the League, the UNSC was designed to ensure the credibility of these collective enforcement measures by making UNSC decisions binding on member states, giving the right of veto to the major powers and making provision for the creation of UN military forces.“³

¹ The paper was developed as a result of research carried out through the VEGA project No. 1/0842/21/ „Development of Cooperative Security and Position of the Slovak Republic“.

² KINSELLA, D. – RUSSETT, B. – STARR, H (2013): World Politics: The Menu for Choice, p. 341.

³ LAMBOURNE, W. (2016): International Law: To End the Scourge of War... and to Build a Just Peace?, p. 253.

During the Cold War, the Security Council was largely crippled by big-power politics and its conflict-prevention efforts were marginal.⁴ After the end of the Cold War, the United Nations began to reaffirm the concept of maintaining world peace and security, as well as building on the existing institutional system. Post-Cold War hopes for a world without wars, where conflicts between nations and states are resolved peacefully through negotiations, have not been fully realized. „It has been said that there has not been a single day since the Second World War when there has not been deadly political conflict somewhere in the world.“⁵

The aim of this paper is to outline the relationship between the UN as a universal international organization with a global scope and armed conflicts, the number of which is increasing in the world on yearly basis. Among the partial objectives, it is possible to include the legal identification of the actions of the main UN bodies in relation to armed conflicts (or more precisely international peace and security), through an outline of terminological and competence ambiguities, and an outline of the "illustrative" reality of armed conflicts in 2014 and the UN's response through the acts of the UN Security Council.

1 Terminological ambiguities: UN & Armed Conflicts

In the preamble and subsequently in Article 1, the UN Charter defines the objectives within which the UN acts. One of these goals is the maintenance of peace and security in the world, specifically according to Article 1 par. 1,⁶ while in the preamble it is conceived through the protection of future generations from the devastating effects of war.⁷ Paragraphs 2, 3 and 4 of the aforementioned Article 1 are also linked to peace and security issues to a certain extent. In paragraph 2, for example, this fact is indicated through the phrase "other appropriate measures to strengthen world peace".

Peace can be understood in a positive as well as a negative sense, although it must be emphasized that it is a broad concept that can be viewed from several perspectives. The fundamental question of the negative concept is whether it is possible to understand peace only through the absence of war, armed conflict, or any direct violence in the state.⁸ In a positive sense, it is not only the absence of violent manifestations, but in addition the given status also assumes social justice, eventually it is a peace ensured by political terms and the stability of institutions, procedures and formal and informal norms.⁹ The concept of security is also a dynamic term with several possible content interpretations. The general definition is tied to the absence of a threat. At the international level, the term was originally associated with national security and nation states. The establishment of the UN brought the concept of "common security", or interest in the security of the international community, which was gradually supplemented by a dimension aimed at the individual and the so-called human security, or to the "humanization" of security (in the context of the understanding of human rights issues aimed at the protection of the individual).

Until the adoption of the UN Charter, the concept of a negative understanding of peace was applied in the international community, together with traditional international law and

⁴ ROMITA, P. (2011): The UN Security Council and Conflict Prevention: A Primer, p. 4.

⁵ TRENT, J., & SCHNURR, L. (2018): Peace and Security: Fixing the Security Council, p. 58.

⁶ Art. 1 par. 1: *To maintain international peace and security, and to that end: to take effective collective measures for the prevention and removal of threats to the peace, and for the suppression of acts of aggression or other breaches of the peace, and to bring about by peaceful means, and in conformity with the principles of justice and international law, adjustment or settlement of international disputes or situations which might lead to a breach of the peace.*

⁷ See preamble of UN Charter: „to save succeeding generations from the scourge of war, which twice in our lifetime has brought untold sorrow to mankind“.

⁸ See e.g. KURTZ, L. (2008): Encyclopedia of Violence, Peace, and Conflict.

⁹ See e.g. MILLER, C. A. (2005): A Glossary of terms and Concepts in Peace and Conflict Studies.

states as its only subjects with absolute sovereignty. „Traditionally, the state was able to respond effectively to crises within its own borders and the state was the primary provider of security.“¹⁰

The UN Charter brought change by enshrining the prohibition of the threat and use of force, specifying exceptions to the prohibition, and at the same time identifying the UN as an institution of international order based on the principles of justice and international law, as well as legal equality, the principle of the right of nations to self-determination, and the principle of non-interference in the internal affairs of states (the so-called principle of non-intervention). According to the UN Charter, the use of force is only legally possible in two situations: one is the implementation of the system of collective security in cases where peace is threatened or violated or aggression has occurred, and the other is self-defense against an armed attack. In this context, it should be noted that precisely by enshrining the principle of justice in the UN Charter, through the goal of maintaining international peace and security, it is reasonable to assume that the mere absence of war/armed conflict does not mean the establishment of peace (because any situation that threatens justice can threaten or disturb the peace). The provisions of the UN Charter in relation to peace and security are broadly conceived, without reference to armed conflicts (whether national or international), and without a definitional framework of the concepts of peace and/or security. Apart from the aforementioned Article 1, the peace issue can be found, for example, in the article 2 par. 3, as a principle of peaceful settlement of international disputes, which is also anchored in Chapter VI of the UN Charter.

The UN itself seems to recognize two concepts related to armed conflict, or on issues of peace and security. The first concept replicates the fulfillment of the goal enshrined in the UN Charter as "maintain International Peace and Security,"¹¹ through the UN General Assembly or the UN Security Council, while it also includes preventive diplomacy, peacekeeping, peacebuilding as means, Countering Terrorism and Disarmament. The second concept is outlined through Peace and Security as a global problem and is primarily addressed through the UN system. Within this concept, the role of the Secretary General is emphasized, and the concept of preventive diplomacy is changed, which in this case is not conceived as a separate mechanism, but is part of conflict prevention together with Preventive disarmament and Preventing Genocide and Responsibility to Protect. To a large extent, both approaches are interconnected, but with a global problem within the UN system, the concept of rule of law,¹² the vulnerable position of women and children in conflicts and peaceful uses of outer space are additionally emphasized.¹³ Peacekeeping missions of any kind are not explicitly mentioned in the UN Charter. Peacekeeping missions are defined as all multilateral peacekeeping operations that are launched to help stabilize the situation in society during or after an international or internal armed conflict, to maintain peace or to build the foundations of lasting peace. UN peacekeeping missions have no explicit basis in either Chapter VI or VII of the UN Charter. They can be interpreted as a combination of these two chapters, which is why former UN Secretary-General Dag Hammarskjöld referred to them as "Chapter Six and a Half" in 1956.

2 Competence ambiguities: UN & Armed Conflicts

The United Nations Security Council (UNSC) is the primary multilateral institution for coordinating joint responses to armed conflict.¹⁴ According to the UN Charter, the UN Security

¹⁰ GILDER, A. (2021): International law and Human Security in a Kaleidoscopic World, p. 115.

¹¹ See official UN website: Maintain International Peace and Security Maintain International Peace and Security | United Nations.

¹² See official UN website: Rule of Law and Peace and Security Rule of Law and Peace and Security - United Nations and the Rule of Law.

¹³ See official UN website: Global Issues – Peace and Security Peace and Security | United Nations.

¹⁴ LUNDGREN, M. – KLAMBERG, M. (2023): Selective Attention: The United Nations Security Council and Armed Conflict, p. 958.

Council is primarily responsible for maintaining peace and security, and if it acts under Chapter VII of the UN Charter, it basically adopts binding decisions (measures not involving the use of armed force or measures involving the use of armed force). When distinguishing between Chapters VI and VII, it should be emphasized that the UN SC, in terms of Chapter VI, recommends peaceful solutions to conflicting parties in situations that may threaten peace. Chapter VII of the UN Charter presupposes the real existence of a threat to peace. However, on the other hand, anything discussed by the UN Security Council should have the status of a threat to peace, whether it is a dispute or a situation.

The Charter makes no geographic or qualitative distinction between potential disruptions to the peace and makes clear that the Council can investigate any dispute it deems dangerous to peace and security.¹⁵ Article 39 of the UN Charter allows the UNSC to identify a situation (such as a threat to the peace, a breach of the peace or an act of aggression). After taking a decision under Article 39, the UNSC may also resort to making recommendations to restore or maintain peace and security. In contrast to some provisions of Chapter VI of the UN Charter, which deals with recommendatory powers (eg Articles 33, 36 and 37), Article 39 does not impose any substantive limitation on the powers of recommendation under Chapter VII. Article 39 basically assumes that if the UNSC is to deal with situations threatening the peace, it should be able to issue any decision, possibly even of a recommendatory nature, as long as it could maintain or restore peace or security.

In relation to Article 39, at the same time, the identification of a situation that can be subsumed under the term threat to peace should not be neglected, taking into account the principle of non-interference in the internal affairs of states, which also follows from Article 2 of the UN Charter (that is, not only in the context of the very understanding of the sovereignty of states as primary subjects of international law). It is clear from the practice and operation of the UNSC that it mostly uses the identification of the situation as a "threat" and avoids finding a breach of peace, and marking as an aggression.

The second main body of the UN, the General Assembly, can also deal with peace and security issues. Pursuant to Article 10, the UN General Assembly has the authority to discuss all issues that fall within the framework of the UN Charter, or within the powers of UN bodies, and to adopt recommendations in this context.¹⁶ Articles 11 and 12 of the UN Charter are those that establish the solution of the competence conflict between the Assembly and the Council, but it is not possible to apply them to all situations to which the reality in the international community may lead, or within the UN.¹⁷ Article 11 UN Charter envisages, in addition to issues related to peace and security, the negotiation of armaments and disarmament, with the fact that if any situation requires action - it will be left to the UN Security Council. In 1950, a situation arose in which the UN Security Council was unable to act, due to the absence of the Soviet Union from UNSC meetings. The USSR actually blocked and boycotted the activities of the UNSC by "not participating", despite the fact that according to the UN Charter, the UNSC should meet continuously. In this situation, the UN General Assembly resorted to use its authority under Articles 10 and 11 of the UN Charter. What remains a controversial, and fundamentally rejected practice, was the adoption of a resolution authorizing the use of force by UN General Assembly.

The International Court of Justice is the main body whose competence is to resolve disputes between states, including in cases of legal/illegal use of force. Its role is specific, even if extremely important, but it can only resolve disputed issues in situations in which it has the jurisdiction to decide the dispute in question. It is different in the case of the position of the UN

¹⁵ BOSCO, D. (2014): Assessing the UN Security Council: A Concert Perspective, p. 546.

¹⁶ See official UN website: Art. 10 UN Charter.

¹⁷ See official UN website: Art. 11 and 12 UN Charter.

Secretary General, who is the main representative of the UN as an international organization. Pursuant to Art. 99 of the UN Charter "The Secretary-General may bring to the attention of the Security Council any matter which in his opinion may threaten the maintenance of international peace and security". Its competences in relation to armed conflicts include: appointment of special representatives, special envoys, other mediators, fact-finding missions, good offices, quiet diplomacy and mediation.¹⁸

3 As an Illustration.. 2014 and UNSC

A total of 229 armed conflicts in 148 countries have been recorded after World War II, i.e. for the period 1946-2003.¹⁹ During the 16 years after the end of the Cold War, there were 118 conflicts in 80 locations (the highest number of armed conflicts was recorded in 1991 and 1992, with 51 active conflicts).²⁰ During the period 1989–1997, there were 103 conflicts in 69 locations around the world, 33 of which were active in 1997.²¹ The period after the official end of the Cold War was characterized by a downward trend in relation to international armed conflicts, until 2014, which represented a new turning point in this trend. „In 2014, 40 armed conflicts were active in 27 locations worldwide, representing an increase of 18 % when compared to the 34 conflicts reported in 2013.“²²

In this regard, one fact should be specified, namely that despite the downward trend of international armed conflicts, the period 2004–2014 is characterized by an increase in internal armed conflicts (non-international armed conflicts/armed conflicts not of an international character), some of which have acquired the status of internationalized armed conflict. Internationalization of a conflict means that other states (one or more) have sent military units to support one of the warring parties.

To illustrate, in the year 2014, only one conflict was an international armed conflict (the conflict between India and Pakistan), and the other 39 were internal, of which 13 were labeled as internationalized. However, despite the fact that in that year the conflict between India and Pakistan was the only international conflict, even the UN Security Council did not pay attention to it, given that the number of deaths was low, and thus the intensity of the conflict did not reach the level of a threat to international peace and security from UNSC point of view (probably). To the given 13 internationalized armed conflicts, the Uppsala Conflict Data Program includes 3 areas in Ukraine (especially Ukraine-Donetsk, Ukraine-Lugansk and Ukraine-Novorossiia). Among the remaining 10 are the situations in Afghanistan, Azerbaijan (Nagorno Karabakh), Iraq, Mali, Nigeria, Somalia, South Sudan, Uganda, Yemen and the US fight against Al-Qaeda.

In 2014, the UN Security Council used the term "armed conflict" 548 times,²³ of which only in 20 resolutions²⁴ with a general nature and aimed at the protection of children and civilians in armed conflicts, or the rule of law or there were discussed issues related to counter-terrorism. During the year, the UN SC determined 3 new threats to international peace and security: the situation in Yemen [resolution 2140 (2014²⁵)], the deteriorating humanitarian

¹⁸ See official UN website: DHL Research Guides/ UN Documentation Research Guides Secretary-General - UN Secretariat Documentation - Research Guides at United Nations Dag Hammarskjöld Library.

¹⁹ ERIKSSON, M., & WALLENSTEEN, P. (2004): *Armed Conflict, 1989-2003*, p. 625.

²⁰ HARBOM, L., & WALLENSTEEN, P. (2005): *Armed Conflict and Its International Dimensions, 1946-2004*, p. 623.

²¹ *Ibid*, p. 624.

²² PETTERSSON, T., & WALLENSTEEN, P. (2015): *Armed conflicts, 1946-2014*, pp. 536-7.

²³ See official UN website: UN Digital Library armed conflict - Search Results - United Nations Digital Library Systemx.

²⁴ See UN Security Council Resolutions in 2014, available online.

²⁵ See UN Security Council Resolution S/RES/2140 (2014) S/RES/2140 (2014) | United Nations Security Council / Etpu (un.org).

situation in Syria [resolution 2165 (2014)²⁶], and the Ebola outbreak in Africa [resolution 2177 (2014)²⁷]. Among the newly discussed topics was the situation in Ukraine and the DPRK/ Democratic People's Republic of Korea. The 5 topics most discussed over the year 2014 were: (i) Sudan/South Sudan (35 times), (ii) Syria (29 times); (iii) the situation in the Middle East (17 times); (iv) Ukraine (15 times) and (v) Central African Republic and the situation in the Middle East, including the Palestinian question (13 times each).²⁸

If the situation in Yemen is taken as an example, in 2014 it was first time identified by the UNSC as a threat to international peace and security,²⁹ but it should be realized that the security situation in Yemen began to deteriorate already in 2011, not only under the wave of protests known as the Arab Spring, but mainly due to the spread of terrorist groups such as al-Qaeda operating in Yemen even since 2009. It was confirmed by UN at its official website: „Yemen has been facing a protracted political, humanitarian and developmental crisis since uprisings broke out in 2011.“³⁰ In 2011, the UN Secretary-General appointed a Special Adviser to support his good offices in Yemen. Subsequently, in 2012, the Office of the Special Envoy of the Secretary-General for Yemen (OSESGY) was established. In 2011, the UNSC adopted resolution no. 2014³¹ regarding Yemen, in which it noted "great concern over the situation in Yemen" and the "deteriorating security situation". It also called for increased humanitarian support from the international community, while calling for an end to violence in Yemen "amidst the civil uprising associated with the Arab Spring" and the "potential growth of al-Qaeda in the Arabian Peninsula". The resolution also asked the Secretary-General to report to them on the implementation of this resolution within "the first 30 days...and every 60 days thereafter." Subsequently, in 2012,³² another resolution was adopted, which was almost identical to the previous one. On the basis of resolution no. 2140 of 2014³³ was established the UNSC Sanctions Commission, although the situation in Yemen wasn't identified as a threat to international peace and security. The mentioned commission had identified 3 persons against whom individual targeted sanctions of freezing assets and banning travel were directed, due to their involvement in activities threatening peace and security, such as acts that obstruct the implementation of the agreement of 23 November 2011, between the Government of Yemen and those in opposition to it, which provides for a peaceful transition of power in Yemen, and that obstruct the political process in Yemen.³⁴

Conclusion

First of all, it should be stated that the absence of a definition of peace and security in the UN Charter was the intention of the founding member states, by entrusting the identification of the situation as a threat or breach of peace or aggression to the powers of the UN Security Council. This concept allows (especially in the absence of definitional frameworks) to have decision-making flexibility in assessing issues and situations falling within the competence of the UNSC. „The limited membership of the Security Council, however, makes this body the most suitable one for fulfilling this task.“³⁵ However, it should be emphasized that the UN

²⁶ See UN Security Council Resolution S/RES/2165 (2014).

²⁷ See UN Security Council Resolution S/RES/2177 (2014) Etpu (un.org).

²⁸ See UN Security Council Resolutions in 2014, available online.

²⁹ See UN Security Council Resolution S/RES/2140 (2014) Etpu (un.org)

³⁰ See UN official website: UN News Yemen - Yemen | UN News

³¹ See UN Security Council Resolution S/RES/2014 (2011) Etpu (un.org)

³² See UN Security Council Resolution S/RES/2140 (2012) Etpu (un.org)

³³ *Ibid.*

³⁴ See UN Security Council Press Release SC/11636 7 November 2014 Security Council 2140 Sanctions Committee Designates Three Individuals as Subject to Assets Freeze, Travel Ban | UN Press.

³⁵ ORAKHELASHVILI, A. (2000): Legal Aspects of Global and Regional International Security – The Institutional Background, p. 16.

Security Council does not exercise its competences in a legal vacuum, and it is not the only main body of the UN which, in accordance with the UN Charter, is entrusted with the authority in matters of peace and security. In any case, it should be emphasized that there are several terminological as well as competence ambiguities resulting from the UN Charter precisely in relation to issues related to armed conflicts, as well as from the UN itself as a universal international organization, while the UN actively contributes to these ambiguities.

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USE OF CRM TOOLS IN COMMUNICATION STRATEGIES OF CULTURAL TOURISM IN THE CZECH REPUBLIC¹

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Abstract: Today, in the global market for cultural tourism and the growing interest in the demand for historical knowledge, it is necessary to build effective communication channels. The aim of this article is to evaluate the level of use of CRM tools in castle buildings. A total of 123 state and private and state castle objects were analysed, and three groups of communication activity "communication-proficient", "communication-average" and "communication-underdeveloped" cultural heritage were created on the basis of multi-criteria analysis. The difference in the degree of involvement of eCRM was caused mainly by review activity on review portals and activity on Facebook. Using multi-criteria point analysis, it was found that heavily visited castles of transnational character or monuments inscribed on the World Heritage List are among the most communicatively competent

Keywords: CRM, Cultural Heritage, social network, Czech Republic, eWoM

JEL: M37, L83, Z32

Introduction

Cultural tourism is becoming increasingly popular. Cultural tourism includes, among other things, visits to cultural objects (castles, chateaux, churches), and within the current trends of travel, it faces strong competition within the field and subsequently also geographical competition. At present, when participants in tourism prefer more active spending of free time, they prefer experiences and knowledge, thus cultural tourism coexists on the tourism market with, for example, adrenaline, sports, spa and other types of tourism. From the perspective of geographical competition, in connection with globalisation trends, the distance is shortened and the offer of tangible cultural heritage of the Czech Republic is confronted with the offer of more competitive destinations, such as Spain, Germany, Poland, Greece² (see Figure 1)

In a global economy where borders are increasingly blurred, CRM provides support to manage and coordinate sales, marketing, and customer communications across regions and cultures. CRM helps to standardise communication procedures, ensure consistency in messaging, and provide standardised services. The analytical possibilities of CRM form one of the leading trends and help identify new market opportunities on a global scale, help automate, monitor, and evaluate all customer-related processes, and withstand global competitive pressures. At a time when customers are more connected and informed than ever, CRM helps to build and maintain strong and lasting relationships with clients and gain information about customer preferences, their purchase history, feedback, etc. As technology advances, more

¹ This paper was supported by the project no. SGS/24/2023, "Support of customer relations processes in the field of marketing through information technology for small and medium-sized businesses" accepted in 2023.

² TTCI. (2017): The Travel & Tourism Competitiveness Report 2017.

sophisticated systems are built; with the development of information technology, CRM was transformed into a digital space (e-CRM). E-CRM provides a personalised customer experience, supports loyalty, and trust in a highly competitive environment. Quality communication between all actors in the tourism industry represents one of the factors of sustainable development and market opportunities.³

Figure 1 Distribution of the region's competitiveness according to UNESCO monuments



Source: ČT24 (2018): The number of monuments inscribed on the UNESCO World Heritage List.

1 Literature review

When it comes to the use of the eCRM system in the field of cultural heritage, the collection of customer data and information about the customer and the subsequent communication takes place similarly to e-shops or sellers of classic products via postal services, within the on-line sales process then using email communication, online sales of entrance fees, or using pop-up windows. Sharing experiences or the acquisition of information plays an important role in the management of customers in the field of cultural monuments of the Czech Republic. This is primarily about social media, that is, social e-CRM, where social media is a powerful platform for interacting with customers. E-CRM systems integrate social CRM functions to track and communicate with customers on social networks, analyse sentiment, and quickly resolve issues or queries. An effective tool for communication with customers is eWOM (Electronic Word of Mouth). This is the dissemination of information, opinions, or recommendations about products, services, brands, or companies through on-line channels. E-WOM is essentially the digital equivalent of traditional word-of-mouth marketing (classic WOM), where people share their experiences and recommendations with others, but it takes place through digital platforms such as social media, online reviews, forums, blogs, and other on-line communication channels⁴. In the case of cultural monuments, these are overview portals on TripAdvisor and Booking.com. Mapy.cz, etc. E-WOM and social networks can have a significant impact on a company's reputation and success, as online conversations and reviews can quickly reach a wide audience. Positive customer communication can help build trust and attract new customers, while negative e-WOM can damage the brand image and lead to customer churn. Many companies actively monitor and engage in e-WOM and social media communications to manage their online reputation and respond effectively to customer

³ ZELENKA, J. et al. (2013): Sustainable tourism: tourism management in protected areas, p. 37.

⁴ BARTSCHAT, M. - CZIEHSO, G. - HENNIG-THURAU, T. (2022): Searching for word of mouth in the digital age: Determinants of consumers' uses of face-to-face information, internet opinion sites, and social media, p. 394.

feedback. Omnichannel (Figure 2) represents communication paths between customers and companies. E-CRM focusses on an omnichannel approach that provides a seamless and consistent customer experience across all these touchpoints. This trend is essential to meet customers where they are and ensure a cohesive interaction across channels. It represents cost optimisation for businesses and is especially suitable for businesses with insufficient financial support⁵ (which the cultural sector represents).

Figure 2 Omnichannel Marketing Scheme



Source: SMARTTINSIGHTS. (2021): Rethink the meaning of omnichannel to get better results.

Many authors addressed the motive for travelling, which encourages the visitor to visit a monument. According to⁶, intention is related to the image of the destination, the perception of the destination, which is a reflection of the traveller's personal characteristics, and information sources. Several authors addressed the image of the destination and the choice of the destination significantly influence the information sources that the tourist has acquired and with which he can resolve the uncertainty of the purchase. This information is generated on the basis of communication with customers through CRM tools in today's Internet age e-CRM. There are many authors who deal with electronic CRM tools; some deal with CRM issues comprehensively or deal with only one of the tools. This is suggested, for example, by⁷. "For the concept of customer-orientated CRM, simultaneously with the integration and sharing of customer information, it is important to increase the number of contact points with customers, which is also key to increasing the effectiveness of customer-orientated CRM". The prerequisite for a successful CRM 'is the use of multiple channels, especially the Internet, for easy internal and external communication'⁸. If we talk about Internet channels, then we mainly talk about social networks such as Facebook, Instagram, Twitter, etc., or review portals located on Google, Maps, TripAdvisor, etc. In all cases when we talk about an application, that is, eWoM (Internet Word-on –Mouth), the latter case is sometimes referred to as commercial e-WoM. America found 'that about two-thirds (64 %) of online travellers use search engines for travel

⁵ JALAL, AN. - MAHADI BAHARI, M. - TAROFDER, AK. (2021): Transforming traditional CRM into social CRM: An empirical investigation in Iraqi healthcare industry, p. 2.

⁶ MURRAY, KB. (1991): A test of service marketing theory: Consumer information acquisition activities, p. 10.

⁷ CANNON J. P. - HOMBURG C. (2001): Buyer-supplier relationships and customer firm costs, p. 29.

⁸ JAYACHANDRAN, S. – SHARMA, S. – KAUFMAN, P. – PUSHKALA, R. (2005): The role of relational information processes and technology use in customer relationship management, p. 177.

planning"⁹. Similar conclusions were reached in their research by Rizky¹⁰ or Mehmood,¹¹ who confirmed the hypotheses of a positive effect of commercial eWOM on the image of cultural heritage, the intention to travel for cultural heritage, and the perception of monuments. Websites as a CRM tool are considered by¹² to be dominant in communication with customers. They found that customers who visit a website do so to make a purchase (67.4 %), get general product information (63.8 %), and use the website to compare products and then compare prices, an action that can be described as information seeking¹³. *'Websites are more closely tied to 'core' tourism businesses such as attractions, activities and accommodations, while consumer review sites are related to shopping, hotels and restaurants, and social networking, blogs, and photo/video sharing sites with events, nightlife, and parks.'*¹⁴ However, the current trend is to create a dynamic environment of Web portals, that is, such sites that will contain blogs, reviews, or reviews and will support e-WOM tools. The importance of dynamic websites was confirmed by those¹⁵ who reported in their research that 65.9 % of the respondents preferred on-line reviews from an online shopping platform (ie, reviews on the website itself) compared to 29.9 % who preferred reviews from social media. platform. According to the Project, 65 % of businesses now use email communication, only 12 % of them consider it effective¹⁶ (research form 2020).

2 Method and data

The research question was to what extent cultural monuments use options such as online ticket ordering, the existence of social platforms, specifically Facebook and the now very popular Instagram, whether the object has its own website and uses it to communicate, through reviews and pop-ups. 150 locks were randomly selected. Subsequently, castles that fulfilled a priority commercial role or the role of museums, galleries, etc. were excluded. From this selection, 123 castles were analysed (101 state and 22 private castles). The castle names were left in their original form. Information about castles and chateaux was drawn from the websites of the National Monuments Institute¹⁷ and individual cultural monuments. The rate of use of CRM tools was determined based on the evaluation and ranking (number of reviews on web portals). A direct link to a website was rated 2 points, a link to an object via another page (the visitor was fully informed about the monument, visit time, ticket price, etc.) was rated 1 point. Castles without a website or information on other websites were assigned a value of zero. Reviews were analysed on Mapy.cz and Google.cz, which enjoy the trust of Czech clients and are the most used when evaluating satisfaction with visiting castles and chateaux. TripAdvisor has struggled with the credibility of reviews in recent years and is dominated by reviews of foreign attractions. Booking is the priority evaluation portal for accommodation services in the Czech Republic. Attractiveness on the social network was determined based on the number of "followers". To assess the level of communication, a multicriteria analysis was used and within

⁹ XIANG, Z. - GRETZEL, U. (2010): Role of social media in Online Travel Information Search, p. 1.

¹⁰ RIZKY, R.M. - KUSDI, R. - YUSRI, A. (2017): The effect of e-WOM on destination image, attitude towards the destination and intention to travel, p. 97.

¹¹ MEHMOOD, S. – LIANG, C. – GU, D. (2018): Heritage Image and Attitudes toward a Heritage Site: Do They Really Mediate the Relationship between User-Generated Content and Travel Intentions toward a Heritage Site?, p. 4, 12, 13, 18.

¹² KOTLER, P. - KELLER, KL. (2013): Marketing and management, p. 205.

¹³ ONETE, B. - CONSTANTINESCU, B. - FILIP, A. (2008): Internet buying behavior. Case study: Research of aes students' behavior regarding online shopping, p. 5.

¹⁴ XIANG, Z. - GRETZEL, U. (2010): Role of Social Media in Online Travel Information Search, p. 23.

¹⁵ IQBAL, A. - NOOR, AK. - MALIK, A. - FARIDI, MR. (2022): E-WOM effect through social media and shopping websites on purchase intention of smartphones in India, p. 19.

¹⁶ LAMAEL, (2023): Briefly and effectively, or Golden rules of communication with clients.

¹⁷ NPÚ. (2023): Castles and chateaux other monuments.

the framework of selected communication tools, 3 strategic clusters were created for tangible cultural heritage: ‘communication proficient’, ‘communication average’ and ‘communication underdeveloped’. The individual criteria and their scoring are described in detail in Table 1.

Table 1 Conditions of multi-criteria evaluation

	Own website	Online tickets	Popusy	Reviews on the web			Instagram
Scale %	14,285	14,285	14,285	14,285	14,285	14,285	14,285
Points				Mapy	Google	FB	
0	NOT	NOT	NOT	RANK			NOT
1	INDIRECTLY	YES	YES				YES
2	YES	x	x				x

Note: due to the lack of reviews on the website, the factor was excluded

Source: Own processing

The multicriteria evaluation represents the evaluation of the importance of a set of decision variants $A = a_1, a_2, \dots, a_n$, which are defined by the evaluation criteria $K = k_1, k_2, \dots, k_k$. The relative importance of individual criteria, which can be expressed using a vector of criteria weights (the more significant (or more important) a criterion is, the greater its weight): $v = (v_1, v_2, \dots, v_k)$, $\sum_{i=1}^k v_i = 1$, $v_i \geq 0$. In the framework of multi-criteria decision-making, all parameters for objects in communication are desirable, therefore, they were considered maximisation criteria, individual weights were assigned to them, see Tab. 1. The weights were distributed according to an even distribution of 100 % between the 7 criteria. Evaluation of the level of communication activity was determined based on the point distribution method (1). (1)¹⁸.

$$SH = \sum_{j=1}^n U_j v_j \quad (1)$$

where: SH - summary evaluation of the variant, U_i - value of j -th indicator, v_i - weight of j -th indicator

3 Results and analyses

In the case of 123 castles, 97.56 % of the castles are active on Facebook. All private castles (100 %) are presented on Facebook, in contrast to the state ones, where representation on Facebook is 97.02 %, that is, 3 castles do not have a page on Facebook. All state castles are castles that do not have a direct link to their own Facebook, are presented via Instagram. Three castles without activity on Facebook promote their activities on Instagram; they have an indirect link to information about their activity. Regarding the promotion and communication of customers on Instagram, there the share of occurrence is even, all locks appear on Instagram after entering the keyword lock name (see Table 2). The activity on the Facebook social network is diverse. The activity measured by the number of followers is usually in the range of 20-30 followers, for example, at Dolní Benešov castle, Orlík castles. In contrast, the Zákupy state castle has the maximum number of followers on Facebook (17,000 followers), it is a castle with the possibility of accommodation. The Lednice, Valtice Konopiště or Žleby castles also have higher activity (11,000 supporters) and the Slavkov castle (10,000 supporters). However, these values are "relatively" high; commercial products such as NOKIA currently have 12 million followers, SIEMENS 32 thousand. They are followed by IKEA with 44,000 followers or the Lidl Czech Republic retail chain with 849,000 followers. Analysis of the most visited objects

¹⁸ RAMÍK, J. (1999): Multi-criteria decision-making - analytical hierarchy process (AHP), pp. 16-25.

in the category Architecture on¹⁹ revealed the followers' values for selected attractions: Municipal House in Prague 7.5 thousand, Villa Tugendhat 15 thousand, Villa Stiassni 111 followers, National Monument at Vítkov 297, Colonnade Rajstná Colonnade near Valtice 151 followers, Brno Metro: Labyrinth pod Zelníkem 982 followers. By further examining the Facebook links to the 5 TOP places listed among the 50 TOP places with the most visitors to²⁰, we recorded the following follower values: Lednice Castle = 11 thousand, Aquapark Uherské Hradiště = 11 thousand. followers, ZOO Brno = 44 thousand followers, Skanzen/Rožnov p. Radhoštěm = 44 thousand followers and the Moravian Gallery in Brno with 18,000 followers. It is obvious that the values of Facebook followers for objects used for tours (castles, castles, museums) are lower than the values of followers for commercial products. Therefore, it can be stated that the monitored values oscillating between 10 and 20 thousand are above the standard at the castle or museum.

Table 2 Distribution of use of selected social networks (Facebook, Instagram)

	No FB	Yes FB	No Instagram	Yes Instagram	Total
State (abs.)	3	98	0	101	101
Private (abs.)	0	22	0	22	22
Total (abs.)	3	120	0	123	123
State (%)	2,97	97,02	1,98	100,00	100,00
Private (%)	0,00	100,00	0,00	100,00	100,00
Total (%)	2,44	97,56	1,63	98,37	100,00

Source: own processing

Of the total number of castles, 16 castles (2 private, 14 state) have an indirect link to the web portal in the search. Some of these 16 links can be found on the city's website, information about these objects can also be found on the Kudy z nudy portal, which is the umbrella of the CzechTourism organisation promoting the Czech Republic as a tourist destination. A total of 60.16 % of castles use the option of selling tickets through the online interface (closer to Table 3), these are primarily monuments in the care of the National Memorial Institute (NPÚ). All castles on the list of the National Monuments Institute²¹, which are part of the analysis, provide tickets online, with the exception of Litomyšl Castle (closer link NPÚ, 2023). Customer reviews do not appear on castle websites, not even websites that offer online ticket sales. This is unusual because online sales can be considered e-commerce sales and e-commerce stores usually have a space for reviews or a blog. It is also not common for locks to use a pop-up window to communicate directly with potential and actual visitors, except for three private locks that used this tool to redirect a phone call.

Table 3 Use of presentation through website and online ticketing application

	WWW			On-line tickets		Total
	No	Indirect link	Yes	No	YES	
State (abs.)	0	14	87	31	70	101
Private (abs.)	0	2	20	18	4	22
Total (abs.)	0	16	107	50	73	123
State (%)	0,00	13,86	86,14	30,69	69,31	100,00
Private (%)	0,00	9,09	90,91	81,82	18,18	100,00
Total (%)	0,00	13,01	86,99	39,84	60,16	100,00

Source: own processing

¹⁹ KUDY Z NUDY. (2023a): The most visited destinations in the given category (Architecture).

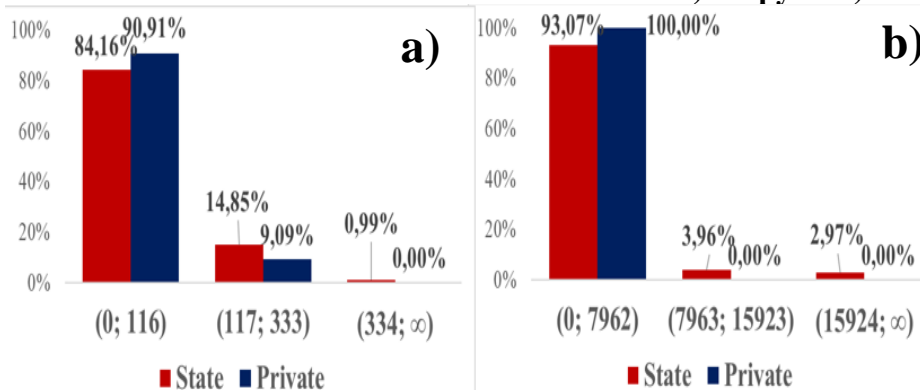
²⁰ KUDY Z NUDY. (2023b): 50 Tips for the most visited places in the Czech Republic.

²¹ NPÚ (2023): Castles and chateaux other monuments.

Among the top 5 castles in the Mapy.cz reviews is first the Lednice castle (351) and at the same time the Lednice castle is in third place in the reviews on Google.cz (21,240 reviews). The second is Castle Hluboká nad Vltavou with 267 reviews on mapy.cz and the castle ranked second in the number of reviews on Google.cz (23214 reviews). Others include Sychrov Castle (217 mapy.cz reviews, 6811 Google.cz reviews), Žleby Castle (215, 5661) and Milotice Castle (200, 5219). The first three cases are castles with a significant share in cultural tourism; the Lednice Castle is a castle with the status of a UNESCO monument. Two private castles (9.1 % of 22) show low review activity (1-10 reviews) on mapy.cz, their reviews on google.cz range from 100-300 reviews. Eight state castles (that is, 7.92 % of 101) also move in this low interval, 3 of which do not have direct website links. Their reviews on Google range from 1 to 632, except for one lock that has 1454 reviews on this portal.

Google reviews are not dominant, for example, in the castles Moravská Třebová, Janovice u Rýmařova or the private castle Bechyně, as well as the castle Nová Bystřice, Bystřice nad Úhlavou, Dívčí hrad. The review interval ranges from 0 to 35 reviews. High review activity can be observed at the Hluboké nad Vltavou castle and in Lednice. Also, at Křivoklát Castle and Valtice Castle. Český Krumlov, which is a castle inscribed on the UNESCO World Heritage List, is the castle with the highest share of reviews on Google.cz (23,885 reviews) in the analysis. As can be seen from the figure, visitors are more active in state castles and chateaux than in private ones (see Fig. 3).

Figure 3 Distribution of reviews of selected castles on a) Mapy.cz b) Google.cz



Source: Own processing

The interval was divided on the basis of the calculated values, which would be divided into three categories (max-min/3). In total, there are only eight castles in the first group, of which 7 are owned by the state and one is private. These are the castles of Lednice (1st place), Hluboká nad Vltavou (2nd place), Žleby (3rd place) and Valtice castle (4th place). They have high reviews on social media and on-line review portals, and online ticket sales on their own website. The lowest communication activity between castles within the framework of the selected tools is at the state castles of Moravský Krumlov, Brandýs nad Labem, Horažďovice, Dívčí hrad and Jílové u Děčín. In general, it can be stated that most castles and chateaux are moderately communicative; in the state castles, the situation is more positive, see Table 4.

Table 4 Distribution of locks according to communication activity based on selected eCRM tools

	Communication skills		Communicatively average		Communication backward		Total
	ABS	%	ABS	%	ABS	%	
State	7	6,93	61	60,40	33	32,67	101

Private	1	4,55	4	18,18	17	77,27	22
Total	8	6,50	78	52,85	50	40,65	123

Source: Own processing

Conclusion

The aim of the article was to answer the research question to what extent cultural monuments use options such as online ticket ordering, the existence of social platforms, namely Facebook and today's very popular Instagram. Whether the heritage property has its own website and uses online reviews and pop-ups to communicate with customers. As was found, only 8 objects (that is, 6.50 %) belong to the communication-proficient castle objects, from which it can be concluded that these castles have a relatively well-managed communication strategy in relation to the customer. This number is relatively small from our point of view. For locks with poor communication, all had an indirect link to a website, and a significant number of locks in the group with low communication activity also had low activity on review portals. From the point of view of the involvement of social networks, when, according to research by Bughin²², already in 2007 77 % of companies invested in at least one variant of social networks to improve communication, it is clear that the high trend of using social networks is also manifested in historical buildings/castles similarly to the commercial sphere. From the point of view of the participation of CRM tools, it is therefore appropriate to revise the individual channels so that the information generated by customer relationship management makes it possible to subsequently adapt products and services to the specific needs of different market segments, which is particularly important in the context of the global economy and the five UNESCO programme areas: (1) education, (2) natural sciences, (3) social sciences, (4) culture, and (5) "communication" and information", leading to the realisation of the Sustainable Development Goals²³. However, as part of the research question, it is necessary to point out that it is necessary to follow current trends, and if we proceed according to the claim that the trend of dynamic websites is being promoted today, then none of the castles is optimal in communication with customers. According to the above recommendation, 86.91 % focus on three communication channels (web, Instagram and Facebook), however, the website is not created as dynamic, but only static, without content reviews, blogs, or reviews. participation. It has also been confirmed that blogs and website reviews are not the domain of cultural heritage properties. Omnichannel Research 2020 found that 'marketers using three or more channels in a single campaign achieved 287 % higher purchase rate's than those using a single-channel campaign, therefore, it is necessary to once again draw attention to the revision of the communication strategies of cultural entities. It can be observed that castles registered on the list of UNESCO monuments or popular monuments in the Czech Republic (Hluboká, Křivoklát) have a high level of activity among castles. It is also obvious that these are castles whose CRM tools are under the administration of the NPÚ.

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²³ MZV (2023): Briefly about UNESCO.

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COMPARISON OF DEVELOPMENT ASSISTANCE PROVIDED BY THE OECD DAC MEMBERS: A CLUSTER ANALYSIS APPROACH¹

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Abstract: The aim of the paper is to classify the OECD Development Assistance Committee (DAC) members into similar groups according to their performance in terms of providing official development assistance. To reach the aim of this paper, the agglomerative hierarchical clustering method with the use of 15 variables evaluating the performance of aid donors is employed. The results of cluster analysis reveal five clusters comprised of the OECD DAC donors, which differ from each other in terms of the share of GNI devoted to ODA, the territorial allocation of bilateral aid, the predominant way of delivering ODA, as well as the focus on least developed countries, fragile contexts, country programmable aid, untied ODA and aid in support of the environment. To sum up, the Development Assistance Committee does not represent a homogenous group of development aid donors. The results indicate that the OECD DAC countries are divided not only into “traditional” and relatively “new” donor countries, but also into several regional clusters, such as those consisting of Asian and Oceanian donors, Central and Eastern European donors and Western donors.

Keywords: official development assistance, official donors, the OECD Development Assistance Committee, aid allocation, cluster analysis

JEL: C38, F35

Introduction

The OECD Development Assistance Committee (DAC) is an international forum of the world's largest providers of bilateral development aid, which currently includes 32 members, i.e. the European Union and 31 countries.² The OECD DAC members are also referred to as “official” or “established”³ donors. The criteria for joining the OECD DAC comprise the existence of appropriate strategies, policies and institutional frameworks for development cooperation, an accepted measure of effort,⁴ and the existence of a system monitoring and evaluating development aid performance. In general, the OECD DAC aims at promoting international development assistance, monitoring development finance flows and providing guidance on development cooperation policies.⁵ On the one hand, the OECD DAC consists of the so-called “old” or “traditional” donors with a long history of providing development aid, such as the United States, Canada, Japan, Northern and Western European countries. On the other hand, the Development Assistance Committee also comprises the so-called “new”,

¹ This paper is part of the project of young teachers, researchers and PhD students EUBA named “Development assistance of the Slovak Republic. Evaluation of two decades of Slovak development aid provision and its future”, no. I-23-104-00.

² OECD (2023): Development Assistance Committee (DAC).

³ WOODS, N. (2008): Whose aid? Whose influence? China, emerging donors and the silent revolution in development assistance.

⁴ Such as ODA/GNI ratio over 0.2% or ODA volume above 100 million USD.

⁵ OECD (2023): Joining the Development Assistance Committee (DAC).

“emerging” or even “re-emerging”⁶ donors that started or restarted to provide development aid over the last decades, such as Central and Eastern European countries like the Czech Republic, the Slovak Republic, Poland, Slovenia and Hungary.

The present paper deals with the current patterns of allocation of development assistance provided by official donors grouped within the OECD Development Assistance Committee. In this context, the aim of this conference paper is to classify the OECD DAC members into similar groups according to their performance in terms of providing official development assistance. This allows us to ascertain whether the OECD DAC members constitute a relatively homogeneous group of development aid providers or rather a diverse group of donors that continues to be divided into “traditional” and “new” donor countries or even other subcategories. To reach the aim of this paper, we employ the agglomerative hierarchical clustering technique with the use of fifteen variables assessing the performance of a donor’s development assistance system.

This paper is organized as follows. Section 1 provides a brief overview of literature on the similarities and differences between development aid donors. Section 2 presents methodology and provides definition of variables applied in a cluster analysis. Section 3 includes presentation of the hierarchical cluster analysis results, as well as discussion on this issue. Last section concludes the present paper with the main findings.

1 Literature Review

Dreher et al. examine differences in the distribution of development aid provided by “new” donors, such as the Baltic states, some Central and Eastern European countries, South Korea and other countries, and “old” donors, including Germany, Japan and the United States.⁷ They find that new donors care less for recipient needs, including orientation on poverty reduction, they focus more on geographically closer recipient countries and do not pursue commercial self-interests as compared to old traditional donors. Ali et al. examine aid allocation policies of bilateral development aid donors. They conclude that development aid policies of donor countries such as Canada, the Netherlands and the Nordic countries (Norway, Denmark, Sweden and Finland) are more apolitical, philanthropic and development-driven as compared with development aid policies of larger donors such as the United States, the United Kingdom, Japan, France and Germany.⁸ In a similar way, Berthélemy differentiates between “altruistic” and “egoistic” donors. According to him, Switzerland, Austria, Ireland and most Nordic countries belong to the most altruistic donors, whereas Australia, France, Italy, Japan and the United States are rather egoistic donor countries.⁹ However, it is important to note that the categorization of countries providing development assistance into altruistic and egoistic donors differs significantly in the scientific literature.

Francisco et al. study the differences and similarities between a large number of bilateral and multilateral donors with regard to long-term development aid allocation, employing principal component factor analysis.¹⁰ They identify four distinct clusters (groups) of donors. The first cluster consists of large Western European donors which are characterized by a large

⁶ The term “re-emerging” donors is used to describe countries that had provided development aid during the communist period, however, later on they became rather aid recipients during the transition period, and then these countries have re-launched their development aid programmes since the beginning of the 21st century.

⁷ DREHER, A. et al. (2011): Are ‘New’ Donors Different? Comparing the Allocation of Bilateral Aid between Non-DAC and DAC Donor Countries.

⁸ ALI, M. et al. (2015): Why Donors Give Aid and to Whom? A Critique of the Historical and Contemporary Aid Allocation Regime.

⁹ BERTHÉLEMY, J.-C. (2006): Bilateral Donors’ Interest vs. Recipients’ Development Motives in Aid Allocation: Do All Donors Behave the Same?

¹⁰ FRANCISCO, P. et al. (2021): Identifying differences and similarities between donors regarding the long-term allocation of official development assistance.

number of recipients, mostly low-income countries. The second cluster is made up of donors with structural links with recipient countries, especially in terms of linguistic and former colonial ties, such as France, Portugal, Belgium and Spain. The third cluster mostly includes Central and Eastern European donors with lower aid volumes that provide a relatively high share of development aid to Eastern European and Western Asian recipient countries. The fourth group consists of Asian and Oceanian donors, such as Japan, South Korea, Taiwan, New Zealand and Australia, which tend to select recipient countries mainly based on geographical proximity.¹¹ They add that the United States does not belong to any of the above-mentioned groups, implying that its development aid allocation pattern differs considerably from other clusters.

2 Methodology and Data

The aim of this paper is to classify the OECD Development Assistance Committee members into similar groups according to their performance in terms of providing official development assistance. The purpose of categorizing the OECD DAC members into relatively homogenous clusters is to identify broader groups of development aid providers that tend to behave similarly in the international donor community and analyse the differences between the groups of donors. To reach the aim of this paper, cluster analysis method is applied with the use of multiple variables evaluating the performance of development aid donors.

Cluster analysis represents a set of techniques that classifies cases (observations) into clusters (groups) which are relatively homogeneous within themselves and relatively heterogeneous between each other.¹² In other words, cluster analysis is a technique that gathers similar observations into a certain number of clusters based on the observed values of several variables for each case.¹³ Cluster analysis algorithms can be divided into hierarchical and non-hierarchical, while the former one is subdivided into agglomerative and divisive clustering algorithms.¹⁴ In this paper, we use agglomerative hierarchical clustering technique that allows us to determine an appropriate number of clusters during the clustering process, as well as obtain a dendrogram as an output of cluster analysis, which visualizes how clusters are formed. At the beginning of agglomerative hierarchical clustering technique, each case forms its own individual cluster, and subsequently similar cases are merged together until each case is grouped into one single cluster.¹⁵

Regarding the method of clustering, we use the Ward's method where the dissimilarity between two clusters is defined to be the loss of information from joining the two clusters. Loss of information is found by measuring the increase in the error sum of squares, or the sum of squared deviations of each pattern from the centroid for the cluster.¹⁶ This method is appropriate for quantitative variables. We employ the squared Euclidean distance as a measure of distance between the cases, which is the most commonly used distance metric in terms of Ward's method of clustering.

Although the OECD DAC has 32 members, the set of observations (cases) consists of 29 official donor countries: Australia, Austria, Belgium, Canada, Czechia, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea (Rep. of),

¹¹ FRANCISCO, P. et al. (2021): Identifying differences and similarities between donors regarding the long-term allocation of official development assistance.

¹² YIM, O. – RAMDEEN, K. T. (2015): Hierarchical Cluster Analysis: Comparison of Three Linkage Measures and Application to Psychological Data.

¹³ SINHARAY, S. (2010): An Overview of Statistics in Education.

¹⁴ HANSEN, P. – JAUMARD, B. (1997): Cluster analysis and mathematical programming.

¹⁵ YIM, O. – RAMDEEN, K. T. (2015): Hierarchical Cluster Analysis: Comparison of Three Linkage Measures and Application to Psychological Data.

¹⁶ KING, R. S. (2015): Cluster Analysis and Data Mining. An Introduction, p. 44.

Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom and United States. The European Union as a regional integration grouping, as well as Estonia and Lithuania, for which all necessary data are not available, are excluded from the cluster analysis.

Table 1 provides an overview of the variables that are used to classify observations, i.e. development aid donors, into similar groups. To measure the relative volume of official development assistance (ODA) provided, we use the variable ODA as a percentage share of the donor country's GNI (*ODA_GNI*), as it can be expected that smaller economies provide smaller amounts of aid as compared to larger economies. The OECD DAC members adopted the grant equivalent methodology for reporting their ODA starting from 2019, which better reflects the donor's effort in development loans¹⁷ and ensures comparability of data across providers.¹⁸ In general, DAC members accepted an international commitment to provide at least 0.7% of their gross national income as ODA by 2030.¹⁹ We use an average share of ODA in a donor country's GNI over a three-year period (2019 – 2021) in order to avoid possible year-to-year fluctuations in providing development aid. To examine bilateral aid disbursements by income group of the recipients, we employ two variables such as the percentage share of gross bilateral ODA allocated to the least developed countries (*LDC*) and upper middle-income countries (*UMIC*). The OECD DAC recognises that the least developed countries²⁰ and other low-income countries are most in need of development assistance, even though some DAC donors continue to focus mostly on more advanced recipient countries with higher income per capita. Fragile contexts (countries) represent another group of recipients where foreign aid is most needed. The OECD defines fragility as “the combination of exposure to risk and insufficient coping capacities of the state, system and/or communities to manage, absorb or mitigate those risks”²¹. The OECD identifies 60 fragile contexts, 15 being classified as extremely fragile countries.²² To measure the extent in which donors support fragile countries, we use a variable the percentage share of gross bilateral ODA to fragile contexts (*FRAGILE*).

Since development assistance can be provided either bilaterally or multilaterally, we employ a variable the percentage share of gross bilateral ODA in a total donor's ODA (*BILATERAL*) to find out whether the DAC donors tend to distribute aid directly to recipient countries or rather channel funds through multilateral organisations. The percentage share of gross bilateral ODA allocated to top 10 recipients (*TOP_TEN*) is used as a proxy for aid concentration or fragmentation. It may be expected that aid fragmentation, which means distribution of ODA across too many recipient countries, reduces the effectiveness of development assistance.²³ The indicator percentage share of country programmable aid in a donor's gross bilateral ODA (*CPA*) is employed to track the proportion of aid over which recipient countries have or could have a significant say. Country programmable aid is calculated by subtracting from total gross bilateral ODA activities that are inherently unpredictable (humanitarian aid and debt relief), entail no cross-border flows and do not form part of cooperation agreements between governments.²⁴ The donor countries' effort to provide ODA in a more efficient as well as more altruistic way is proxied by the variable percentage share of untied ODA in all sectors and countries (*UNTIED*). According to the Paris Declaration on Aid

¹⁷ It means that only the “grant portion” of the loan, i.e. the amount “given” by lending below market rates, counts as ODA.

¹⁸ OECD (2023): Methodological notes on the Development Co-operation Profiles 2023.

¹⁹ OECD (2023): The 0.7% ODA/GNI target - a history.

²⁰ See, for instance, OECD (2023): Countries and territories most in need.

²¹ OECD (2022): States of Fragility 2022.

²² Ibid.

²³ See, for instance, GLOBAL DEV (2018): Aid fragmentation and aid effectiveness: the latest evidence.

²⁴ OECD (2023): Methodological notes on the Development Co-operation Profiles 2023.

Effectiveness, untied ODA, which refers to aid not conditional on the procurement of goods and services from the provider, is expected to increase aid effectiveness by reducing costs for recipient countries and improving their ownership and alignment.²⁵ The OECD finds that “tied” ODA can increase the costs of a development project by as much as 15 to 30 percent.²⁶

Table 1: Overview of the variables used in cluster analysis

<i>Abbreviation</i>	<i>Variable</i>	<i>Reference period</i>	<i>Data source</i>
ODA_GNI	ODA as a share of GNI (%)	2019 – 2021	OECD
LDC	Share of gross bilateral ODA allocated to the least developed countries (%)	2019 – 2021	OECD
UMIC	Share of gross bilateral ODA allocated to the upper middle-income countries (%)	2019 – 2021	OECD
FRAGILE	Share of gross bilateral ODA to fragile contexts (%)	2021	OECD
BILATERAL	Share of bilateral ODA in total donor’s ODA (%)	2019 – 2021	OECD
TOP_TEN	Share of gross bilateral ODA allocated to top 10 recipients (%)	2019 – 2021	OECD
CPA	Share of country programmable aid in a donor’s gross bilateral ODA (%)	2021	OECD
UNTIED	Share of untied ODA, all sectors and countries (%)	2020 – 2021	OECD
ENVIRO	Share of total bilateral allocable aid in support of the environment (%)	2018 – 2021	OECD
EUROPE	Share of total bilateral ODA allocated to European countries (%)	2019 – 2021	OECD
AFRICA	Share of total bilateral ODA allocated to African countries (%)	2019 – 2021	OECD
AMERICA	Share of total bilateral ODA allocated to American countries (%)	2019 – 2021	OECD
ASIA	Share of total bilateral ODA allocated to Asian countries (%)	2019 – 2021	OECD
OCEANIA	Share of total bilateral ODA allocated to Oceanian countries (%)	2019 – 2021	OECD
UNDER	Contributions to under-aided countries (score)	2019	CGD

Note: A reference period longer than one year indicates the use of average value for the given period of time.

Source: Author’s own elaboration.

The environmental focus of development assistance provided by DAC members is measured by the indicator percentage share of total bilateral allocable aid in support of the environment and the Rio Conventions (*ENVIRO*). Aid in support of environmental purposes includes activities marked with the “aid to environment” marker or any of the four Rio markers, such as biodiversity, desertification, climate change mitigation and climate change adaptation.²⁷ To examine territorial focus of development aid provided by DAC donor countries, we employ five geographical variables such as the percentage share of total bilateral ODA allocated to European countries (*EUROPE*), African countries (*AFRICA*), American countries (*AMERICA*), Asian countries (*ASIA*) and Oceanian countries (*OCEANIA*). The indicator contributions to under-aided countries (*UNDER*) measures the extent to which each donor moves the global distribution of aid towards or away from an “optimal” allocation. The optimal allocation is based on the International Development Association’s model, which determines allocations

²⁵ OECD (2005): The Paris Declaration on Aid Effectiveness, p. 5.

²⁶ OECD (2023): Untied aid.

²⁷ OECD (2023): Methodological notes on the Development Co-operation Profiles 2023.

through a combination of recipient needs and governance quality.²⁸ The indicator positively assesses those donors who allocate ODA to the so-called “aid orphans”²⁹ referring to under-aided countries where the volume of aid received is too low relative to their conditions and needs.

The data used for cluster analysis come from the OECD’s *Development Co-operation Profiles*³⁰ and the Center for Global Development’s *Quality of Official Development Assistance (QuODA) indicators*³¹ (see Table 1). The values of all variables are standardized in order to avoid the problems caused by scale differences. The cluster analysis is carried out in the statistical software *SPSS Statistics*.

3 Results and Discussion

Table 2 shows average ODA as a proportion of DAC donor countries’ GNI over the three-year period 2019 – 2021, using the grant equivalent methodology. The average ODA provided by the OECD DAC member countries in the period 2019 – 2021 ranges from 0.13% to 1.02% of gross national income (Table 2). In general, donor countries with the highest share of ODA provided in their GNI comprise Western and Northern European countries. Only five DAC donor countries met or exceeded the United Nations 0.7% of GNI target for ODA, namely Luxembourg, the three Nordic states, such as Norway, Sweden and Denmark, and Germany. Preliminary data for 2022 confirm that only five above-mentioned countries reached the UN target of at least 0.7% ODA to GNI.³² However, between 2019 and 2021, the largest DAC donor countries of ODA in absolute terms were the world’s largest advanced economies, namely the United States, Germany, Japan, France and the United Kingdom.³³ On the contrary, DAC donors with the lowest average share of ODA in GNI in the period 2019 – 2021 include Central and Eastern European countries, the Baltic states, South Korea, the United States and Greece (Table 2). With the exception of the United States, most of the donor countries with the lowest share of their gross national income devoted to ODA represent relatively new members of the OECD Development Assistance Committee, which completed the accession process after 2010.

Table 2: ODA grant equivalent as a percentage of DAC donor countries’ GNI, three-year average (2019 – 2021)

<i>Donor country</i>	<i>ODA as % of GNI</i>	<i>Donor country</i>	<i>ODA as % of GNI</i>	<i>Donor country</i>	<i>ODA as % of GNI</i>
Luxembourg	1.02%	Ireland	0.31%	Slovenia	0.18%
Norway	1.02%	Japan	0.31%	Greece	0.17%
Sweden	1.00%	Austria	0.30%	United States	0.17%
Denmark	0.72%	Canada	0.30%	Estonia	0.16%
Germany	0.70%	Iceland	0.27%	South Korea	0.15%
United Kingdom	0.63%	New Zealand	0.27%	Poland	0.14%
Netherlands	0.57%	Hungary	0.25%	Czech Republic	0.13%
France	0.49%	Italy	0.24%	Slovak Republic	0.13%
Switzerland	0.48%	Spain	0.23%	Lithuania	0.13%
Finland	0.45%	Australia	0.21%		
Belgium	0.44%	Portugal	0.18%		

Source: OECD (2023): Development Co-operation Profiles.

²⁸ CGD (2021): Quality of Official Development Assistance. QuODA 2021 Methodology, p. 6.

²⁹ The opposite of “aid orphans” are “aid darlings” representing over-aided recipient countries where ODA received exceeds the ideal volume of aid.

³⁰ OECD (2023): Development Co-operation Profiles.

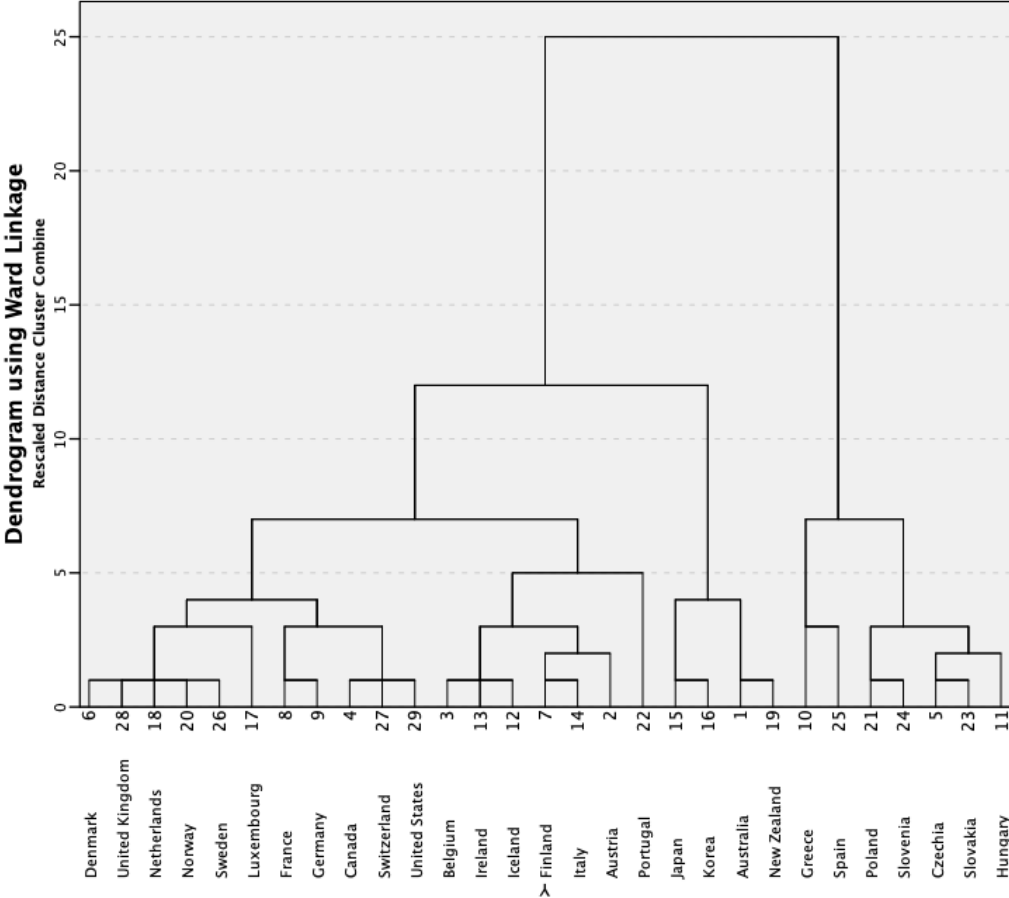
³¹ CGD (2023): QuODA 2021.

³² OECD (2023): ODA Levels in 2022 – preliminary data. Detailed summary note.

³³ OECD (2023): Aid (ODA) disbursements to countries and regions [DAC2a].

The results of cluster analysis are shown through the following dendrogram (Figure 1). Five clusters can be identified by making a horizontal cut at the distance 6 in the dendrogram. Cluster 1 consists of Australia, Japan, South Korea and New Zealand. Cluster 2 includes Austria, Belgium, Finland, Iceland, Ireland, Italy and Portugal. Cluster 3 contains Canada, Denmark, France, Germany, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom and the United States. Cluster 4 is composed of the Czech Republic, Hungary, Poland, Slovakia and Slovenia. Cluster 5 consists of only two donor countries, Greece and Spain. Table 3 reports the mean values of the variables within each of the five clusters (columns labelled 1 to 5), as well as the overall mean of the 29 DAC donor countries (column labelled “Total”).

Figure 1: The results of cluster analysis – dendrogram



Source: Author’s own elaboration using SPSS Statistics.

Cluster 1, consisting of Asian and Australasian DAC donor countries, has a strong focus on Asian and Oceanian ODA recipient countries. As can be seen in Table 3, with the exception of cluster 1, all other clusters allocate less than 0.5% of bilateral ODA to small island recipient countries in the Pacific region. In general, bilateral aid provided by New Zealand and Australia is primarily focused on Pacific Island countries, while bilateral aid provided by Japan and South Korea is mostly directed to South and Central Asian as well as Southeast Asian countries.³⁴ Therefore, donors grouped in cluster 1 tend to distribute most of their bilateral ODA to geographically closer partner countries within their regions. This is supported by Francisco et al. who find that Asian and Oceanian donors, namely Japan, New Zealand, Korea, Australia

³⁴ OECD (2023): Aid (ODA) disbursements to countries and regions [DAC2a].

and Taiwan, select their partner countries mostly based on the geographical proximity criterion.³⁵ Cluster 1 is also characterized by relatively low share of ODA in GNI, high share of country programmable aid in gross bilateral ODA, high share of untied ODA and high share of bilateral aid in support of the environment and the Rio Conventions as compared to the overall 29 DAC donor countries average (Table 3). In addition to that, the vast majority of ODA provided by cluster 1 donor countries is delivered bilaterally.

Cluster 2 is a diverse group of seven European donor countries with the lowest share of bilateral ODA allocated to upper middle-income countries, on the one hand, and the highest share of bilateral ODA allocated to least developed countries and fragile contexts, on the other, as compared to other clusters (Table 3). Furthermore, cluster 2 is primarily focused on African countries regarding the territorial allocation of bilateral development aid. Therefore, cluster 2 represents a group of donors that allocate the largest share of their bilateral ODA to the poorest and fragile recipient countries in greatest need of development assistance. Among the 29 DAC donor countries, Portugal records the highest share of bilateral ODA allocated to least developed countries and at the same time to African recipient countries.³⁶ Cluster 2 has, on average, the best performance in contributions to under-aided countries, meaning that cluster 2 donor countries allocate more ODA to the so-called “aid-orphans” compared to other clusters. However, the share of ODA in GNI of cluster 2 countries is below the overall average and far from reaching the United Nations target of a 0.7% ODA to GNI ratio. Cluster 2 has relatively poor performance in terms of the share of gross bilateral ODA that is programable by country.

Table 3: Mean values of the variables within clusters and total mean

	1	2	3	4	5	Total
ODA_GNI	.2350	.3129	.6455	.1660	.2000	.3952
LDC	26.7250	36.0329	26.1182	11.5340	8.0700	24.8359
UMIC	11.8000	10.2057	10.4945	45.1860	16.7200	17.0155
FRAGILE	33.650	39.486	31.500	23.860	19.250	31.562
BILATERAL	80.7575	51.1800	71.9500	33.9320	33.0300	58.9124
TOP_TEN	49.5850	40.0243	24.8518	61.1520	23.7500	38.1083
CPA	77.350	31.100	39.500	61.640	36.950	46.334
UNTIED	81.3125	76.7643	90.8091	44.5000	66.5500	76.4517
ENVIRO	40.05000	32.07143	32.28182	19.12000	13.42200	29.73255
EUROPE	-.0475	4.7343	2.5509	45.9660	3.0850	10.2417
AFRICA	11.8500	38.2629	31.5836	14.5640	10.7250	26.1010
AMERICA	4.0025	3.7371	5.8545	1.3480	19.3300	5.2403
ASIA	39.9250	16.2914	19.7536	21.9620	4.8150	21.0507
OCEANIA	28.2775	.1343	.3045	.0040	.0100	4.0497
UNDER	-.004978593	.005794501	-.001625547	-.009353929	-.012237814	-.002361350

Source: Author’s own elaboration using SPSS Statistics.

Cluster 3, consisting of eleven “traditional” Western donors, has on average the highest proportion of GNI devoted to official development assistance (Table 3). This cluster includes five DAC donors that have achieved the 0.7% ODA to GNI target, namely Luxembourg, Norway, Sweden, Denmark and Germany. Broadly speaking, cluster 3 is comprised of the largest official donor countries in terms of either the volume of aid provided or the share of ODA in donor’s GNI. Cluster 3 donor countries’ bilateral ODA is mostly focused on African and Asian recipient countries, whereas European, American and Oceanian recipients are of

³⁵ FRANCISCO, P. et al. (2021): Identifying differences and similarities between donors regarding the long-term allocation of official development assistance.

³⁶ OECD (2023): Development Co-operation Profiles.

peripheral importance to them. Cluster 3 is the best performing group of donors in terms of providing untied ODA, which is considered to be more efficient and altruistic than ODA conditional on the procurement of goods and services from the provider. However, the share of country programmable aid in gross bilateral ODA provided by donors grouped within cluster 3 is well below the overall average of the 29 DAC donor countries, meaning that the proportion of aid over which recipient countries have a significant say is relatively low.

Cluster 4 consists of five “re-emerging” donor countries of Central and Eastern Europe, more precisely the four Visegrad donors (Czech Republic, Hungary, Poland and Slovakia) and Slovenia. New DAC donors grouped within cluster 4 share several common characteristics in terms of providing development assistance, such as a low share of ODA in GNI, relatively high proportion of total ODA delivered multilaterally, high share of gross bilateral ODA allocated to top 10 recipients and low share of bilateral aid in support of the environment (Table 3). In addition to that, bilateral ODA provided by cluster 4 donors is primarily focused on upper middle-income countries and at the same time geographically close European recipient countries, specifically Eastern European and Western Balkan countries. On the other side, cluster 4 shows a very weak orientation towards least developed countries as well as fragile countries (Table 3). Furthermore, cluster 4 allocates a low share of bilateral ODA to African, American and Oceanian recipient countries. This is supported by Szent-Iványi and Lightfoot,³⁷ Jančovič³⁸ and others who argue that Central and Eastern European donors allocate a high share of bilateral ODA to European recipients in immediate neighbourhood and a low share of bilateral ODA to Sub-Saharan African countries with the largest development needs.

Cluster 5, comprising only two donor countries, Spain and Greece, is characterized by a low share of ODA in GNI, relatively high proportion of ODA delivered multilaterally, and low percentage share of gross bilateral ODA allocated to top 10 recipients, indicating aid fragmentation (Table 3). In addition, cluster 5 records a low share of country programmable aid in bilateral ODA and weak orientation towards bilateral aid supporting the environment and the Rio Conventions. Cluster 5 has the worst performance in terms of bilateral ODA provided to least developed countries and fragile contexts as compared to other clusters. Table 3 reports that cluster 5 distributes, on average, the highest share of bilateral ODA to Latin American and Caribbean recipient countries. This is true for Spain and not for Greece, whose vast majority of bilateral aid is not allocated by country.³⁹ In line with historical and cultural ties, Spain traditionally focuses on Latin American recipient countries regarding the territorial allocation of bilateral development aid.⁴⁰ Compared to other OECD DAC donors, Spain allocated the highest average share of bilateral ODA to Latin American and Caribbean countries in the period 2019 – 2021.⁴¹ Cluster 5 has a relatively poor performance in terms of contributions to under-aided countries, indicating that it allocates more ODA to the so-called “aid-darlings”, representing over-aided recipient countries where ODA received exceeds the ideal volume of aid, as compared with other clusters.

Conclusion

The aim of this paper was to classify the OECD Development Assistance Committee members into similar groups according to their performance in terms of providing official development assistance. Using agglomerative hierarchical clustering method, the 29 OECD DAC donor countries were classified into similar clusters based on 15 variables evaluating the performance in providing official development assistance. The results of cluster analysis

³⁷ SZENT-IVÁNYI, B. – LIGHTFOOT, S. (2015): New Europe’s New Development Aid.

³⁸ JANČOVIČ, P. (2023): Territorial Allocation of the Visegrad Group Countries’ Bilateral Development Aid.

³⁹ OECD (2023): Development Co-operation Profiles.

⁴⁰ Ibid.

⁴¹ OECD (2023): Aid (ODA) disbursements to countries and regions [DAC2a].

indicate that the OECD DAC member countries do not constitute a homogeneous group of development aid donors. The OECD Development Assistance Committee members continue to be divided into “traditional” Western donors, on the one hand, and relatively “new” donor countries, especially those from Central and Eastern Europe, on the other. In addition to that, there also exist some regional specifics arising from the categorization of DAC donor countries into similar groups according to their performance in providing ODA, which can be observed in distinct clusters consisting of Asian and Oceanian donors, Central and Eastern European donors and Western European donors.

The results of cluster analysis revealed five clusters of the OECD DAC donor countries. Cluster 1, comprising Asian and Australasian DAC donor countries, has a strong regional focus on geographically close Asian and Pacific Island recipient countries, relatively low share of ODA in GNI, high share of bilateral aid in support of the environment and it tends to distribute most of its total ODA bilaterally. Cluster 2, consisting of seven Western and Northern European donor countries, allocates, on average, the highest share of bilateral ODA to least developed countries, African states and fragile contexts, indicating optimal allocation patterns to those recipient countries where aid is most needed. In addition, cluster 2 has the best performance in contributions to under-aided countries as compared to other clusters. Cluster 3, made up of eleven “traditional” Western donor countries with the highest aid volumes in both absolute and relative terms, is characterized by strong focus on African and Asian recipients, relatively best performance in providing untied aid and low share of country programmable aid in gross bilateral ODA. This cluster includes the five DAC donor countries that achieved the 0.7% ODA to GNI target, namely Luxembourg, Norway, Sweden, Denmark and Germany. Cluster 4 consists of five “re-emerging” Central and Eastern European donor countries that tend to allocate the highest share of their bilateral ODA to geographically close Eastern Partnership and Western Balkan recipients, representing upper middle-income countries with less need for development assistance. Cluster 4 is also characterized by a low share of GNI devoted to ODA, high proportion of total aid delivered multilaterally, and high share of gross bilateral ODA allocated to the ten largest recipients. Cluster 5 is composed of two “Southern” donors, Spain and Greece, characterized by a relatively low share of ODA in GNI, weak orientation towards least developed countries, African states and fragile countries, and high proportion of ODA provided multilaterally.

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THE POSITION OF CHINESE JUAN IN THE WORLD ECONOMY¹

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Abstract: Chinese Yuan plays an important role in international financial relations. Two decades of the process of government-driven internationalization of RMB can be marked as successful. China's accession to the WTO was an important milestone in China's reform and opening-up, bringing them into a new era to further open up. The Belt and Road Initiative as an economic project of the global economy in 21st century brought new challenges for the development of China's economy. The aim of this paper is to discuss the changes in the position of Chinese Yuan in the last few decades. We analyse the role of development financial institutions: multilateral development financial institutions, Chinese commercial banks and special investment funds; investment opportunities and their potential impact on RMB internationalization. To accomplish this aim, we used qualitative methods such as comparison, analysis, synthesis, induction, and deduction methods.

Keywords: Internationalization of RMB, Belt and Road Initiative (BRI), BRICS countries, Digital Yuan

JEL: F14, F15, N85

Introduction

China is the second strongest economy in the world, the largest exporter of goods in the world, with a total export value for 2022 of USD 3.71 trillion,² and the second largest importer. China is the member of important international organisations, like United Nations (UN), World Trade Organisations (WTO), International Monetary Fund (IM and the World Bank Group). The WTO's accession of China in 2001 can be considered one of the most important steps in its modern history. China participates in integration processes in the region, is a member of the regional association Asia-Pacific Economic Cooperation (APEC), deepens cooperation with the Association of Southeast Asian Nations (ASEAN) and is actively involved in Asia -Europe Meeting (ASEM).

The 14th Five-Year Plan (2021–2025) for National Economic and Social Development of the People's Republic of China (PRC) departing from the emphasis on economic growth and restructuring that was characteristic of the past, focuses on the sustainability of growth and the quality of life.³

The Chinese banking system overtook the banking system of the Eurozone and became the owner of the largest assets in the world, which resulted in an increase in the country's influence on world finance, but also in their increased dependence on debt, which can lead to an increased risk of a global financial crisis. China's banking assets reached US\$33 trillion at the end of 2016, compared to the Eurozone's US\$31 trillion, the US's US\$16 trillion and Japan's US\$7 trillion. The assets of China's banking system represent more than 3.1 times the country's

¹ This article was elaborated within the VEGA project no. 1/0732/21 “Nový normál’ a meniace sa postavenie ČLR vo svetovej ekonomike.”

² STATISTA (2022): Leading export countries worldwide in 2022.

³ ASIAN DEVELOPMENT BANK (2021): The 14th Five-Year Plan of the People's Republic of China - Fostering High-Quality Development.

annual economic performance, compared to 2.8 times the eurozone and its banks. World leaders and economists praised China's stimulus, which helped stabilize global growth at a time when developed countries were in deep recession.⁴ In 2019, the assets of Chinese banks reached about 40 trillion USD.⁵

According to the rating agency S&P Global Market Intelligence, Chinese banking institutions have dominated the world's largest banks for 5 consecutive years, despite the weakening of the yuan and the slowdown of the Chinese economy. A fifth (19) of the top 100 banks are headquartered in China and reported \$25.8 trillion in assets in 2019. The Big Four - Industrial & Commercial Bank of China Ltd., China Construction Bank Corp., Agricultural Bank of China Ltd. and Bank of China Ltd. remained the four largest banks in the world by asset size in 2019, with total assets worth 14.82 trillion in accordance with international financial reporting standards. USD, which is 7.5% more than in the previous year.⁶

This rapid development affects all regions of the world. We expect that in the coming years, the Chinese economy will become the strongest economy in the world and it will correspond to the position of its currency. RMB internationalization is on the one hand the result of the reform process in China, but at the same time we can also say that the RMB internationalization greatly helps this process.

China is the first emerging-market currency to be included in the SDR basket. This action promotes the credibility of RMB and thus makes it more likely to be utilised by “Belt and Road” countries.⁷

The aim of this paper is to discuss the changes in the position of Chinese Yuan in the last few decades. We analyse the role of development financial institutions: multilateral development financial institutions, Chinese commercial banks and special investment funds; investment opportunities and their potential impact on RMB internationalization. To accomplish this aim, we used qualitative methods such as comparison, analysis, synthesis, induction, and deduction methods.

1 Belt and road Initiative and the Chinese Yuan

More than 2,000 years ago, the trade routes of the great civilizations of Europe, Asia and Africa helped facilitate the exchange of goods, knowledge and ideas, thus contributing to economic, cultural and social progress in different countries and facilitating integration and dialogue between different cultures. This had great economic benefits for both large and small countries near the Silk Road. Although the Belt and Road Initiative (BRI) originates from the past, it currently allows various countries to participate in this project. The priority of the project is the countries of Central Asia, Russia, South Asia and Southeast Asia, the Middle East and East Africa. In the long term, the inclusion of European countries, the Commonwealth of Independent States (CIS) and Africa was envisaged. The BRI is an economic project of the global economy of the 21st century and should not only be a huge investment in transport infrastructure, land and sea transport, but also an important industrial, energy and agricultural products.

The reforms of the financial system tried to create the financial conditions to meet the goals set out in the BRI. The opening of the financial sector allowed small private banks to provide services to the domestic economy. The main goal of large state banks is to ensure sustainable development and contribute to a more ecological and social financial policy. China is an important engine of growth in the region and therefore their internal economy must be

⁴ WILDAU, G. (2017): China overtakes eurozone as world's biggest bank system.

⁵ XINHUA (2020): Total assets of China's banking sector at 40 trln. dollars.

⁶ LIU, V. (2020): Chinese Banks Remain World's Largest in Latest Global Bank Rankings.

⁷ LEHMANBROWN (2017): The Belt and Road Initiative.

linked to the BRI. This approach will help support China's financial and real growth while ensuring support for the BRI. The BRI should not function as a financial resource for China. Promoting equity financing and developing bond markets could help increase the amount of funding available for the BRI. The corporate bond market in China is not sufficiently developed and is also associated with a lack of market control. China is carried out further financial reforms in the capital market. A very important part of the BRI is the support of financial innovation in order to increase private capital for BRI projects and ensure the proper functioning of the domestic economy through inclusive financing. Financial liberalization can be considered a positive development if the risks are properly controlled. Safeguards must be put in place to reduce capital flight if necessary.⁸

Financing plays a key role in the BRI and requires China's cooperation with all participating countries, and presents an opportunity to innovate the international financing model and create a multi-level financial platform. BRI must have a financial security system that is long-term oriented, stable and sustainable, and the risks associated with it are managed. Developing countries involved in the BRI suffer from a lack of construction capacity and funding sources and need medium- and long-term financing. Therefore, one of the main tasks is to build such an investment and financial system that will be market-oriented, sustainable and mutually beneficial. China will play an important and active role in the formation of the BRI investment and financing system and in building global cooperation in financing and capital support of BRI projects.⁹

The engine of economic globalization is the construction of infrastructure, which is considered the most important agenda within the BRI. Only better infrastructural connectivity can boost business investment and trade exchange. Due to the size of investments, long construction cycle and long-term tying of funds with low returns, infrastructure construction requires long-term, stable and high-volume financing at low costs. The regions through which the Belt and Road project passes mostly belong to developing and developing economies, their economic power and financial possibilities are relatively limited.

2 Current Status of Chinese Yuan

The RMB internationalization is a government-driven process opposed to the market-driven internationalization of other currencies. One of the most important internationalization initiatives in China is the China's Cross-Border Interbank Payment System (CIPS) which has a presence in all major countries, including U.S., Singapore, Britain, France, Germany, South Korea, Russia and Japan. Currently, thirty-one institutions directly participate in CIPS, and over 847 institutions participate indirectly.

China is the world larger importer of crude oil. In 2018, they established oil futures tradable in yuan, on the Shanghai International Energy Exchange (SINE), a branch of the Shanghai futures Exchange/SHFE).

The currency international status is based on three fundamental pillars. The first is the size of the home economy, as measured by GDP or trade. The second is confidence in the value of the currency, as measured by the long-term trend in its exchange rate, the variability of the exchange rate, the country's long-term inflation rate, and its position as an international net creditor. The third is the development of its financial markets, particularly depth, liquidity, dependability and openness.¹⁰

⁸ JIANG, CH. - YAO, S. (2017): Chinese Banking Reform.

⁹ SUN, G. - MADERA, S. (2018): Building an Investment and Financing System for the Belt and Road Initiative: How London and other global financial centres can support.

¹⁰ FRANKEL, J. (2012): Internationalization of the RMB and Historical Precedents.

It used to be thought that international status of the currency was subject to much apathy.¹¹ Historically, there was a long-time lag between the period when the US economy became larger than UK economy in case of size (1872, by the criterion of GNP). Furthermore, the time when the dollar had passed the pound (1946, by the criterion of shares in central banks' holdings of reserves).¹² This idea receives a new attention in the works by Eichengreen.¹³ He figures out that the lag was in fact shorter than it was thought before. It took until World War I for the dollar to fulfil the criterion of an international currency. And the date when the dollar is said to have come to rival the pound as an international currency has now been moved up to the mid-1920s. The first point is right. If trade is the measure of size, the US first caught up with the UK during World War I.¹⁴

Taking in to account evolution of the dollar as an international currency, the Chinese currency has begun to internationalize just in the last few years. A RMB bond market has grown rapidly in Hong Kong, and one in RMB bank deposits. At the same time RMB is starting to be used to invoice some of China's international trade together with swap contracts. Foreign central banks have been able to hold RMB since August 2010. Malaysia became a pioneer in these operations.

Could China's currency now be in the same position as the U.S. dollar at the time of World War I? Could RMB make a rapid ascent and even rival the position of the internationally leading currency? This is what Subramanian¹⁵ concludes, enthusing that the renminbi might overtake the dollar around 2022. Subramanian pursues an econometric approach with the reserve data back to 1900, with a gap between 1929 and 1958. Such analyses are based on the calculation that at current rates of growth. He concludes that the Chinese economy may overtake the U.S. economy within a decade, even by the GDP criterion for size (this is already happen based on the last IMF annual report), let alone by the trade criterion. Another key point reliable with this conclusion is the potential rate of return. Everyone believes that the RMB to appreciate against the dollar in the long run. China is a creditor and is still running large surpluses while the U.S. is a debtor and is still running large deficits.¹⁶

According to records of SWIFT RMB reached in August 2023 the third place with a share of 4.82 % in trade finance activities - the letter of credit and documentary collection transactions. The position of RMB in trade finance is given by significant share of trade finance products in China's foreign trade. A letter of credit is still one of the most used means of payment, although in recent time due to the increase of open account payment condition in the supply chain financing we can see the decrease of the volume of traditional trade finance instruments. RMB remains stable twelfth most widely used currency in international payments. Regarding international payments, RMB is on the fifth place with a share of 3.47%. (SWIFT). RMB is from August the 4th most traded currency in the world. In January 2012, RMB was still at 11th place with 0.92% and in August 2013 proceeded to the 8th place with 1.49%.¹⁷

The role of RMB in international trade has been growing for two decades, non-Chinese entities outside China tend to convert their RMB, which utilized only for trade with their

¹¹ KRUGMAN, P. (1984): The International Role of the Dollar: Theory and Prospect.

¹² RIETI (2015): Internationalization of the Renminbi: What does history tell us about the precedents?

¹³ EICHENGREEN, B. (2011): Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System.

¹⁴ EICHENGREEN, B. - Flandreau, M. (2010): The Federal Reserve, the Bank of England and the rise of the dollar as an international currency.

¹⁵ SUBRAMANIAN, A. (2011): "Renminbi Rules: The Conditional Imminence of the Reserve Currency Transition." Working Paper Series No. 11-14 (Washington, D.C.: Peterson Institute for International Economics, September). SUBRAMANIAN, A. (2011): Eclipse: Living in the Shadow of China's Economic Dominance (Washington, DC: Peterson Institute for International Economics).

¹⁶ FRANKEL, J. (2012): Internationalization of the RMB and Historical Precedents.

¹⁷ SWIFT (2013): RMB Monthly Tracker September 2013. SWIFT. (2023): RMB Monthly Tracker, October 2023.

Chinese counterparts, into USD or their home currency. In order to induce non-resident entities and individuals outside China to hold funds denominated in RMB, these parties need access to a wide range of RMB-denominated investment options. The stimulus to create and further develop a wider variety of RMB financial products is greater than ever.

Use RMB as a reserve currency is growing the most. The terms «vehicle currency» and «global payment currency», are synonymous and indicate that some national currency serves as a measure of value and international means of payment, especially when it is not the national currency for the importer or exporter.

China's digital Yuan is an alternative to the Dollar-dominated Financial System and they are working on it from 2014. Five years later, in May of 2019 China became the first major country to launch a large-scale pilot for its CBDC (Central Bank Digital Currency) in cities like Shenzhen, Suzhou, Chengdu, and Xiong'an. The digital yuan is not based on blockchain technologies. The used patents indicate that China may intend to regulate CBDC supply using an algorithm based on certain triggers, such as loan interest rates and economic trigger. China's CBDC will be the world's first programmable money. The digital yuan could facilitate cross-border payment versus payment transactions by a simple exchange of tokens. For cross-border exchange of tokens to take place, other countries will also have to develop technology that enables them to accept such tokens. The important advantages of CBDC payments are low transaction costs, real-time cross-border transactions, easier-to-scale digital infrastructure. Due to its digital nature, China could easily distribute its digital yuan through preexisting payment platforms like Alipay and WeChat Pay wallets. Opportunities for cross-border use of the digital yuan as a unique means of geopolitical influence over the world, trade and payments network – using the digital yuan transactions along the BRI, in debt issuance and recovery and leveraging existing Chinese payment infrastructure, remittances in Africa. According to the latest data published by the State Administration of Foreign Exchange (SAFE) more than half of China's reserves are denominated in dollars.¹⁸

The freeze of half of Russia's gold and foreign exchange reserves after its invasion of Ukraine came as a surprise not only to Russia but to China as the world's largest holder of foreign reserves too.¹⁹ China decreased the holding of US government debt and became the second-largest holder of U.S. government debt.

Conclusion

Although the internationalization of the RMB began by China's accession to WTO, the actual development occurred in 2009. Five years later, the RMB has developed the second most used currency in international trade finance, 12th currencies in international payments and 8th currency trading on financial markets.

The next step is the increased global acceptance and usage of RMB as a settlement currency for trade purposes – the world should gradually transition away from the USD as the “de facto” trade settlement currency, given China's role as the leading global trading economy. Increased invoicing of both imports and exports in RMB, also a process that is well under way, will have the dual advantage of reducing the accumulation of USD reserves, a necessary step for global rebalancing and commensurately increasing the role of the RMB in global trade. This also has the added benefit of reducing exchange rate risks for both importers and exporters.

The final step in the evolution of the RMB's role as a global currency is its global acceptance as a reserve currency. This position of RMB is increasing by the new geopolitical situation and reaction on the introduction of sanctions against Russia, especially the freezing

¹⁸ BANSAL R. - SINGH S. (2021): China's Digital Yuan: An Alternative to the Dollar-Dominated Financial System.

¹⁹ ZHOU, C. (2022): China Scrambles for Cover from West's Financial Payments System.

foreign exchange and gold reserves. We have to mention also the increased use of RMB connected with the BRI and growing cooperation among BRICS countries. The new position of RMB is supported by development of digital yuan, new clearing and communication system.

We expect that in the coming years, the Chinese economy will become the strongest economy in the world and it will correspond to the position of its currency. RMB internationalization is on the one hand the result of the reform process in China, but at the same time we can also say that the RMB internationalization greatly helps this process.

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SOY BOOM IN LATIN AMERICA

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Abstract: In the paper, we focus on the development of the so-called soybean boom in Latin America with an emphasis on the last decade. Latin American countries - Argentina, Brazil, Paraguay, Uruguay and Bolivia - have significantly entered the world market in the last decade. The article examines the development of soybean production and export in selected Latin American countries concerning world production. Through analysis, comparison and deduction, we have reached concrete conclusions. The negative impacts of the soy boom include the destruction of habitats: rainforests, wetlands and cerrado. At the same time, the expansion of soy cultivation has not led to agricultural diversification (except in Brazil), and the soy business is dominated by only a few transnational corporations.

Keywords: soy, Argentina, Brazil, Paraguay, Uruguay, Bolivia

JEL: Q11, Q15, Q17

Introduction

In the presented paper, we focus on the development of the so-called of the soybean boom in Latin America with an emphasis on the last decade. Over the past decade, global demand for soybeans has grown rapidly, which is used for its high nutritional properties as animal feed, food (soybean oils, tofu products, soy milk) and as a raw material for biofuels. The greatest demand for it is recorded in China and India, originally net soy producers. Latin American countries - Argentina, Brazil, Paraguay, Uruguay and Bolivia - have significantly entered the world market in the last decade. The aim of the contribution is to examine the development of soybean production and export in selected Latin American countries in relation to world production. Through analysis, comparison and deduction, we will reach concrete conclusions.

1 Soybean production in the world and Latin America

Soy, a plant native to Asia, is now cultivated in various parts of the world. The soy world market is the most dynamically developing. It is projected to grow by 2030 and total global production will reach 411 million tonnes, more than double the production of rapeseed, sunflower and groundnut combined.¹

Latin American countries (Brazil and Argentina, Paraguay), the United States of America, China, India and Canada are currently the largest producers. Two other South American countries - Uruguay and Bolivia - are also among the leading soybean growers. Brazil, Argentina, Paraguay and Uruguay, part of the Southern Cone, and at the same time members of the Mercosur integration group, are called "*the Soybean republic*".²

Brazil is the world's largest soybean producer as of 2019, when it replaced the US as the top soybean producer. Argentina is the third largest producer, followed by China, India, Paraguay and Canada. Bolivia and Uruguay also belong to the first fifteen top producers.³

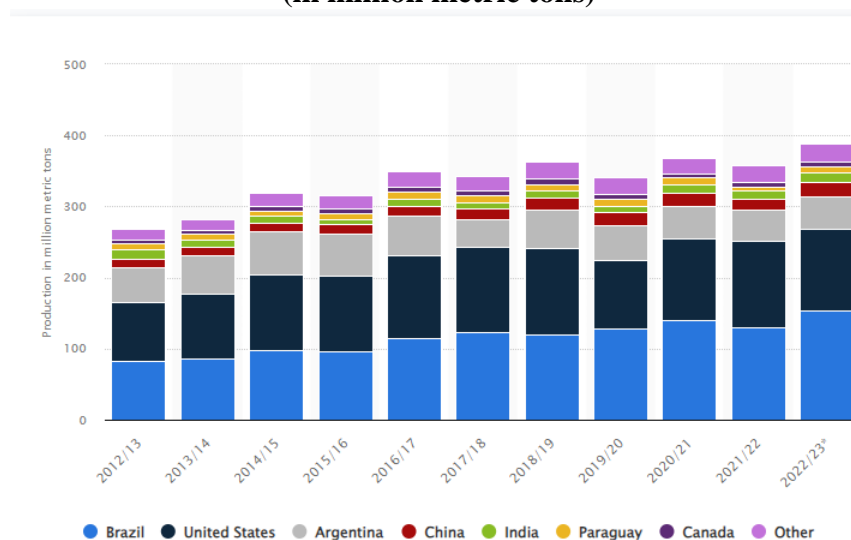
¹ OECD – FAO. (2021): *Agricultural Outlook 2021-2030*, p. 139.

² MYERS, M. – WISE, C. (2017): *The Political Economy of China-Latin America Relations: In the New Millennium*, p. 180.

³ STATISTA (2023): *Soybean production worldwide 2012/13-2022/23, by country*.

Figure 1 shows the world's largest soybean producers over the last 10 years. Brazil is expected to maintain its position as the top 1 producer and Brazilian production is expected to reach 149 million tons by 2030 based on improved yields and increased cropping intensity by cropping soybeans with corn. It is also predicted that Brazil, along with the US, will account for approximately two-thirds of global soybean production and more than 80 % of global exports by 2030.⁴

Figure 1: Leading soybean producing countries worldwide from 2012/13 to 2022/23 (in million metric tons)



Source: STATISTA (2023): Soybean production worldwide 2012/13-2022/23, by country.

According to FAO data, Brazil currently produces a third of global production and, together with other Mercosur countries, more than half of world production (Table 1). Five South American countries together form the world's most important area where soybeans are grown, while in 1970 only 4 % of global soybean production was grown in this area.⁵

The importance of the soybean business in the countries of Mercosur and Bolivia is also shown by its high and growing share in the overall agribusiness. In Argentina, Bolivia, Brazil and Paraguay, the area planted with soybeans represents more than 50 % of the total area planted with the five most important crops in each country.⁶ However, Paraguay is the most dependent of them on the soybean business. In the case of Paraguay, up to 70 % of the total cultivated land is used for the cultivation of soybeans, and the export of soybeans constitutes up to 40 % of the total export of the country.⁷

In the last ten years, there has been a significant increase in soybean production and the area of land devoted to the cultivation of this plant in the Latin American region. The area planted with soybeans increased the most in Brazil (by more than 50 %) and Paraguay (24 %), and in Mercosur in total by almost 30 %. The only country in which there was a reduction in the area planted with soybeans is Argentina. An increase in cultivated soybeans in tons was recorded in all countries (except Uruguay). Production increased the most in Paraguay (almost 143 %) and Brazil (by almost 105 %), which is also reflected in the increase in production in

⁴ OECD – FAO (2021): Agricultural Outlook 2021-2030, p. 139.

⁵ WESZ, Jr., V. J. (2021): Soybean production in Paraguay: Agribusiness, economic change and agrarian transformations, p. 318.

⁶ LLINCH, D. A. (s. n.): Soybeans: the other strategic commodity of South America.

⁷ WESZ, Jr., V. J. (2021): Soybean production in Paraguay: Agribusiness, economic change and agrarian transformations, p. 318.

Mercosur by almost three quarters. In Brazil, a further increase in the area for soybean cultivation is expected, as well as an increase in production due to the higher price of soybeans than corn on world markets and the new climatic conditions, the threat of El Niño, which has an adverse effect on corn cultivation in Brazil.⁸ The freed areas are planned to be used for growing soybeans. At the same time, this is an above-average level of growth compared to the world. In Bolivia, as the only non-Mercosur member so far, over the last decade we have seen a more than 10 % increase in the area planted with soybeans and an almost 25 % increase in soybean production (Table 1). In Uruguay, after the delayed expansion of soy agribusiness, we see a decrease in production of almost 19 % during the last decade, it is not a gradual decrease, but a decrease mainly in recent years due to the decrease in world prices due to higher production costs, especially in connection with the deteriorating soil quality.

The main motive for the increase in soybean cultivation in general was the high world demand for soybeans (especially from China), suitable conditions for growing soybeans in South America, large areas of available land, the willingness of Latin American governments to maintain low standards for environmental protection (in connection with deforestation of rainforest and other forest stands in order to obtain new agricultural land), and above all the increase in world soybean prices.

Table 1: Area harvested with soya in million of hectares soya production in million of tons

Country	Hectares 2012	Hectares 2021	Hectares increase	Proportion of the world (2021)	Production (tons, 2012)	Production (tons, 2021)	Production increase	Proportion of the world (2021)
Argentina	17.58	16.47	- 6.31 %	12.71 %	40.10	46.22	15.26 %	12.44 %
Brazil	24.98	39.17	56.81 %	30.24 %	65.85	134.93	104.91 %	36.30 %
Paraguay	2.92	3.64	24.66 %	2.81 %	4.34	10.54	142.86 %	2.84 %
Uruguay	0.88	0.91	3.41 %	0.70%	2.11	1.71	- 18.96 %	0.46 %
Bolivia	1.29	1.43	10.85 %	1.10 %	2.66	3.32	24.81 %	0.89 %
Mercosur	46.36	60,19	29.83 %	46.47 %	112.40	193.40	72.06 %	52.03 %
World	105.46	129.52	22.81 %	100 %	241.34	371.69	54.01 %	100 %

Source: FAO (2023): Faostat, own calculations.

2 Soya as export commodity

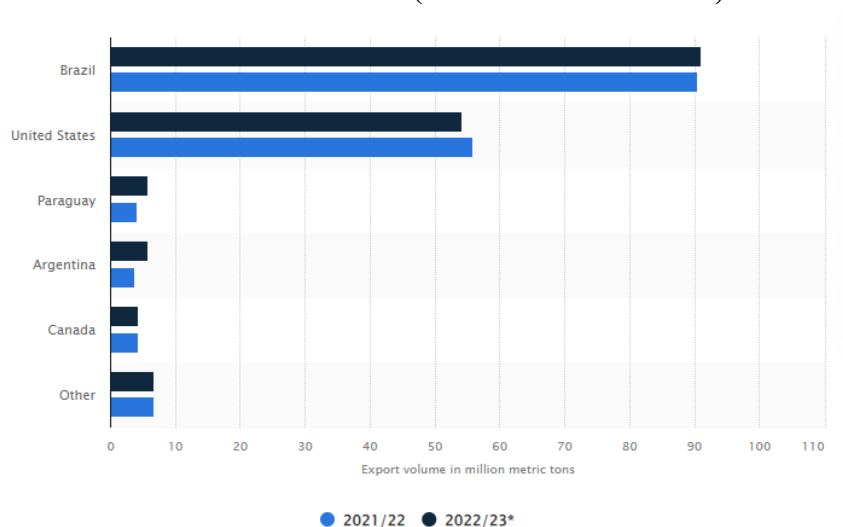
Soy is a highly tradable commodity in the world. *"More than 42 % of the world's soybean production is traded internationally."*⁹ Latin American countries are among the world's top exporters of raw soy and other soy derivatives. As part of the export of soybeans, we again see the dominance of South American countries in international trade. Brazil is by far the largest exporter of soybeans, followed by the USA, Paraguay, Argentina, and Canada (Figure 2). Brazil has become the dominant soybean exporter, replacing the US as the world's traditionally largest soybean exporter, and Brazil's export capacity is expected to grow in the medium term, with Brazil becoming the world's soybean exporter with a 50 % market share.¹⁰

⁸ COLUSSI, J. et al. (2023): Brazil Expected to Expand Soybean Acreage and Reduce Corn Acreage.

⁹ OECD – FAO (2021): Agricultural Outlook 2021-2030, p. 147.

¹⁰ OECD – FAO (2021): Agricultural Outlook 2021-2030, p. 147.

Figure 2: Export volume of soybeans worldwide in 2022/23, by country (in million metric tons)



Source: STATISTA (2023): Soybeans: export volume worldwide 2022/23, by country.

Soy is an important export item for Latin American countries, in several forms. The top 10 export commodities include raw soybeans (item 120190 according to the Harmonized System) in all five Latin American countries (Argentina, Brazil, Paraguay, Bolivia, and Uruguay), crude soybean oil (item 150710) in Argentina, Paraguay, and Bolivia. In fact, raw soy is the most important export item in the commodity structure of exports of Brazil and Uruguay. Crude soybean oil accounts for a higher share of Argentina and Bolivia's exports than soybeans (Table 2).

Table 2: Export of soya products in selected countries (2022, US Dollar thousand)

	120190 Soya beans, whether or not broken (excl. seed for sowing)	120110 Soya bean seed, for sowing	120810 Soya bean flour and meal	150710 Crude soya- bean oil, whether or not degummed	150790 Soya-bean oil and its fractions, whether or not refined (excl. chemically modified and crude)	210310 Soya sauce
Brazil	46,659,054	5,280	424	3,579,235	366,890	2,186
Argentina	3,059,741	11,477	95	4,792,163	276,148	0
Paraguay	1,226,605	245	0	533,547	636	3
Uruguay	1,917,380	5,163	0	5,054	56	0
Bolivia	334,479	0	48,424	704,178	152,328	0

Source: ITC (2023): List of exporters for the selected product.

In the following part of the text, we follow the changes in the export of soybeans and soybean products during the last decade, and therefore in the period 2012-2022. During the last decade, we note an increase in the export of raw soybeans in Brazil by 180 %, in Uruguay by

40 % and in Bolivia by 112 % . Argentina is still the dominant exporter of soya bean seeds in Latin America, but its exports have decreased by 66 % over the last decade. On the contrary, the export of soya bean seeds has increased in neighboring Paraguay by up to 188 % in the last ten years as in the only Latin American country, which is primarily related to the start of soybean cultivation in Latin American countries.

As far as soy products are concerned, the production of soy sauce decreased the most, but its production is the lowest of all soy products. The production of soy flour and meals increased at a dynamic rate in Brazil (by 1531 %) and in Bolivia, while production was reduced in Argentina.

Argentina used to be more the producer of soy products, but in the last ten years, we have seen a decline in the production of some soy products there. On the other hand, the production of soybean oil derivatives is developing very dynamically (increase by 137 %). All examined Latin American countries recorded the most dynamic development over the last decade in the soybean oil and soybean oil derivatives item (Table 3).

Table 3: The change of exports of soya products in selected countries (2012- 2022, %)

	120190 Soya beans, whether or not broken (excl. seed for sowing)	120110 Soya bean seed, for sowing	120810 Soya bean flour and meal	150710 Crude soya- bean oil, whether or not degummed	150790 Soya-bean oil and its fractions, whether or not refined (excl. chemically modified and crude)	210310 Soya sauce
Brazil	180	-32	1531	93	70	-99.8
Argentina	-3.1	-66	-96	14	137	-100
Paraguay	-22.4	188	0	285	100	100
Uruguay	40	-46	0	100	100	0
Bolivia	112	0	79	160	599	-100

Source: own calculations.

The export of soy and soy products from Latin America is directed primarily to Asia, the USA and other Latin American countries. We note a high level of trade between the monitored Latin American countries in some soybean items. In the case of item 120110 Soybean seed for sowing, exports go to the USA and other Latin American countries, from Brazil to African countries (Angola, South Africa) and from Argentina to Vietnam. Unprocessed soybeans are mainly sent to China, the USA and Latin American countries, but part of the production is also exported to some African and other Asian countries or to the Netherlands. Brazil exports about 3/4 of its soybeans to China, which imports up to 64 % of Brazil's soybeans.¹¹ They are currently the largest and key trading partners in the soy market. Due to the expansion of the cultivation of genetically modified soybeans¹², Argentina exports it mainly to the USA. However, it should be added that GM soybeans were also gradually allowed in Uruguay and Brazil, Paraguay and Bolivia.

Items 150710 and 150790 are exported mainly to Asian (China, India, Bangladesh, South Korea, Pakistan, etc.), some African (South Africa, Angola, Ghana, Algeria) and other Latin American countries. The territorial structure of the export of soya bean flour and meal is

¹¹ ALI, T. et al. (2022): The Impact of Climate Change on China and Brazil's Soybean Trade, p. 1.

¹² Genetically modified soy has an evolved gene that gives it resistance to one or more herbicides and has actually been modified to improve their nutritional value.

much less diversified and comparable to the export of soy sauce. The production of soy sauce belongs to the secondary soy markets, exports are currently only from Brazil and Paraguay. The following table provides an overview of the top destinations for soy and soy products from Latin America.

Table 4: List of importing markets for soya products exported by Latin American countries

	120190 Soya beans, whether or not broken (excl. seed for sowing)	120110 Soya bean seed, for sowing	120810 Soya bean flour and meal	150710 Crude soya- bean oil, whether or not degummed	150790 Soya-bean oil and its fractions, whether or not refined (excl. chemically modified and crude)	210310 Soya sauce
Brazil	China, Spain, Thailand, Iran, Netherlands	Paraguay, Angola, Colombia, South Africa	Bolivia, Paraguay, Chile, Uruguay	India, Bangladesh, China, Algeria, Iraq	Venezuela, Cuba, Peru, Angola	Italy, Sweden, Argentina, USA
Argentina	USA, Uruguay, Paraguay, Bolivia, Brazil, South Africa	China, USA, Chile, Vietnam	Chile (in 2021)	India, Bangladesh, Peru, South Korea	Chile, Panama, Trinidad and Tobago	X
Paraguay	Argentina, Brazil, USA	Brazil, Uruguay, Argentina	Brazil	Argentina, India, Pakistan, Bangladesh	China, Ghana, Uruguay Argentina	Bolivia, South Korea
Uruguay	China, Argentina, Egypt, Bangladesh, Netherlands	USA, Argentina, Paraguay	X	Peru, Brazil, Chile, Dominican Rep.	Honduras, Oman, Panama	X
Bolivia	Argentina, Peru, Colombia	Argentina (till 2018)	Peru, Chile, Japan	Colombia, Ecuador, Peru	Peru, Colombia, Chile, Ecuador, Brazil	X

Source: ITC (2023): List of importing markets for a product exported.

3 Specifics of the soy market

The soybean boom has brought economic profit to Latin American countries in general, but we are also noticing negative impacts. The increase in soybean production did not automatically mean the development of agriculture towards further diversification. Argentina is an example of this. In connection with Argentina, we identify the phenomenon of the so-called soyazation of the economy and reprimarization of the economy. Argentina has become significantly more dependent on primary commodity exports (with a high share of soybeans and soy products) compared to the 1990s. This was not prevented even by the efforts of the Argentine governments to tax the export of raw soybeans more than soy products.¹³ Although

¹³ MYERS, M. – WISE, C. (2017): The Political Economy of China-Latin America Relations: In the New Millennium, p. 182.

it has been achieved that the export of soy products constitutes a higher share of the country's total exports, Argentina is still a country that exports relatively more primary commodities and commodities with a lower added value.

At the same time, in an effort to secure additional agricultural areas, territories previously used as pastures or as land for growing other crops (such as corn) were occupied in Argentina. It further expanded northward into the border area, where new land was acquired through deforestation.¹⁴ The boom in the soybean market in Argentina caused a shift away from the cultivation of traditional crops, disrupted traditional exports and led to a deeper reprimarization of the economy.

Brazil's land-use farming model for soybeans is different. In Brazil, there was no crowding out of the original production, on the contrary, most of the soybeans were planted on the territory of previously unused land in the southern Brazilian state of Mato Grosso. However, this has serious environmental impacts in connection with the destruction of several biotopes: primeval forest, savanna (cerrados) and wetlands. The development and boom in the production and export of another commodity - corn - was positive for the Brazilian economy and Brazilian agriculture.^{15,16} As a result, Brazil became the second largest corn exporter in the world and replaced Argentina as the top corn exporter from Latin America.¹⁷ In Brazil, the production of raw soybeans is expanding, as we also mentioned in the previous sections of the text, thanks to the Brazilian governments' different approach to taxation compared to Argentina.

In countries, we identify differences in land ownership, which leads to different intensification of production. In Argentina, soybean farmers tend to lease land (including machinery) in contrast to Brazilian farmers who own the land. At the same time, the soybean market in Argentina is centralized, while in Brazil most of the measures are taken at the local level. It is also largely due to the participation of soy businessmen in the local politics of Brazil.¹⁸ Soy cultivation in Brazil benefits large farmers, similar to Paraguay, where we see the most negative impact on small farmers and indigenous people. In Paraguay, only a few transnational corporations own the soy business,¹⁹ thus contributing to increasing inequality in the countryside.

In relation to the concept of sustainability and the vulnerability of the environment, problems with deforestation and destruction of habitats were identified: the Amazon rainforest, wetlands and savannas (cerrados). An example of the destruction of all three habitats in order to gain new agricultural land is the Brazilian state of Mato Grosso, where the expansion of soy cultivation caused 65 % of deforestation between 2000 and 2010.²⁰ Around half of the soy imported from Brazil to the EU originates from deforestation.²¹ Today, the majority of Brazilian soybeans are grown in the Cerrado region, that is, in the savannas and wetlands. Deforestation and destruction of habitats, in addition to ecological impacts, also leads to the destruction of the livelihoods of indigenous communities and small farmers. The solution, i.e. preventing the destruction of habitats, could be the transition from the system of extensification (expansion of

¹⁴ KLEIN, H. S. – VIDAL LUNA, F. (2020): The Growth of the Soybean Frontier in South America: The Case of Brazil and Argentina, p. 26.

¹⁵ It was sown alternately with soybeans.

¹⁶ KLEIN, H. S. – VIDAL LUNA, F. (2020): The Growth of the Soybean Frontier in South America: The Case of Brazil and Argentina, p. 36.

¹⁷ ITC (2023): List of exporters for the selected product: Product: 1005 Maize or corn.

¹⁸ MYERS, M. – WISE, C. (2017): The Political Economy of China-Latin America Relations: In the New Millennium, p. 182.

¹⁹ WESZ, Jr., V. J. (2021): Soybean production in Paraguay: Agribusiness, economic change and agrarian transformations, p. 335-336.

²⁰ LATHUILLIÈRE, M. J. et al. (2014): Environmental footprints show China and Europe's evolving resource appropriation for soybean production in Mato Grosso, Brazil, p. 7.

²¹ MÜLLER, B. - POLOTZEK, L. (2021): Mercosur: trading away the environment.

agriculture into natural ecosystems) to the system of agricultural intensification (increasing the yield of land), which is already gradually happening in South American countries (especially in Brazil). In addition, when growing soy, a large number of pesticides are used, which have an adverse effect on the environment. On the contrary, climate change also directly affects and will affect the cultivation of (not only) soybeans in the future.²² In Argentina and Uruguay, soybean production is expected to be significantly affected in the coming period by extreme droughts due to the La Niña phenomenon. Production in Paraguay was significantly affected by climate change in the previous year.²³ With deforestation itself through forest burning, drought is now a growing problem leading to wildfires, as happened in Bolivia's Santa Cruz department on the border with Brazil in October 2023. This will clearly lead to a rapid decrease in soybean production in the coming year. . This is not an isolated act, already in 2021 more than 2.3 million hectares of forests and meadows were destroyed, and in 2019 around 6.4 million hectares of forest stands.²⁴ According to Global Forest Watch, it is estimated that the rate of deforestation in Bolivia will increase by 32 % year-on-year in 2022.²⁵

Another question mark over the future production of soybeans is the issue related to GMOs. Increasingly, soybeans are grown from genetically modified seeds, which is not acceptable, for example, for the European Union as a customer.²⁶ Considering the position of other markets where the presence of GMOs is allowed (the most dominant U.S. market) and markets where there is a legislative shift towards allowing GM soybeans (China), the trend of growing GM soybeans in Latin American countries is not expected to decrease.

The fact remains that in all countries we have seen an increase in both land productivity and land expansion for soybeans over the past decade, even compared to the US. At the same time, the soybean business is significantly interconnected in the five South American countries studied. Entrepreneurs operating in Brazil and Argentina have gradually expanded and are expanding their business activities to Paraguay, Uruguay and Bolivia. Authors Klein and Vidal Luna call this area the Soybean Frontier, which dominates the world market.²⁷

Conclusion

The top producers and exporters of soybeans in the world include the countries of Mercosur and Bolivia from the Latin American region. Gradually, Brazil became the leader in the export and production of raw soybeans, but Paraguay is the most dependent on the soybean business. In Argentina, we identify the phenomenon of the so-called soyazation of the economy and reprimarization of the economy. During the process of expanding soy cultivation, Brazil became the second most important corn producer. Current forecasts assume that Brazil will maintain its position as the top 1 in both export and production of soybeans in the world, and together with the USA will dominate up to 80 % of total soybean exports.

Over the last decade, the area for soybean cultivation in Mercosur has increased by almost 30 % and in Bolivia by approximately 10 %. The area planted with soybeans increased the most in Brazil (by more than 50 %) and Paraguay (24 %). The only country in which there was a reduction in the area planted with soybeans is Argentina. Production increased the most in Paraguay (almost 143 %) and Brazil (by almost 105 %), which is also reflected in the increase in production in Mercosur by almost three quarters.

²² ALI, T. et al. (2022): The Impact of Climate Change on China and Brazil's Soybean Trade, p. 2.

²³ COLUSSI, J. et al. (2023): Record in Brazil, Drop in Argentina: Contrasting Soybean Harvests in South America.

²⁴ TASR (2021): Najvážnejšie sú postihnuté oblasti pri hraniciach s Brazíliou.

²⁵ REUTERS (2023): Deforestation in Bolivia has jumped by 32 % in a year. What is going on?

²⁶ OECD – FAO (2021): Agricultural Outlook 2021-2030, p. 148.

²⁷ KLEIN, H. S. – VIDAL LUNA, F. (2020): The Growth of the Soybean Frontier in South America: The Case of Brazil and Argentina, p. 37.

Brazil has become the dominant exporter of soybeans, replacing the United States of America as traditionally the world's largest soybean exporter, and Brazil's export capacity is expected to grow in the medium term. The production of soy flour and meals increased at a dynamic pace in Brazil and Bolivia, the reduction of production occurred in Argentina, which was mainly the producer of soy products in the past, but in the last ten years we have noticed a decrease in the production of some of them. On the other hand, the production of soybean oil derivatives is developing very dynamically (increase by 137%). All examined Latin American countries recorded the most dynamic development over the last decade in the soybean oil and soybean oil derivatives item. The export of soy and soy products from Latin America is directed primarily to Asia, the United States and other Latin American countries.

However, the boom in soybean cultivation in South American countries also leads to negative impacts. Concerning the concept of sustainability and the vulnerability of the environment, problems with deforestation and destruction of habitats were identified: the Amazon rainforest, wetlands and savannas (cerrado). The acquisition of new land leads to the burning of forests, which have become uncontrollable, especially recently due to significant periods of drought. This action directly affects indigenous communities and small farmers. The solution is a transition to a system of agricultural intensification, which is partly happening in South American economies. More attention should be paid to negative possible impacts, even because of the global consequences.

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HOW FAR CAN WE TRUST AND HOW TO INTERPRET THE RCA INDICATORS? EMPIRICAL STUDY

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Abstract: The search for effective orientation of the foreign trade policy of countries belongs to its core topics. The relevant literature addresses the measurement of competitiveness of commodities, individual industries, and countries in international markets referring to various modifications of the Balassa's index of comparative advantages. Less attention is devoted to the statistical data itself and its classification systems. Due to this, our empirical analysis deals with some problems in interpreting the Balassa's index of Revealed Comparative Advantage (RCA). We illustrate how incorrect statistical data classification and data inaccuracy could influence the RCA values and how the competitive ranking of individual industries and countries on the international market could be affected.

Keywords: statistical data classification, competitiveness, revealed comparative advantage

JEL: M40, N70

Introduction

The assessment of social and economic processes across diverse disciplines necessitates a robust database and proven analytical tools to discern causal relationships. Economic sciences, both in theory and practice, place significant emphasis on the meticulous collection, processing, and verification of primary data. Numerous models for managing and assessing economic systems, at macro and micro levels, have been devised, relying on systematically gathered and methodologically managed data. In the globalized economy, statistical data classification systems play a crucial role in meeting these informational needs. This finding is true also for data on international trade, particularly when the orientation of foreign trade is looked for.

The current literature primarily strives for such adjusting formulas for calculating Revealed Comparative Advantage (RCA) indicators, to accurately reflect the countries' actual market positions. There is a limited exploration of the practical usability and acceptance of these results for real market navigation under the frame of the global economy. We strive to empirically analyze the export data for selected countries, taking into account the statistical data classification aspects and shedding light on the applicability and interpretation bottlenecks of RCA indicators.

The following parts of our paper deal with an exploration of statistical data classification schemes and their meanings, with methodological aspects of revealed comparative indicators calculations, and finally the empirical results of RCA calculations are presented. The concluding section summarizes empirically derived information on RCAs and underscores limitations in their applicability.

2 Methodological Aspects of the Indicator of Revealed Comparative Advantages

The statistical data classification structures represent the methodological pillar in processing the primary economic data. Our further discussions and analysis of comparative advantage in the foreign trade environment are based on statistical data on exports of five

Central European countries, namely Austria, Czechia, Hungary, Poland, and Slovakia. The selection of these countries was arbitrary and did not follow any geographical or political lines. The export data of these countries data serve just for illustrative purposes.

The core value, we analyze is the value of the revealed comparative advantage indicator (RCA). The concept of the Revealed Comparative Advantages was introduced into economic theory and later was presented with some new adjustments by Balassa¹ and Balassa². The complexity of calculating indicators of comparative advantages has been highlighted in literature frequently.

Despite this effort, the concept of comparative advantage is a highly controversial topic. This is the reason why economic literature offers an enormous number of articles with slightly modified versions of the classic formula (1). E. g. Vollrath³ suggested applying the index of the revealed competitive advantages defined as the difference between a good's or service's relative export share and its relative import share (revealed comparative demand RCD) or a logarithmic transformation of the RCA.⁴ Another modified version of the RCA index was presented by Lafay⁵ considering both flows of exports and imports. The discussions on the suitability of various measurements of the revealed comparative advantage continue and there is little justification for selecting any one measure over another.^{6, 7}

To understand the information value of the RCA indicators we will consider its basic formula as derived by Balassa (1). The RCA index compares the performance of a country in one industry to the performance of a reference group of countries participating in the same trading space, by comparing the export volume values.⁸

$$RCA_t^{ic} = (X_t^{ic} / X_t^c) / (X_t^{iw} / X_t^w) \quad (1)$$

Where

- X_t^{ic} - the volume of export of commodity i by country c in time t
- X_t^c - the total volume of export of country c in time t
- X_t^{iw} - the volume of export of commodity i by the world in time t
- X_t^w - the total volume of export by the world in time t

According to values of the above calculated RCA indicator, the involved countries (or industries) are classified as follows:

If $RCA_t^{ic} > 1$ country (industry, commodity) is competitive under the considered market.

If $RCA_t^{ic} < 1$ country (industry, commodity) is non-competitive under the same market.

¹ BALASSA, B. (1977): Revealed' Comparative Advantage Revisited: An Analysis of Relative Export Shares of the Industrial Countries. 1953–1971, *The Manchester School*, pp. 327-344.

² BALASSA, B. (1986): Comparative Advantage in Manufactured Goods: A Reappraisal, *The Review of Economics and Statistics*, pp. 315-319.

³ VOLLRATH, T. L. (1987): Revealed Competitive Advantage for Wheat, pp. 1-28.

⁴ VOLLRATH, T. L. (1991): A Theoretical Evaluation of Alternative Trade Intensity Measures of Revealed Comparative Advantage. *Weltwirtschaftliches Archive*, pp. 265-280.

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Our empirical verification points to some problems in the interpretation and practical applications of the RCA indicators derived according to formula (1). The quantitatively specified competitiveness on the broader defined exports has just marginal information for new suppliers. Due to these facts, we recommend to calculate the RCA values according to more specifically defined exports.

The proposed changes mean introducing the aspect of the statistical data classification concept, into RCA calculations.

The important aspects related to the RCA is linked to the numerical inaccuracy of the primary economic data. Our empirical analysis confirmed that even the small inaccuracy in statistical data used in calculating RCA indicators generates significantly different outcomes. Such results could change the basic sorting of countries from position “competitive” to “non-competitive”. The empirical confirmation will be illustrated too.

Based on the above-presented discussion and literature sources, the RCA values could be distorted by different factors, such as:

- Using data derived from different, inconsistent statistical data classification systems
- Using different formulas for RCA calculations
- Using data representing noncompatible periods
- Using data from different classification levels

Following the main goal of our article, we present, how the incorrect economic data, application of various RCA formulas, but also the exploitation of time-inconsistent data, and numerically inaccurate data jeopardize the objectivity of the competitive rankings of studied industries or countries in their effort to find the best competitive position in the world market.

3 Empirical Results

The statistical data applied for empirical analysis of the export values for selected EU countries were derived from the EUROSTAT websites (Database - Eurostat (europa.eu)). In our study, we follow the statistical NACE classification system, and consider the export data for the following NACE divisions:

- 10 Manufacture of food products
- 26 Manufacture of computers, electronic, and optical products
- 27 Manufacture electrical equipment
- 30 Manufacture of electricity distribution and control apparatus

The adequate RCA values for the above-presented NACE divisions have (in our paper) the following symbols: CA10, RCA26, RCA27, and RCA30.

The different statistical data classifications offer different structures or different combinations of data structures. The illustrative example starts with the statistical data export values of division RCA10 “Manufacture of food products”. Frequently the data user works with more detailed information, requiring disaggregated classification (groups or classes). In our case, the group NACE 10.1 represents “Processing and preserving of meat and production of meat products”. The more detailed information on the processes of production we get through NACE classes 10.11 “Processed and preserved meat” and 10.12 “Processing and preserving poultry meat”, or 10.13 “Production of meat and poultry meat products”. Table 1 presents the complete structure of selected NACE industries (divisions, groups, classes).

Table 1: Structure of the selected industries according to NACE classification

Classification level			RCA symbol	
Sector	Code			Section C - Manufacturing
Division	Group	Class	Industries and subindustries	
10			Manufacture of food products	RCA10
	10.1		Processing and preserving of meat	RCA10.1
		10.11	Processing and preserving of meat	RCA10.11
		10.12	Processing and preserving of poultry meat	RCA10.12
		10.13	Production of meat and poultry meat products	RCA10.13
26			Manufacture of computers, electronic and optical components	RCA26
	26.1		Manufacture of electronic components and boards	RCA26.1
		26.11	Manufacture of electronic components	RCA26.11
		26.12	Manufacture of loaded electronic board	RCA26.12
27			Manufacture of electrical equipment	RCA27
	27.1		Manufacture of electric motors, transformers and electricity distribution apparatus	RCA27.1
		27.11	Manufacture of computers, electronic and optical components	RCA27.12
		27.12	Manufacture of electric motors, generators transformers	RCA27.12
30			Manufacture of other transport equipment	RCA30
	30.1		Building of ships and boats	RCA30.1
		30.11	Building of ships and floating structures	RCA30.11
		30.12	Building of pleasure and sporting boat	RCA30.12

Source: Eurostat (2008), NACE, rev. 2.

To illustrate the calculation and decomposition of the RCA values and related interpretation “mistakes” we use the export data for the year 2014. The year of observation was selected randomly and the above data has only illustrative functions. The RCA indices are not an easy “digestible” phenomenon. This is a reason why, namely for the public these indicators should be presented under the “friendly” forms. One of them is the pyramid decomposition of the individual RCA values. Starting with the RCA of the highest classification level (NACE division) and falling to the lower levels (NACE groups and NACE classes) of classified industries. This approach is presented in Tables 2-6, where individual lines present the code of the NACE industry, the value of the relevant RCA index, and the rank of these industries within the observed NACE division.

The same procedure is applied in all lines below. Each table contains three sections A, B, and C. The first one presents information on NACE divisions, the second one has information on NACE groups and the last is information about the NACE classes.

Table 2 contains the RCA values for selected NACE industries for Austria. The values in Table 2 indicate two industries with comparative advantages ($RCA > 1$), namely NACE 26 and NACE 27. The same industries appeared competitive when it came to the groups of the NACE classification. These are NACE 26.1 and NACE 27.1. The disaggregation at the class level shows six competitive class industries. These involve the following: 10.11, 26.11, 26.12, 27.11, 27.12 and 30.11.

Table 2: The RCA values for selected NACE industries in 2014 for Austria

A	Division	10			26		27		30	
	RCA	0,830			1,030		1,354		0,7712	
	Rank	3			3		4		2	
B	Group	10.1			26.1		27.1		30.1	
	RCA	0,986			1,232		1,555		0,704	
	Rank	2			2		2		3	
C	Class	10.11	10.12	10.13	26.11	26.12	27.11	27.12	30.11	30.12
	RCA	1,020	0,619	0,155	1,015	2,804	1,679	1,416	1,018	0,190
	Rank	1	4	5	4	1	1	3	1	4

Source: Authors calculations based upon the data from the Eurostat database.

Considering individual divisions, one must be careful about interpreting the obtained results and deriving conclusions about competitiveness vs noncompetitiveness. One could conclude that division NACE 10 is entirely noncompetitive. However, the decomposition of this division into groups and classes may reveal entirely different conclusions. In our case, it is the class NACE 10.11 with $RCA > 1$.

While the RCA values measure the competitiveness of individual industries, the rankings reflect only the ordering of the RCA values (from highest to lowest). The rankings are interpretable only within inside industries evaluation (based on RCA values in columns).

Table 3 contains the RCA values for selected NACE industries for Czechia. The output presented in the table offers some curious results. In the case of industry NACE 26, the corresponding RCA value for the entire division is 1,924 and indicates the competitiveness of this division. When it comes to the group classification, the group NACE 26.1 appeared as noncompetitive, because RCA values are less than 1 (0,608).

Table 3: The RCA values for selected NACE industries in 2014 for Czechia

A	Division	10			26		27		30	
	RCA	0,400			1,924		1,718		0,356	
	Rank	1			1		2		3	
B	Group	10.1			26.1		27.1		30.1	
	RCA	0,266			0,608		1,682		0,366	
	Rank	3			3		3		2	
C	Class	10.11	10.12	10.13	26.11	26.12	27.11	27.12	30.11	30.12
	RCA	0,150	0,142	0,356	0,530	1,341	1,420	1,959	0,520	0,078
	Rank	4	5	2	4	2	4	1	1	4

Source: Authors calculations based upon the data from the Eurostat database.

Another ambiguous situation is found when analyzing the class-level data. Even though group NACE 26.1 does not achieve a comparative advantage level, its class NACE 26.12 is competitive. The following table contains the RCA values for selected NACE industries for Hungary.

Table 4: The RCA values for selected NACE industries in 2014 for Hungary

A	Division	10			26		27		30	
	RCA	0,795			1,765		2,068		0,312	
	Rank	3			2		3		3	
B	Group	10.1			26.1		27.1		30.1	
	RCA	0,857			1,242		2,499		0,704	
	Rank	2			3		2		1	
C	Class	10.11	10.12	10.13	26.11	26.12	27.11	27.12	30.11	30.12
	RCA	0,449	2,481	0,779	0,799	4,891	1,721	3,261	0,000	0,044
	Rank	5	1	4	4	1	4	1	4	2

Source: Authors' calculations based upon the data from the Eurostat database.

The data in Table 4 show several interesting situations. One of these is generated by data in the division NACE 10. Although the division NACE 10 as well as the group NACE 10.1 is not competitive, its class NACE 10.12 achieved a relatively high RCA value (2,481). Tables 5 and 6 contain the RCA values for observed NACE industries for Poland and Slovakia.

Table 5: The RCA values for selected NACE industries in 2014 for Poland

A	Division	10			26		27		30	
	RCA	1,380			1,134		1,557		0,636	
	Rank	5			1		1		4	
B	Group	10.1			26.1		27.1		30.1	
	RCA	1,907			0,504		0,995		3,907	
	Rank	2			3		3		2	
C	Class	10.11	10.12	10.13	26.11	26.12	27.11	27.12	30.11	30.12
	RCA	1,457	3,870	1,704	0,486	0,507	0,943	1,054	5,185	1,770
	Rank	4	1	3	4	2	4	2	1	3

Source: Authors calculations based upon the data from the Eurostat database.

Interpretation of the results follows the same procedure as presented in previous cases. Based on the RCA value for the division NACE 26 (Table 5) one can conclude, that it achieves comparative advantages. However, neither the group NACE 26.1 nor the classes NACE 26.11 and NACE 26.12 appeared competitive. The values in Table 6 indicate two industries with comparative advantages ($RCA > 1$), namely NACE 26 and NACE 27.

Table 6: The RCA values for selected NACE industries in 2014 for Slovakia

A	Division	10			26		27		30	
	RCA	0,405			2,273		1,187		0,205	
	Rank	3			2		2		1	
B	Group	10.1			26.1		27.1		30.1	
	RCA	0,290			0,671		1,116		0,109	
	Rank	4			3		3		3	
C	Class	10.11	10.12	10.13	26.11	26.12	27.11	27.12	30.11	30.12
	RCA	0,123	0,651	0,488	0,372	2,772	1,341	0,974	0,126	0,080
	Rank	5	1	2	4	1	1	4	2	4

Source: Authors calculations based upon the data from the Eurostat database.

On the class level, out of nine classes, only two of them showed comparative advantages, namely the classes NACE 26.12 and 27.11.

Summarizing the above-formulated findings, we can conclude that statistical data classification has a significant impact on the results of the RCA calculations. This is confirmed

in cases of all analyzed countries. In compliance with the literature, we are convinced about the impossibility of assuming the unique interpretation of the obtained RCA values.

Conclusion

Our findings suggest, that the RCA values could be interpreted only about the given statistical data classification and corresponding time frame. The RCA values reflect the past market situations and cannot be extrapolated for the future, as the position of other relevant participants in the market is not known in advance. When considering RCA values calculated for highly aggregated industries (sectoral levels in the case of NACE), their values reflect the competitiveness of a country's trade policies rather than the competitiveness of the actual market products. These findings should be considered with reservation.

Based on the calculated RCA values for different classification levels (divisions, groups, classes) we confirm that the classification level has also a significant impact on the values of the relevant RCA values. We share rather a skeptical position on the direct application of the RCA indicators as a managerial tool for reorienting foreign trade patterns.

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CHINA-AUSTRALIA GEOPOLITICAL RIVALRY

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Abstract. The purpose of this article is to analyze the current situation which emerged in the Australasia region. We will look into complex relationship that developed between People's Republic of China and Australia, political and trade ones as well; analyze geopolitical concerns in the region, such as South China Sea, Solomon Islands, etc., and problem of potential People's Republic of China attempts to influence Chinese population in the region. We will use such methods as analysis, comparison and synthesis.

Keywords: Australia, People's Republic of China, AUKUS, trade, geopolitics

JEL: F5, F51, F52

Introduction

Based on various data, PRC is Australia's main trading partner.¹ Nevertheless, it's interesting that those two countries are engaged in a trade war approximately since 2017. In December 2017 Australia passed the Foreign Influence Transparency Scheme against the backdrop of a series of high-profile controversies concerning Chinese Communist Party influence in Australian politics. Though the law itself is not targeted at any one country in particular, Prime Minister Turnbull's use of the politically-charged phrase "the Australian people stand up," and his open criticism of Chinese Communist Party influence in Australian politics generated diplomatic blowback in Beijing. One year later – Huawei and ZTE were banned from participating in building Australia's 5G networks. As a result, a lot of complications ensued for mutual trade such as higher tariffs, increased customs difficulties in ports, etc. A further deterioration of the situation came following the official statement of Australia, in which they formally rejected the legal basis of China's South China Sea claims (we will get back to this) in a declaration to the United Nations. The list of discrepancies is far from exhausted.² But in 2023, PRC lowered their tariffs on Australian goods. Steel export to China is crucial for Australia as it makes 7% of its GDP, and the trade with this commodity in particular has been performing quite well. After all, it is in PRC's interest and, despite all difficulties, China still was Australia's largest trading partner year in 2022. In September 2023, attempts were made to restart and normalize diplomatic relations between the PRC and Australia (the so-called "Dialogue"). Australia is expected to continue its efforts to end a trade dispute with China when Prime Minister Anthony Albanese visits Beijing this year. Albanese's center-left Australian government, elected in May 2022, has been eager to end friction with China.³ As it was written in China Briefing: "*historical significance of the dialogue in promoting mutual understanding and cooperation with their Chinese counterparts. This engagement marks another positive turning point, as China has already begun to ease restrictions on Australian goods and extended an invitation for Australian Prime Minister Anthony Albanese to visit, further enhancing the optimistic outlook for bilateral relations.*"⁴

¹ The World Factbook, CIA; The Observatory of Economic Complexity, Australia.

² FILLINGHAM, Z. (2023) Timeline: Freeze (and Thaw?) in China-Australia Relations, Geopolitical Monitor.

³ MERCER, P. (2023) Australian Prime Minister Announces Long-Awaited China Trip, VOA News.

⁴ WU, Y. (2023) China-Australia Relations: Opportunities, Challenges, and Latest Updates, China Briefing.

But regardless of the statements made about new trade relations and deals, it is important to understand that confrontation of a different kind, albeit less visible to the common man, has not disappeared.

Australia is linked to the United States, Britain, and other countries of what is understood as the "Western World" by ideological and other ties that shape its overseas policy. The People's Republic of China may not border Australia directly. Still, there are a few areas where Australia needs to take a stand because of PRC's activity. For example, such is the situation in the South China Sea.

Geopolitical Issues

The South China Sea has been one of many areas of unresolved territorial disputes for years. For China, sovereignty claims over the four island groups in the South China Sea, the Pratas Islands, the Paracel Islands, the Macclesfield Bank, and the Spratly Islands, derive from its historical rights as the first country that discovered, named, and continuously used these islands for more than two centuries. Accordingly, for China, no other claimant states in the SCS have sufficient evidence to support claims of sovereignty over the islands.

Year 2009 also marked the beginning of the involvement of external powers in the South China Sea dispute, especially the US. By signing the Treaty of Amity and Cooperation (IAC), US indicated its strategic 'pivot towards the Asia Pacific. The US intended to play a greater role in the region, particularly in the South China Sea dispute, on behalf of its commitment to its allies in Southeast Asia, especially the Philippines. The US position raises questions regarding Australia's position, another US security ally in the Asia Pacific.

China's assertive policy in the South China Sea has had an impact on US and Australian foreign policy. The rise of China, to some extent, places Australia in a challenging situation, torn between its security alliance with the US and its economic interests in China, Australia's largest trading partner. And Australia acts. It strengthens ties with Philippines, Japan, and Papua – New Guinea to balance Chinese influence and to deter, while not being directly present in the South China Sea. But there are some vulnerabilities right at Australia's backyard that China does not hesitate to take advantage of.

Just like Latin America has been a United States' "backyard" since the Monroe doctrine, so is Oceania for Australia. As a result, any business conducted there by other countries outside the region can turn out to be a very sensitive issue. Just like United States aimed at keeping the region south of Rio Grande free of any communist regimes as a matter of national security, so does Australia want to secure its own interest and terminate any potential threat the region, such as PRC's interference.

PRC aims to create the image of a country that aspires to lead the global South and helps developing countries in their fight for progress and against the influence of other developed countries. But in fact, policy of PRC can be dangerous for recipient states, regarding as a matter of fact their national security as well. Many countries, such as Sri Lanka, Kenya, Pakistan, and others, are trapped in a debt pit and now China's influence on them has increased more than ever. Besides, they keep building military bases and increasing their military presence overseas. Kind of neo-colonialism under mask of anti-imperialism. And so, they untiringly trying to expand their sphere of influence, diplomatically, economically, etc. In September 2019, the government of the Solomon Islands, led by Prime Minister Manasseh Sogavare, broke off 36 years of diplomatic relations with Taiwan in favor of China. This decision, motivated by close trade ties with Beijing, caused massive discontent among the local population, which opposed China's growing influence on the Pacific country's domestic politics. The large-scale protests took place in November 2021 in the capital Honiara.

At the end of March 2022, a security agreement⁵ between China and the Solomon Islands was announced, which caused a real shock in the South Pacific region. The agreement allows China to deploy forces in the Solomon Islands to protect Chinese citizens, the diaspora, and Chinese infrastructure projects on the islands. According to the document, the Solomon Islands can request that China send police, military, and other law enforcement and military forces.

The Solomon Islands used to be closely tied to Australia, but Prime Minister Manasseh Sogavare has called for a review of the 2017 partnership agreement. Currently, Honiara is pursuing military, political, and economic cooperation with Beijing. Huawei and other Chinese corporations are already building their own communication systems and networks in the country. China's policy of rapprochement with small island countries that used to support Taiwan is proceeding quite well.

Furthermore, China and Solomon Islands agreed⁶ on building and modernizing port in Honiara. Now that's what we have already seen before. Basically, this can mean that China is getting another potential military base. Especially after all those signed bilateral agreements between China and Solomon Islands it's no wonder that US, Japan, Australia, and others are concerned. But it takes more than just being concerned to deal with security threats.

Another significant issue is Port Darwin. To be concise - this port was leased to Chinese company for 99 years. But speaking more specific – lease was granted to Chinese billionaire Ye Cheng's Landbridge Group for 506 million Australian dollars. And this Ye Cheng has strong ties to the Chinese Communist Party.⁷ Back in 2015, the port needed upgrading. Chinese President Xi Jinping addressed the Australian Parliament that same year, and the China-Australia Free Trade Agreement came into effect, granting Australia even greater access to Chinese markets. Landbridge already successfully operated a port in northern China. In 2014, it bought Australian oil and gas company Westside, its first foray abroad. It emerged from a group of 33 bidders to acquire the Darwin Port lease in 2015. In 2015, the Landbridge Group, Chinese company, won the bid for a lease of Port Darwin. At that time, Government under then Chief Minister Adam Giles granted the company a 99-year lease for A\$506 million.⁸ The contract price is more than 25 times the profit the port had earned over the preceding two years, and Landbridge also promised to invest A\$200 million over a 25-year period.

Maybe in 2015 it wasn't explicitly that such decision can potentially endanger country's national security. Leasing a port to the Chinese company is the same as leasing it to Chinese government itself,⁹ to a country that's, even while having mutual interest in trade with the West, still sees it as rival and eager to acquire more influence in the world and political power. After all, that's what Realism in the theory of international relations is about.

It can clearly become a major national security issue once things get out of control. In peacetime, Chinese control may not be a problem, but in time of war, the Chinese government is likely to put pressure on Landbridge to reduce access for Australian or American vessels or to use the port to gather intelligence on Australian and allied naval operations. The port will be a growing concern, especially as Australia begins to work more closely with both Washington and Tokyo in terms of the deployed military forces there. It is not just Australia's relationship with China that is at stake, but also with other major players. After all, they are still part of

⁵ LYONS, K., WICKHAM, D. (2022) The deal that shocked the world: inside the China-Solomons security pact, The Guardian.

⁶ NEEDHAM, K. (2023) China firm wins Solomon Islands port project as Australia watches on, Reuters.

⁷ PETRAKIS, M. (2023) The U.S. military has big plans for an Australian port. So does the Chinese firm that controls it, LA Times.

⁸ GREENE, A. (2016) Andrew Robb joins Chinese company with control of Darwin Port, ABC News.

⁹ DOYONE, J. (2023) CCP branches out into private businesses, East Asia Forum.

alliances ANZUS, AUKUS and Five Eyes, and so, as was already said, they bound in foreign policy. The government of Anthony Albanese has to balance these often-competing interests.

Chinese Influence Overseas

The Chinese government has traditionally been concerned about forestalling threats to its domestic rule, but more recent diaspora management policies have increasingly emphasized using overseas Chinese as a tool to promote China's interests and increase its global influence. Diaspora engagement, particularly in present day, is deeply intertwined with a broader system of political control—China's United Front. The United Front system consists of a coalition of government organizations, affiliated groups, and individuals that seeks to silence critics and mobilize allies of the Chinese Communist Party. Such activities take place within China but also well beyond China's geographic borders, from monitoring the activities of political dissidents abroad to courting foreign media and government elites.¹⁰ Mobilization of the diaspora can also take more socially damaging shapes, such as rallies and protests. In the run-up to the 2008 Summer Olympics, Beijing successfully mobilized overseas Chinese to join the Olympic torch relay and wave the national flag to counter protests against human rights abuses in China.

As an example of the political participation of the diaspora, the political influence of the Chinese diaspora in Australia and New Zealand is a rising concern.¹¹ Chinese businessmen affiliated with the CCP make significant contributions to election campaigns, meet with national and state leaders, appoint political advisors to Australian politicians, and shape elite public statements on controversial issues such as Tibet and the South China Sea. In New Zealand, an ethnic Chinese MP was forced to resign after it emerged that he was a member of the CCP and had links to Chinese intelligence.¹² Another case is lobbying. For example, according to other reports, lobbying by the Chinese government has resulted in U.S. lawmakers being more likely to support pro-China legislation and the U.S. media giving less coverage to political tensions and threats from China.¹³ As the former prime minister Malcolm Turnbull has told an inquiry, Australian security agencies know China is carrying out “blatant” influence operations despite the lack of listings on the country's transparency register.¹⁴ “It is noteworthy that ... according to the transparency register there is apparently no organisation in Australia that has any association with the united front work department of the Communist party of China,” Turnbull told the parliamentary joint committee on intelligence and security. “I would love to think that was true, but regrettably I can say absolutely that it is not true. If in fact it were true, there would be terrible repercussions in Beijing for those responsible for the united front work department.”

There are now some 1.4 million people with Chinese ancestry living in Australia, comprising 5.5% of the population. But judging by the data obtained by the Lowy Institute, no clear conclusions can be drawn as to whether the CCP has a significant influence on the Chinese diaspora in Australia. Most Chinese-Australians have a positive view of Australia. A majority say that Australia is a good place to live and are proud of the Australian way of life and culture. The survey also found an increase in support for democracy as a form of government. Almost

¹⁰ CHARON, P. and VILMER, J.-B. J. (2020) “Chinese Influence Operations: A Machiavellian Moment,” IRSEM, October 2021; JOSKE, A. (2020) “The Party Speaks For You,” Australian Strategic Policy Institute 9.

¹¹ BRADY, A.-M. (2017) *Magic Weapons: China's Political Influence Activities under Xi Jinping*, Vol. 18, Washington, DC: Wilson Center.

¹² *Ibidem*.

¹³ WONG, A. (2022) *The Diaspora and China's Foreign Influence Activities in Essays on China and U.S. Policy*, Wilson Center and Kissinger Institute.

¹⁴ HURST, D., CASSIDY, C. (2023) China is carrying out ‘blatant’ influence operations in Australia, Malcolm Turnbull says, *The Guardian*.

half of Chinese-Australians say that democracy is preferable to any other kind of government, an increase of 14 points since 2021. When it comes to the countries and leaders Chinese-Australians trust most, Australia tops the list, and no leader we asked about was more trusted than Prime Minister Anthony Albanese. The United Kingdom was the next most trusted country. Former New Zealand Prime Minister Jacinda Ardern was the second-most trusted leader. Chinese-Australians trust China and President Xi Jinping less than they did in 2021, but still more than the broader Australian population does. But Chinese-Australians are less likely to see China as a military threat than the rest of the population. There are also significant differences in opinion between Chinese-Australians and the broader population regarding Australia's alliance relationships. Only a slim majority of Chinese-Australians believe that the US alliance is important to Australia, compared to almost 90% of the broader population. Few Chinese-Australians think AUKUS and the Quad make Australia or the region safer. By contrast, more than half (52%) the Australian population say AUKUS will make Australia more safe, and just under half (49%) say it will make the region more safe. Seven in ten (71%) Chinese-Australians say Australia should remain neutral in the event of a military conflict between China and the United States, compared to 51% of the broader population.¹⁵

Interestingly, significant part (75%) of Chinese-Australians use WeChat 'often' or sometimes' get their news from the app.¹⁶ Of course, there are no data that could authorize us to say it straight that PRC is trying to influence Chinese-Australians directly and effectively through WeChat. But given the fact that this is a popular app among population of Chinese origin and that its HQ is located in PRC, as well as bearing in mind public opinion among Chinese-Australians on AUKUS, neutrality in conflict between USA/PRC we can assume that PRC's government probably using this app as one of the means of its "soft power" and is trying to influence Chinese-Australian population. Dr Seth Kaplan, a lecturer at Johns Hopkins University's School of Advanced International Studies, told the committee in April that WeChat was "basically a narrative machine for the CCP" (Chinese Communist party) and this had flow-on effects for Chinese-language media in Australia. "Because WeChat is so ubiquitous ... it affects everything that's not on WeChat that involves news and information – and even media that is not directly controlled by the party," he said.¹⁷

Importance of Resources

China's appetite for iron ore and coal has made Australia wealthy. Education is now classified as Australia's third-largest export industry because of the number of Chinese students at Australian universities.

Another aspect that people don't usually hear about as frequently as, for example, about oil – is lithium. Lithium is important to make light rechargeable batteries. It's crucial for producing smartphones and most of the devices we use in everyday life. But there are also two other fields which need lithium. Electro car industry and energy industry. Those cars need lithium for their batteries to be able to run. And as we know, for last decades this industry came from non-existence to rapidly growing, and it's becoming more popular due to the climate change and ecology problems. Speaking of energy industry – again, because of environmental concerns, more countries trying to expand implementation and usage of renewable energy sources, such as wind and solar energy. And those fields need lithium-ion batteries for energy storage. On the other hand, such popularity led to rising of the price of lithium and so made electronic cars and renewable energy more expensive. Whoever is the biggest producer of

¹⁵ HSU, J. (2023) 2023 Being Chinese in Australia Public opinion in Chinese communities, Lowy Institute.

¹⁶ Ibidem.

¹⁷ TAYLOR, J. (2023) WeChat user numbers plummet nearly 30% in Australia amid concerns of Chinese interference, The Guardian.

lithium will control the current and the next generation of our economy and our energy supply. And currently the biggest producer in the world is Australia.

China, on the other hand, is the largest processor of lithium in the world, but they mine much less lithium, than Australia. Given the already mentioned China's demand in coal and iron, and Australia's need in outlet/sales market (which is China), those countries are unlikely to start direct military conflict. There are two major reasons for this:

- 1) As was already mentioned – economic dependence. Starting a war will with 99% probability give a fatal blow to the Chinese economy, since they are trading a lot with the West, which will support their ally Australia and boycott PRC.
- 2) The People's Liberation Army is not ready for direct conflict with the West. Not only do they have little experience of action in real war, unlike US army, for example, they now focus on modernization of fleet. The fleet is crucial for China to go in direct combat with the West, for obvious reasons. And its modernization will last approximately until 2050.¹⁸

Conclusion

PRC-Australia relations are very uneasy. They are complex, with many disputes, but also depend on each other in many ways. As we can see, they are benefit from each other in trade, but ideological differences, People's Republic of China's ambitions in the world and the region, as well as Australian vector of policy and alliances are often the cause of confrontation. Before the COVID-19 pandemic, Chinese tourists in Australia outnumbered and outspent those from any other country. More than half a million Australians are Chinese-born, and Mandarin is the most-spoken language after English. We can also see PRC's effort to try and influence this population through many ways.

We have also seen the geopolitical issues that occurred in the region. As much as South China Sea and other island related tension might be concerning, still, because of factors already spoken about, like mutual economic dependence, vulnerability of PRC economy in case of global war and ongoing modernization of the People's Liberation Army, etc., we are unlikely to have direct military confrontation between People's Republic of China and other major players. Still, even so, it is important to pay attention to PRC's moves and try to deal with current problems, as much as try to avert any possible future potential threats (like situation around Solomon Islands). Because it can lead to a serious strategic and tactical disadvantage for Australia and allies.

As for now, growing rivalry between USA and PRC because of last one's aggressive expansionist foreign policy it is not conceivable that significant improvement of relations between Australia and PRC will take place in the foreseeable future. Australia is limited by the position within its alliances plus public opinion, and PRC, in contrast, is not about to give up its own national interests. The best we can hope at least for now is the status quo.

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¹⁸ JENNINGS, R. (2022) Analysts: Chinese Navy to Grow Through 2050, With Emphasis on Hardware, VOA News.

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OPERATIONALIZATION OF KEY CONCEPTS IN INVESTMENT LAW

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Abstract: This article deals with empirical research in the field of investment law. The goal of the article is to analyze and evaluate ways in which operational definitions of relevant theoretical concepts have been developed and suggest improvements where possible. The first part of the article describes the ways in which researchers have been dealing with the issue of operationalization in the field of investment law. The second part of the article provides a critical analysis of these approaches and suggests a way to build on these efforts.

Keywords: international investment treaties, investment law, quantitative methodology, operationalization

JEL: K23, K33

Introduction

The dominant way to study investment law has traditionally been the application of legal analysis to the subject matter. This means that most of the published research has normative character. At the same time, some efforts to apply strictly empirical methods to analysis of investment law regimes has been made by scholars more focused on quantitative research. These efforts include mainly descriptive accounts that were necessary to provide a basis for a more theoretical research. The works of Susan D. Franck stand out as one of the first that attempted to apply quantitative methodology to investment law. She was one of the first scholars to provide at least a descriptive quantitative account of what exactly is happening in the field of investment treaty arbitration¹. At the moment, the most comprehensive descriptive database for investment law is provided by UNCTAD. UNCTAD's database is well organized and carefully coded. However, the database itself does not suffice to build a theoretical account of how the investment law functions. The main issue that empirical study of investment law encounters is the operationalization of the most important variables. This article analyses existing attempts at operationalization of the key elements of investment law regimes: investment treaties and investment treaty provisions.

The first part of the paper focuses on the ways that existing research has dealt with the issue of operationalization of variables in investment law and critically examines them. The second part sketches out ways to improve upon these attempts in order to arrive at workable operational definitions of the main concepts.

1 Operational Definitions of Key Concepts in Existing Research

The most researched question in empirical research is the hypothesis about the relation between the presence of an investment treaty and foreign direct investment. The hypothesis states that the presence of an investment treaty leads to higher amount of foreign direct investment due to the decreased risk that a foreign investor faces compared with an investor that invests in the absence of an investment treaty. To attract foreign direct investment is the

¹ FRANCK, S. D. – WILEY, L. E. (2005): Predicting outcomes in investment treaty arbitration, *Duke Law Journal*, 2005, 65(3), 459-526.

basic rationalization for investment treaties and it is therefore important to establish whether this actually works. Although most empirical studies found at least some relationship between these two variables, the conclusion as to the strength of the relationship is up to debate. Examples include the works of Salacuse and Sullivan,² Tobin and Ackerman,³ Jang.⁴

In these research projects, operationalization of the variables is quite simple. As far as the investment treaties go, we have a simple dummy variable of presence/absence of a treaty and foreign direct investment has several established way of being calculated, The problems arise when we want to go further and begin to ask what are the effects of the contents of the treaty. This can still be part of the investigation into how investment treaties affect foreign direct investment, but we can also ask different questions, such as what are the effects of the „strenght“ of the treaty in terms of investment protection and/or protection of regulatory autonomy on the willingness of states to regulate their investment environment. These questions are important in practice since without knowing which treaties lead to which outcomes, policymakers cannot be sure about their bargaining position when negotiating investment treaties. This is valid both for policymakers seeking to achieve maximal investment protection and those seeking to achieve as much regulatory autonomy as possible.

In order to successfully research these questions, we need to be able to operationalize what I will call the “strength“ of the treaty, referring to the degree to which it protects either foreign investment or regulatory autonomy of the host state. The most common way to operationalize the strength of the treaty is to analyze the contents of the treaty in terms of the treaty provisions, and assign a value to the provisions based on how the provision affects the investment protection/regulatory autonomy. This research design begins to appear in the past decade and a half. The simplest way to do this is to assign a 1 or a 0 to a particular provision based on whether it is present in a treaty or not. A slightly more refined way to do this is to assign a 0/1 base on whether the provision can be considered “strong” or “weak”, as was done by Frenkel and Walter,⁵ or Yackee.⁶ The sum of the provisions then represents a score for a particular treaty. A slightly more refined approach has been presented by Leshner and Miroudot,⁷ who code the provisions based on more criteria than a simple presence/absence or strength /weakness of the provision, resulting in a coding scheme with values of 0/0.5/1 for some of the provisions. Similar approach can be found in Jacobs and Ostergard.⁸ All of these methodological approaches allow us to reduce an investment treaty down to a single number which most often represents the “strength“ of the treaty.

² SALACUSE, J. – SULLIVAN, N. (2004): Do BITs really work? an evaluation of bilateral investment treaties and their grand bargain, *Harvard International Law Journal*, 2004.

³ TOBIN, J. – ROSE-ACKERMAN, S. (2004): Foreign direct investment and the business environment in developing countries: The impact of bilateral investment treaties, *Economics and Public Policy Research Paper*, No. 293, Yale Law School Center for Law, 2004.

⁴ JANG, Y. J. (2011): The Impact of Bilateral Free Trade Agreements on Bilateral Foreign Direct Investment Among Developed Countries. *World Economy*, 2011.

⁵ FRENKEL, M. – WALTER, B. (2019): Do bilateral investment treaties attract foreign direct investment? The role of international dispute settlement provisions. *The World Economy*, 2019.

⁶ YACKEE, J. W. (2008): Bilateral Investment Treaties, Credible Commitment, and the Rule of (International) Law: Do BITs Promote Foreign Direct Investment? *Law & Society Review*, 2008.

⁷ LESHER, M. – MIROUDOT, S. (2006): Analysis of the Economic Impact of Investment Provisions in Regional Trade Agreements, OECD Trade Policy Papers, 2006.

⁸ JACOBS, M. N. – OSTERGARD, R. L. (2019): An investigation of variation in bilateral investment treaties: exploring every BIT, *Transnational Corporations Review*, 2019, 11:1, 24-37.

2 The Main Issues of Operational Definitions of Investment Treaties and Their Provisions

We can now raise a question of how accurately the presented approaches represent what we are trying to measure, especially if we look at the issue through the lens of the most important stakeholders, namely the investors and the host states. The issue becomes evident for anyone, who is familiar with the arbitral practice in the field of investment law. For example, take a treaty that contains an explicit rejection of the Fair and Equitable Treatment standard, such as the Brazilian Cooperation and Facilitation Investment Agreement,⁹ and a treaty that guarantees FET, but scores lower overall based on the presented methodologies due to absences in some other areas. Although the measured “strength” of the Brazilian treaty might be higher, an absence of FET could very well have a much greater negative impact on the strength of the treaty than 0, given the prevalence of arbitral claims relying heavily on FET for their success. In fact, if we realize that almost all of the recent arbitrations include claims of breach of FET, the effect of this particular provision seems hard to estimate in a numerical way, and is certainly higher than 1 (either way). While this does not mean that the presented research projects come to irrelevant conclusions, it shows how complex the issue is if one takes into account the arbitral practice. It seems to me that a less arbitrary estimation of the importance of the provisions needs to be established before such efforts yield more relevant results.

It is wholly impractical to try to establish some objective quantitative measure to determine more accurately the “strength” of a provision, or a particular iteration of the provision. We could, for example, look at a frequency with which a particular provision (or iteration) appears in arbitral awards and use the data to inform our estimation. In this case, if FET appears in 95 percent of cases as an issue, does it mean that it is a weak provision (since states break it so often), or is a strong provision (because it is so useful for investors). These questions don’t have answers.

In my opinion, the best way to arrive at more relevant estimations of what values should be given to particular provisions and to particular iterations of the provisions in terms of their “strength” is to interview experts in the field and calculate a mean estimation of the strength of the provisions. I am sure that the resulting coding scheme will be quite different to those used for the presented research projects, not just in the one aspect that I highlighted as problematic (the dominance of FET in arbitral practice). The estimation will be partly subjective, but probably the most reliable out of the options mentioned previously (arbitrary based on literature, objective quantitative).

Conclusion

Quantitative research into investment law and its effects of investment regimes is fraught with difficulty, especially when it comes to operationalization of the most important concepts. This article reviewed some of the issues that researchers are faced with when analysing investment treaties quantitatively, and provided a way to improve upon the established methodologies. The main issues revolve around estimating the “strength” of particular provisions as relates to protection of foreign investors and regulatory autonomy of the host state respectively. The article comes to conclusion that further development of methodological instruments is needed in order to better establish the field of quantitative study of investment law.

⁹ Cooperation And Facilitation Investment Agreement Between The Federative Republic Of Brazil And The United Arab Emirates, 2019.

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ANTI-CORRUPTION TRANSFORMATIONS IN THE CONDITIONS OF THE "DIGITAL ECONOMY" FORMATION IN UKRAINE: REALITIES OF INSTITUTIONALIZATION

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Abstract: This paper investigates the modern vectors to the anti-corruption transformations in the conditions of the formation of the "digital economy" in Ukraine. The article presents practical recommendations for improving effective anti-corruption policy in Ukraine and ways for using of state regulatory imperatives to combat systemic corruption in the national economy. The paper examines the Anti-corruption Strategy for 2021–2025. The author calculated the structure of the using the crypto currency on September 2022 in Ukraine. It should be noted that the current legislative framework for the prevention of corruption and organized crime indicates the importance of using such a tool as digital transformation in terms of the using the modern information and communication technologies to increase the level of preventive activities of the relevant subjects of the corruption prevention, expanding the possibilities communication with the public on the specified problems, implementation of practical international experience, etc. It is also appropriate to develop criminological principles for the implementation of anti-corruption preventive activities, taking into account the unique characteristics of specific sectors of the economy in the context of digital transformation, in consideration of the further active development of digitalization processes.

Keywords: anti-corruption transformations, anti-corruption policy, block chains crypto currencies, crypto currency, corruption, digital economy, tools of corruption.

JEL Classification: E02, F52, G18, O17

1 Introduction

The modern world has already taken the first step towards the fundamentally new technological, economic and social reality. However, it is difficult to overestimate the challenges facing modern industrial society. We are talking about a change in the global socio-technological structure, the consequence of which is a complete reformatting of the systems we are used to, the formation of new social and economic strategies. At the same time, the technological paradigm is changing, management models and social norms are changing, and large-scale demographic shifts are taking place. It is hard not to agree with the thesis that the exit from the existing turbulence to the path of sustainable growth will be accompanied by shocks for countries that did not create the technological, economic and political prerequisites for a new rise in time. In the new conditions, the country will receive advantages as a result of technological and digital innovations, in which all components of the economy develop, interact, improve and grow. That is why the current stage of development of many countries, including Ukraine, is connected with the lack of alternatives to search for and transition to a new model of economic development, which is based on the use of the intellectual and creative potential of the human personality. In order for the country to occupy not the last place in the global digital economy, special attention should be paid to the opportunities that the country has in the production, innovation and employment spheres.

Corruption is one of the most acute problems of Ukrainian society, which poses a real threat to national security and statehood of Ukraine, its political, social and economic development, approval and provision of the democracy principles and the rule of law. Year

after year, Ukraine is classified as one of the most corrupt countries of the world. The majority of Ukrainian citizens are convinced of significant corruption domestic public authorities, and corruption itself is treated very tolerantly. By the results of periodic evaluations of the group of states against corruption GRECO, Organization for Economic Cooperation and Development, European Commission incomplete fulfilment of international obligations undertaken by Ukraine in anti-corruption sphere.

The process of combating corruption in Ukraine is accompanied by constant changes in anti-corruption legislation, inconsistency of actions between anti-corruption and other law enforcement agencies, unsystematic participation in anti-corruption activities of civil society institutions. Organizational imperfection and functional components of the state anti-corruption mechanism, the incompleteness of the anti-corruption reform negatively affects the results of anti-corruption. Systemic corruptors skilfully adapt to legislative ones novel and new anti-corruption institutions, foreign donors and partners report constant difficulties in implementing transparent and honest governance, and the Ukrainian society is already beginning to perceive the fight against corruption as permanent a process that is not designed to achieve tangible results. Therefore, anti-corruption issues continue to be strongly on the agenda of the development of Ukraine, guaranteeing its national security, integration of our country into European and Euro-Atlantic structures. All this leads to an urgent need to effectively solve the theoretical and applied problems of combating corruption in Ukraine.¹

The institutional nature of corruption is demonstrated by the regularity, long-term and embeddings of unscrupulous behaviour patterns of individuals at various levels (macro, meso and micro) of social relations in already existing productive formal institutional relationships and everyday practices of informal, but virtuous (legal) interaction between social groups and in the middle them.²

The introduction of new standards of public-authority activity in Ukraine involves the formation of the state for absolute intolerance to the phenomenon of corruption, which is recognized as one of the key negative factors that affects the development of the state, its image, perception by other states, international organizations, partners, investors, and as a result affects the well-being of its citizens. Effective transformations of the state require the search and implementation of new effective anti-corruption tools, which must prove their own ability to have a real reducing and preventive effect on the negative corruption phenomena that already exist, while at the same time being understandable and acceptable to society. It is worth noting that, on the one hand, every citizen should be able to be informed about the real state of anti-corruption activities of the state, as well as to report corruption to the relevant authorities; on the other hand, the anti-corruption institutions themselves must be properly administered so that the specified tasks and functions can be achieved quickly and efficiently.³ One of the main aspects of the organization of functioning and public administration in a certain area is system information support.

¹ BARNICK, K., BRAEMER, J., LUDWIG, J. (2007): Korruption. About the Index. Economic Freedom. *Heritage Foundation*. [Electronic resource]. Geschichte der Bestechung.

² MELNYK, M. (2001): Corruption: essence, concepts, countermeasures: monograph/M. I. Melnyk. K.: Atika, 2001. 304 pp.

³ MYKHALCHENKO, M. (2010): Corruption in Ukraine: political and legal analysis/M. Mykhalchenko, O. Mykhalchenko, E. Nevmerzhitskyi. K.: Ipiend, 2010. 614 pp.

2 Literature review

The analysis of international legal documents shows the existence of different approaches to understanding corruption. Various theoretical and applied aspects of combating corruption are presented in a large number of scientific works, in particular by lawyers, economists, political scientists, civil servants.

Their scientific works are a significant contribution to the understanding of the phenomenon of corruption and the development of countermeasures against it. At the same time, there is not enough fundamental research on the problem of corruption, which, based on various approaches and ways of solving it, would develop a systematic scientific vision of increasing the effectiveness of anti-corruption activities with the applied goal of minimizing corruption in Ukraine to a socially acceptable level.

Many scholars have paid attention to the study of effective anti-corruption policy as the component of a legitimacy of the economic security system in Ukraine. A wide range of issues related to research in the area of state regulatory imperatives to combat systemic corruption in the national economy.

For instance, in his monograph, Melnyk M. (2001) described corruption according to its core, notions, and remedies. In his article Mykhalchenko M. (2014) focused on corruption in Ukraine in light of political and legal research. Research in the formation of ways to timely detection and neutralization of corruption risks can be seen in articles of scientist Voloshenko A. (2015). For instance, Vasilyeva O. (2019) investigated in details the international anti-corruption experience in public agencies. Nonik V. (2019) in the scientific article explored basic methodological components of formation and implementation of anti-corruption policy in Ukraine. Trepak V. (2020) researched anti-corruption politic in Ukraine on the bases of theoretical and applied problems. Naumchuk K. (2021) explored modern factors in flouncing the development of anticorruption activities of the state. Karpenko (2023) is working on the issues of international retrospective of the anti-corruption standards development in the economic security system of Ukraine.

In addition, many scientific works do not take into account the latest changes in the anti-corruption legislation of Ukraine, the consequences of the unsystematic reform of law enforcement agencies, the trends in the spread of corruption, the current perception and attitude of civil society and business towards corruption, changes in the economic situation, public administration, social life caused by serious miscalculations of the new government in state policy. For a long time, anti-corruption activities were carried out without strategic planning, in particular without an anti-corruption strategy. Taking into account the priority of combating corruption in state policy, the need for anti-corruption transformations in the conditions of the formation of the "digital economy" of Ukraine, the scientific and applied significance of the selected research issues is being formed.

3 Research goal, methods and research base

The article's goal is to provide the anti-corruption transformations in the conditions of the formation of the "digital economy" in Ukraine on the bases realities of institutionalization. The study's focus is on the organizational, administrative, and regulatory foundations for implementing state regulatory requirements for battling corruption in Ukraine's national economy. Crypto currencies are defined as digital tokens that are used for instant anonymous money transfer between individuals in a decentralized peer-to-peer networks with minimal transaction fees.

In order to accomplish the objectives and address the issues, the work employs contemporary general scientific and specialized research methodologies. These include scientific abstraction and concretization, with the author's formulation of the fundamental type

of corruption, terminological analysis and operationalization of concepts, used to reveal and clarify general theoretical propositions that reveal the essential nature, peculiarities, and nuances of scientists views on the interpretation of the category corruption, and scientific abstraction and concretization, with the author's formulation. The amount of the Ukrainian subsistence minimum in 2017-2023 can be compared to global standards using statistical approaches.

The legislative and regulatory acts that define an effective anti-corruption policy as a component of the legitimacy of the public administration system in Ukraine, sources from international organizations, scholarly works and monographs by domestic and foreign economists and civil servants, and periodicals with specialized scientific literature make up the research information base.

4 Data and methodology

The symbiosis of corruption and organized crime significantly complicates the implementation of relevant prevention measures by subjects at the general social, special criminological and individual levels. At the same time, the effectiveness of these measures significantly depends on the timely use of the advantages of digital transformation as a practical tool for crime prevention.

It should be noted that the National Economic Strategy for the period until 2030 defines an effective digital service state and compact state institutions as one of the benchmarks in economic policy (the development of the digital economy as one of the drivers of economic growth in Ukraine). One of the strategic courses of economic policy until 2030 is the "Rule of Law" direction in terms of ensuring the effective operation of the anti-corruption system to prevent, detect and punish corruption.

According to the provisions of the Anti-corruption Strategy for 2021-2025, one of the main principles of the anti-corruption policy is the digital transformation of the exercise of powers by state authorities and local self-government institutions, transparency of activities and data disclosure as a basis for minimizing corruption risks in their activities. At the same time, the lack of objective coverage of the situation of preventing and countering corruption in Ukraine leads to a distorted perception by the population of the causes of corruption, its level, and the effectiveness of anti-corruption institutions. Therefore, as a result of the implementation of the Strategy, it is assumed that citizens will have complete and objective information about corruption in Ukraine, its causes, state and dynamics, the system of anti-corruption institutions, the distribution of powers between them, as well as about the effectiveness of various state institutions in matters of prevention and anti-corruption, about the possibility and methods of interaction of citizens with anti-corruption institutions regarding reporting of corruption and public control.⁴

The purpose of the Strategy for Combating Organized Crime is to build an effective system for combating organized crime, consisting of subsystems of legal, institutional, scientific, informational and analytical, financial and logistical support, coordination and interaction, control, and international cooperation. At the same time, one of the principles of the Strategy is to strengthen the capabilities of collecting operational data and bringing the information support of state institutions fighting organized crime into compliance with international standards and ensuring the integration of domestic information systems, in particular with the relevant information systems of EU member states.

⁴ NAUMCHUK, K. (2021): Analysis of modern factors in influencing the development of anticorruption activities of the state. *Socioworld-social Research & Behavioral Sciences*. 2021. Vol. 03. Issue 03. Pp. 116-122.

In accordance with the Action Plan for the Implementation of the Strategy for Combating Organized Crime, in terms of information and analytical support for state institutions participating in the fight against organized crime, the development and implementation of a unified secure information system for entities combating organized crime and ensuring their direct access is envisaged to state information resources.⁵

At the same time, the digital economy, as the main sign of modernity, affects all spheres of society. As a trend in the development of the world economy and society, digitalization affects different areas in different ways. And the place of each country in the world community depends on the degree of influence of digitalization on the national economic and social life. Digitization provides a number of advantages for the development of the economy. The high speed of digitization of all aspects of life is due, first of all, to its possible positive manifestations and consequences at all levels. The advantages of digitalization at the level of the entire society are: increasing the transparency of economic operations and ensuring the possibility of their monitoring.⁶

In general, digital transformation makes all processes more transparent, provides an opportunity to track the implementation of one or another operation, and is an obstacle to the implementation of various corruption schemes.⁷

Summing up, it should be noted that the current legislative framework for the prevention of corruption and organized crime indicates the importance of using such a tool as digital transformation in terms of the use of modern information and communication technologies to increase the level of preventive activities of the relevant subjects of the prevention of corruption and organized crime, expanding the possibilities communication with the public on the specified problems, implementation of practical international experience, etc. Taking into account the further active development of digitalization processes, it is also appropriate to develop criminological principles for the implementation of anti-corruption preventive activities, in consideration of the peculiarities for the economy sectors in the conditions of digital transformation.

5 Key research findings

There is an unequivocal opinion in society: modern corruption is a widespread social, economic and political problem throughout the world. The origins of the term "corruption" are difficult to determine, so this issue causes a lot of controversy and remains debatable among researchers. Corruption, as a complex multifaceted phenomenon, constantly changes the sources of offenses. In the last decade of the 20th century, factors appeared that led to the institutionalization of corruption. The institutionalization of corruption is manifested in the fact that corrupt relations are so closely woven into the fabric of political, economic, and legal relations that they began to perform a regulatory function and appropriated part of the functions of legal social institutions.⁸

⁵ MÉON, P. & WEILL, L. (2010): Is corruption an efficient grease? *World Development*, 38: 244- 259.

⁶ VOLOSHENKO, A. V. (2015): Ways to timely detection and neutralization of corruption risks /*Actual problems of the economy*. 2015, No. 12 (174). Pp. 312-321.

⁷ VASILYEVA, O. (2019): Foreign experience of anti-corruption activities in public authorities /*Investments: practice and experience*. 2019, No. 13. Pp. 62-65.

⁸ UGUR, M. & DASGUPTA, N. (2011): Evidence on the economic growth impacts of corruption in low income countries and beyond: *A systematic review*. London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London.

Due to the variability of forms of corruption, the problem of corruption crime remains one of the factors that undermine the values of modern societies, and leads to impressive problems and consequences, to the destruction of economic ties. Cryptocurrency is becoming a previously unknown type of corruption.

The word "cryptocurrency" comes from the encryption techniques used to secure the network. "Crypto" refers to the various encryption algorithms and cryptographic techniques that protect these records, such as elliptic curve encryption, public-private key pairs, and hashing functions. Blockchains, which are organizational methods for ensuring the integrity of transactional data, are also an important component of many cryptocurrencies.

Cryptocurrencies are digital currencies that work using an asymmetric encryption mechanism. Today, there are thousands of such assets, but if we consider the value of cryptocurrencies, Bitcoin remains the first and most famous cryptocurrency. The constant fluctuation of the BTC rate has led to the fact that every year the number of those who want to join the crypto industry is increasing. Crypto is a completely new type of asset, which is significantly different from ordinary money and other financial instruments. The main difference with fiat is that you own the digital coins directly. You don't need a bank or other financial institution for this. Your personal e-wallet is used to store the crypt.⁹

The top 10 global cryptocurrencies are listed in the Table 1.

Table 1: Capitalization of the top 10 world cryptocurrencies

No	Cryptocurrency	Market capitalization, dollar USA
1	Bitcoin (BTC)	62,841,248,126
2	Ethereum (ETH)	27,456,695,278
3	Bitcoin Cash (BCC)	7,084,308,594 4
4	Ripple (XRP)	6,840,311,329
5	Litecoin (LTC)	2,575,754,424
6	Dash (DASH)	2,574,586,012
7	NEM (XEM)	1,985,067,000
8	IOTA (MIOTA)	1,512,370,222
9	Monero (XMR)	1,382,483,302
10	NEO (NEO)	35,510,000

Source: formed by the author on the base of Buchanan, W. (2021): The Challenges of Investigating Cryptocurrencies and Blockchain Related Crime.

Despite the rapid development of cryptocurrencies and their diversity, Bitcoin still remains the pioneer and "big whale", occupying almost half of the capitalization of the entire crypto market. It is not for nothing that all cryptocurrencies, except for Bitcoin, are called altcoins (alternative cryptocurrencies) in the financial world. It is also worth noting that cryptocurrency holders, crypto-business infrastructure workers and investors call the traditional currency and paper money market fiat, or fiat money.

⁹ KARPENKO, L. & STARODUB, D. (2019): Blockchain as an innovative technology in the strategic management of companies. *Academy of Strategic Management Journal*, London, 18 (Special Issue 1), pp.1-6. (Print ISSN: 1544-1458; Online. Strategic Research Directions 1939-6104-18-SI-1-43

The next step, lets describe blockchain and decentralization. Blockchain was formed from the combination of two words: block - block, chain - chain. That is, if translated literally, it means a chain of blocks. At the time of execution of transactions within the blockchain network, data about money transfers are recorded in special blocks. They, in turn, form a chain in such a way that the hash sum of each previous block is included in the next one. One of the advantages of this technology follows from this: to break one block, you must first break all the previous ones in the chain. Such an algorithm allows you to protect cryptocurrencies from manipulation by participants and the activities of fraudsters.

The key point in the functioning of the crypt is encryption. In the course of a transaction, the information that users exchange with the database (blockchain) is always recorded in the block in an encrypted form. Several different keys are used for encryption - private, public, etc. It is important to understand that the data in the blockchain is stored immediately on the computers of all network participants around the world, and not in one place. As a result, it is almost impossible to influence crypto assets. All this is decentralization - control over the system is not concentrated in one hand. Modern cryptocurrencies are created based on the principle that both users and private companies receive the right to store the database. However, the network is additionally divided into several large nodes, where each of them goes to different large owners. This is necessary to guarantee decentralization.

A legal focused on cryptocurrencies. In most countries, the status of the crypt is still uncertain. It is difficult to regulate because it is decentralized. In addition, transactions in the blockchain are anonymous, which is why the tax office cannot track them. To see how much Bitcoin and other cryptoassets are worth, as well as to buy and sell them, crypto exchanges are mainly used. Most of these sites require verification. In theory, the tax authorities can make requests through the court so that the exchanges provide personal data and the history of the client's transactions. But in reality it is quite difficult to do, so this happens only when it comes to money laundering in particularly large amounts.

Many of our citizens simply do not pay any taxes on digital currencies. The main argument for this is that amounts smaller than \$10-15 thousand will not be so interesting for tax authorities to consider. As a result, the crypto market remains partly in the shadows.

Is Cryptocurrency Like a Financial Pyramid? According to experts, digital currencies have nothing to do with a fraudulent earning scheme. One of the characteristics of a financial pyramid is that some people's money becomes the basis for payments to other participants. The same Bitcoin has completely different principles, since it is a limited crypto-asset. The price of Bitcoin increases with a sharp increase in demand, which is due to its fixed amount (21 million coins in total).¹⁰

Many are left with the question; can cryptocurrency simultaneously disappear and leave the user with nothing? Experts in the crypto industry note that such a situation, if we are talking about Bitcoin (BTC), is unlikely. At the same time, other types of crypt are considered more risky. Therefore, before starting to work with them, it is important to study all the information about them in detail. People decide for themselves whether to use digital coins or not. No one urges users to urgently buy cryptoassets, because this will lead to inevitable enrichment. There are no promises.

The next step, lets describe *the legal area focused on cryptocurrencies.* In most countries, the status of the crypt is still uncertain. It is difficult to regulate because it is

¹⁰ BUCHANAN, W. (2021): The Challenges of Investigating Cryptocurrencies and Blockchain Related Crime. JBBA, 1(2), 1-6. March 20, 2021, online.

decentralized. In addition, transactions in the blockchain are anonymous, which is why the tax office cannot track them. To see how much Bitcoin and other cryptoassets are worth, as well as to buy and sell them, crypto exchanges are mainly used. Most of these sites require verification. In theory, the tax authorities can make requests through the court so that the exchanges provide personal data and the history of the client's transactions. But in reality it is quite difficult to do, so this happens only when it comes to money laundering in particularly large amounts. Many of our citizens simply do not pay any taxes on digital currencies. The main argument for this is that amounts smaller than \$10-15 thousand will not be so interesting for tax authorities to consider. As a result, the crypto market remains partly in the shadows.

There are main features of the crypt. Cryptocurrency is a digital asset in the digital space that is significantly different from fiat:

- Independence. The system responsible for the circulation of the crypt has no regulatory institution. The state cannot control it.
- Immutability. The blockchain is arranged in such a way that transactions cannot be adjusted or deleted. This minimizes human intervention and speeds up processes at the same time.
- Availability. All transactions can be viewed by any member of the network. To connect to the registry from any corner of the planet, you only need a crypto wallet.

Cryptocurrency has the potential to change the financial system in world, as its market capitalization is constantly growing. Separate studies confirm that there is a cryptocurrency a new form of digital assets. Market capitalization Bitcoin is currently over 755 million dollars Ethereum market capitalization is over \$360 million and Tether over \$82 million. More than eighty other cryptocurrencies have market capitalization of more than one million dollars each, while more hundreds of other cryptocurrencies have market capitalizations in the hundreds thousands of dollars each.

Cryptocurrencies are known by different names in different countries terms: "digital currency" - in Argentina, Thailand and Australia, "virtual goods" - in Canada, China and Taiwan, "crypto token" - in Germany, "payment token" - in Switzerland, "cyber currency" - in Italy and Lebanon, "virtual asset" - in Mexico and Honduras, "electronic currency" - in Colombia.¹¹

Confidence in cryptocurrency as a medium of exchange is trending to constant growth. After all, a cryptocurrency transaction very hard to track: no trusted third party required as the central control body, because of the central control does not exist, personal data and parties are not recorded remain unknown. transactions do not require information about the persons of the parties, they are carried out easily, quickly, directly between the parties, without commissions, that is, without additional costs, criminal activities contribute to unstable cryptocurrency value and unsettled legislation.

Such unique features of cryptocurrency determine the attractiveness of the environment for a new form of corruption activity with a new way of criminal activity money laundering, tax evasion and financing of terrorism. Criminals are usually one of the first to use it new technologies to commit old crimes.¹² With existence cryptocurrencies and corruption cases and others were also discovered criminal acts, in particular:

¹¹ TRANSPARENCY INTERNATIONAL (2021). *The Global Anti-Corruption Coalition*. [online]. [cit.2022-10-10]. Online.

¹² UKRSTAT (2023): *Statistics* [online]. [cit.2023-09-21]. Online.

– "*Silk Road*": In 2013, the FBI arrested Ross Ulbricht - former operator of the Silk Road dark net, also known by the pseudonym "Dreadful Pirate Roberts". Ulbricht was charged with participating in a money laundering conspiracy and drug trafficking, as well as in computer hacking. IN the indictment states that more than 9.5 million bitcoins in sales revenue and over 600,000 bitcoins as a commission for its owner;

– "*Crypt Queen*": 36 years old in June 2016 businesswoman Ruza Ignatova appeared on the stage of Wembley Arena in London in front of thousands of fans. She told to the cheering crowd that "OneCoin" is on its way to become the world's largest cryptocurrency, and anyone can make payments. All over the world, people started investing your savings in OneCoin, hoping to become a part of this new evolution. From August 2014 to March 2017 with more than 4 billion euros have been invested in dozens of countries. In 2017 the "crypto queen" disappeared with all these investments;

– "*BitConnect*": In 2018, Indian police arrested Diveesh Darjee, the owner of BitConnect, who was accused of withdrawal of 12.6 billion dollars (880 billion Indian rupees) from investors in India through a "Ponzi scheme".¹³

The emergence of distributed data storage technologies (BlockChain) and cryptocurrency payment systems based on such technologies significantly changes the process of countering crime. Forms of corruption are being transformed, new types of illegal gain are emerging, and methods of legalizing criminal income are being updated. At the same time, like any social process, the spread of cryptocurrency and BlockChain technology has dialectical consequences. On the one hand, cryptocurrencies have become a new tool for criminals. On the other hand, the availability of the entire database of transactions in the cryptocurrency system in open access gives law enforcement officers fundamentally new tools to fight crime.

In addition, BlockChain, which provides ultra-reliable storage of important data, is considered one of the effective means of combating corruption, creating new opportunities for the implementation of e-democracy projects.¹⁴

Thus, the impact of virtual assets on combating corruption should be considered in three dimensions:

- new type of illegitimate benefit;
- new opportunities to combat crime;
- anti-corruption potential of distributed data storage technologies.¹⁵

The structure of the using the crypto currency on September 2022 in Ukraine by the Unified State Register of Court Decisions is presented in the Table 2.

¹³ TREPAK, V. (2020): Anti-corruption in Ukraine: theoretical and applied problems: monograph. Lviv: LNU named after Ivan Franko, 2020. 444 pp. VASILYEVA, O. (2019): Foreign experience of anti-corruption activities in public authorities / *Investments: practice and experience*. 2019, No. 13. Pp. 62-65.

¹⁴ UGUR, M. & DASGUPTA, N. (2011): Evidence on the economic growth impacts of corruption in low income countries and beyond: *A systematic review*. London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London

¹⁵ NONIK, V. (2019): Basic methodological components of formation and implementation of anti-corruption policy in Ukraine. *Public administration and customs administration*. 2019. No. 1 (20). Pp. 86-94. ISSN 2310-9653

**Table 2: The structure of the using the crypto currency
on September 2022 in Ukraine**

Directions for using crypto currency	Guilty verdicts	
	units	%
Use of crypto currency for illegal drug trafficking	36	69.2
Distribution of malware for hidden cryptocurrency mining	11	21.2
Sale of data	4	7.7
Fraud	1	1.9
Together	52	100.0

Source: calculated by the authors

Considering the above, it is extremely important to minimize the corruption risks of legalizing the national cryptocurrency market. The main areas of work here should be: localization of successful law enforcement practices, legislative support and use of BlockChain's anti-corruption potential.

Conclusions

The main results of the study are expressed as follows:

1. The United Nations Office advises using blockchain to fight corruption. David Robinson, Regional Adviser on Anti-Corruption at the United Nations Office on Drugs and Crime, advised countries to use blockchain technology to fight corruption. According to Ukrinform, blockchain technology is becoming attractive to the global community and international organizations, as it is a tool that can be used to potentially prevent corruption and protect state registers from fraud and falsification. It is noted that a number of countries around the world are already considering blockchain and cryptocurrency as potential tools in the fight against corruption.

2. Cryptocurrencies are defined as digital tokens that are used for instant anonymous money transfer between individuals in a decentralized peer-to-peer networks with minimal transaction fees.

3. Accordingly, the goals of overcoming corruption, which is a huge threat to the proper functioning of the state, its institutions and citizens, and therefore is a challenge for the loss of reputation of the international community, all actions must be subordinated and systemic tactical measures for early detection corruption crimes involving the use of cryptocurrency.

4. Differences in perception and silencing of corruption as a national problem. 89 % of respondents consider corruption to be a rather serious or very serious problem for Ukraine. Ukrainian society, including all three sample respondents, is strongly divided in their assessment of what has happened to the level of corruption since the start of the full-scale war: more than a fifth of Ukrainians believe that the level of corruption has increased since February 2022, slightly less than a fifth believe , that the level of corruption has decreased, and more than a third believe that the level of corruption has remained at the same level. Significantly, 20 % or more of respondents in each sample refused to provide a specific answer to this question. Focus group participants were also divided, with almost half believing that corruption had increased since the war began, while the rest were evenly split, saying that the level of corruption had remained the same or decreased. Both samples of displaced Ukrainians tend to be less optimistic about the state of corruption after February 2022 and more uncertain about what happened to it.

5. The EU has adopted a comprehensive package of legislative proposals to regulate and update certain rules of the financial market for crypto-assets and to create a legal framework

for regulatory institution of financial supervision in the EU. One of the main proposed regulations is Proposal No. 2020/0265 (COD)-COM 593, Brussels, 24.09.2020. The Markets in Crypto-Assets Regulation (MiCA) is a new piece of wide-ranging EU legislation designed to regulate crypto-assets activities in the EU. MiCA covers several key areas, including transparency, disclosure, authorization and oversight of transactions. The regulation applies to natural and legal persons and other businesses that issue, publicly offer and admit to trading crypto-assets or that provide services related to cryptocurrencies in the European Union. MiCA uses its own definition of "crypto-asset" as "a digital representation of value or right that can be transferred and stored electronically using distributed ledger or similar technology.

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SECURITY OF THE CZECH REPUBLIC THROUGH THE PRISM OF ELECTION MANIFESTOS AND THEIR IMPACT ON THE 2023 SECURITY STRATEGY OF THE CZECH REPUBLIC

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Abstract: The paper aims to analyse the election manifestos (or programs) of relevant Czech political actors and their influence on the 2023 Security Strategy of the Czech Republic. Manifesto research is based on ex-post content analysis of political manifestos of relevant parliamentary political parties/coalitions – i. e. such subjects that succeeded in getting their seats in the Chamber of Deputies of the Czech Parliament in the 2021 elections. Czech political parties generally conceptualized security before the 2021 elections to the Chamber of Deputies as worsened. Illegal migration was seen as one of the most important issues. Specific areas of interest for the future were cyber-security, energy security, food security and migration prevention. The most attention was concerning the influence of China and the Russian Federation on the security of the Czech Republic. As for the implementation, the parties did not offer much detail and kept their proposals quite general, with several similar steps offered, such as increased EU external border protection.

Keywords: security, security strategy, election manifestos, political parties, elections

JEL: D72, F52

Introduction

The paper aims to analyze the election manifestos (or programs) of relevant Czech political actors and their influence on the Security Strategy of the Czech Republic. The Security Strategy is a fundamental document that defines the threats to the Czech Republic. Upon these findings, the government should coordinate and act and it should be visible in the behavior of the government.

Manifesto research is based on ex-post content analysis of political manifestos of relevant parliamentary political parties/coalitions – i. e. such subjects that succeeded in getting their seats in the Chamber of Deputies of the Czech Parliament in the 2021 elections. To achieve that, manifestos of the individual successful entities were analyzed to see, whether the security is mentioned at all – the keywords searched for in the manifestos are with the root (in the Czech language) "*bezpečn**" (i.e. "*secur**"), and if so, how national security was conceptualized, what policies were proposed and how they were to be implemented.

1 Party Manifestos

Party manifestos are generally believed to play an important role in party competition during the election process. Generally, political parties (among other things) compete on manifestos and the winner or winners promise to implement the policies put forward in their programs. As Eder, Jenny and Müller sum up, there are three essential functions carried by political manifestos: they provide information on party positions concerning important issues (be it for the party or the society in general, they help streamline the party campaign in the form

of a voter-party contract, and they also serve as a printed (or on-line) campaign material.¹ Concerning the party's members, the manifestos also serve as the party's common ideology (integration and identification functions of the manifestos) and they stimulate the members to act in favour of the party.²

As Kavanagh³ noted, there are also drawbacks of the manifestos, such as the frequent lack of party/governmental capacity to meet the expectations of the voters or the influence of bureaucracy on the political process. It may be thus often difficult to predict whether, how, and to what extent party manifestos will be reflected in future government policies.⁴ Nevertheless, manifestos are generally seen as an important source of available data for analysis while stemming a great methodological debate in the field of political science.

Table 1: Election results – 2021 Elections to the Chamber of Deputies

number	Party name	Valid votes		Seats	
		total	in %	total	in %
1	Strana zelenych	53 343	0.99	-	-
2	Svycarska demokracie	16 823	0.31	-	-
3	VOLNY blok	71 587	1.33	-	-
4	Svoboda a pr. demokracie (SPD)	513 910	9.56	20	10
5	Ceska str.socialne demokrat.	250 397	4.65	-	-
6	Volte Pr.Blok www.cibulka.net	586	0.01	-	-
7	ALIANCE NARODNICH SIL	5 167	0.09	-	-
8	Trikolora Svobodni Soukromnici	148 463	2.76	-	-
9	Aliance pro budoucnost	11 531	0.21	-	-
10	Hnuti Prameny	8 599	0.15	-	-
11	Levice	639	0.01	-	-
12	PRISAHA Roberta Slachty	251 562	4.68	-	-
13	SPOLU - ODS, KDU-CSL, TOP 09	1 493 905	27.79	71	35,5
14	SENIORI 21	3 698	0.06	-	-
15	Urza.cz: Nechceme vase hlasy	6 775	0.12	-	-
16	Koruna Ceska (monarch.strana)	8 635	0.16	-	-
17	PIRATI a STAROSTOVE	839 776	15.62	37	18,5
18	Komunisticka str.Cech a Moravy	193 817	3.60	-	-
19	Moravske zemske hnuti	1 648	0.03	-	-
20	ANO 2011	1 458 140	27.12	72	36
21	Otevreme CR normalnimu zivotu	21 804	0.40	-	-
22	Moravane	14 285	0.26	-	-

Source: Czech Statistical Office, <https://www.volby.cz>

The fundamental base of the research is to analyse the manifestos of political parties that were successful in the 2021 elections to the Chamber of Deputies – the lower House of the Parliament of the Czech Republic. The specific research question on the position of security of the country in the manifestos of parliamentary political parties can be subdivided into three sub-questions: a) how did the parties view the security of the Czech Republic before the elections (status quo), b) what changes and/or policies (if any) they proposed in their manifestos, and c) what measures they wanted to put into practice to achieve such changes.

¹ EDER, N. – JENNY, M. – MÜLLER, W. C. (2017): Manifesto functions: How party candidates view and use their party's central policy document, pp. 69–70.

² EIBL, O. (2010): Volební programy.

³ KAVANAGH, D. (1981): The Politics of Manifestos, p. 10.

⁴ THOMSON, R. (2020): Parties' Election Manifestos and Public Policies.

In the abovementioned elections, 22 political parties competed for the total number of 200 seats, however, only 4 subjects were successful and got their seats in the lower chamber of Czech Parliament – 2 parties (Svoboda a přímá demokracie [Freedom and Direct Democracy]-SPD, and ANO 2011) and 2 electoral coalitions (SPOLU [Together], and Piráti a Starostové [Pirates and Mayors]). Election results are introduced in Table 1.

SPD is a Euro-sceptic party, “built on an ideological foundation of overt nativism directed against Islam,”⁵ named after “Europe of Freedom and Direct Democracy” and a member of the Identity and Democracy Group in the European Parliament.⁶ Its general rhetoric and program are anti-immigration, “patriotic /nationalist” and pro-direct democracy. The party is led by Tomio Okamura. In the election of 2017, the party received 10.64 per cent of the popular vote resulting in 22 seats in the Chamber of Deputies. In the election of 2021, the party received 9.56 per cent of the vote and 20 seats in the Chamber of Deputies.

In the SPD 2021 manifesto, the party understood the global security situation and described how it has worsened in comparison with the years before. The party also refused the confrontational politics of great powers and saw it as a security threat to the Czech Republic. In this context, they declared their refusal of migration quotas of the EU and wanted to strengthen the external borders of the EU. SPD saw the protection of the national economic interests of the country, especially energy and food security, as important for the economic stability of the country. They also supported the strengthening of the country's cyber-security. Among their plans, there were revisions of the security and defence strategic documents of the country. Concerning allies, the party wanted to open the question of EU and NATO membership for a plebiscite and to focus more on the neighbouring countries, especially the Visegrad Group. The party generally refused EU membership and wished for Czexit (invoking Article 50 of the Treaty on European Union to withdraw from the European Union). In that context, they refused the concept of a common EU army.⁷ Tomio Okamura stated “The ideal model would be for the Czech Republic to be able to defend itself. Neither Austria is in NATO, nor Switzerland is in NATO” and continued “We don't want any presence of foreign armies on the territory of the Czech Republic, we want our own country to have its own defence”.⁸

ANO 2011, formerly an anti-corruption political movement, became a populist, centrist party, with center-to-left oriented policies. It is led by the 2nd richest person in the Czech Republic, the multi-millionaire entrepreneur Andrej Babiš, an alleged former communist secret state police agent. The party was the winner of the 2017 elections. It received 29.64 per cent of the popular vote and 78 seats in the Chamber of Deputies. In 2021, the party won the elections again with the second largest share of the popular vote of 27.12 per cent but with the largest number of seats, specifically 72, a result of the Czech electoral system's recent change.

ANO 2011 promised to improve the security of Czech citizens in its 2021 manifesto. The party accentuated that the Czech Republic was one of the safest countries in the world (and put this fact in the context of its government in the previous periods. The party promised to strengthen the cyber-security of the country through the strengthening of key competencies in cyber-defence, with data-, systems- and infrastructure protections, with a special focus on hospitals. NATO cooperation and defence activities were seen as key, as well as counter-terrorism activities. The party also promised to strengthen the position of the country in

⁵ ENGLER, S. – PYTLAS, B. – DEEGAN-KRAUSE, K. (2019): Assessing the diversity of anti-establishment and populist politics in Central and Eastern Europe, p. 1324.

⁶ Short party descriptions have been adapted from KOHOUTEK, J. (2021): The Position of Public Administration in the Manifestos of Czech Parliamentary Political Parties: 2017 Elections to the House of Deputies of the Parliament of the Czech Republic, pp. 189–192.

⁷ SPD (2021): *Naše vlast, naše rodiny, náš bezpečný domov. Program Hnutí Svoboda a přímá demokracie (SPD) pro Sněmovní volby 2021.*

⁸ KOPECKÝ, J. (2017): Ani Rakousko není v NATO, řekl Okamura. SPD chce, aby se Česko bránilo samo.

humanitarian missions, especially in regions important for the security of the country. Also, EU membership was seen as important, with key topics of illegal migration, external border protection, security and internal market.⁹ In the context of EU politics, it refused to support majority voting on more agendas.

The “Piráti a Starostové”, or so-called “PirStan” coalition comprises Czech Pirate Party and the Mayors and Independents (“Starostové a nezávislí” or “STAN” Party). Czech Pirate Party is a centrist or centre-to-left positioned party (though they refuse the general left-to-right spectrum), focusing on liberal, ecological and information technology-connected topics. The party leader is Ivan Bartoš, known for his unorthodox look. In the election of 2017, the party received 10.79 per cent of the popular vote and 22 seats in the Chamber of Deputies. With its roots in municipal and regional politics, STAN is more difficult to position in the system. Generally, the party is Eurooptimist, liberal and pro-environmental, resulting in its cooperation with the Pirate Party in 2021. In 2017, the party was led by Jan Farský, former mayor of the town Semily, while the leader today is Vít Rakušan, ex-mayor of the town Kolín. In the 2017 elections, the party received 5.18 per cent of the popular vote and 6 seats in the Chamber of Deputies of the Czech Parliament. In the 2021 elections, the PirStan Coalition received 15.62 per cent of the ballot and 37 seats in the Chamber.

The PirStan manifesto perceived the security situation in the world as worsened, specifically mentioning Russia's and China's hostile attitudes against the Czech Republic. Specific threats mentioned in the manifesto were illegal migration and terrorism. According to the PirStan manifesto, migration should be prevented in the countries of origin and/or transit, and within the cooperation with such countries and the EU. The external border of the EU should be also better protected, inclusive of so-called pre-screening and border asylum procedures, while migrant quotas should be refused. The importance of energy security and cyber-security are also mentioned, as well as the so-called hybrid threats.

The “SPOLU” (“Together”) Coalition comprises three parties: the Civic Democratic Party (Občanská demokratická strana – ODS), christian democrats with the label KDU-ČSL – formerly known as Christian Democratic Union – Czechoslovak People's Party (Křesťansko-demokratická unie – Československá strana lidová - KDU-ČSL) and the TOP 09 Party. The civic democrats are a conservative-liberal party: while conservative with the social issues, they are more liberal in terms of the economy. They are moderately Eurosceptic, not very keen on accepting the Euro as the common EU currency for the Czech Republic. The party is quite heterogeneous with a national-conservative faction, a national-liberal faction and a Christian-conservative faction. The party is led by professor Petr Fiala, a former rector of the second largest university in the country, Masaryk University. In the 2017 elections, the party was able to get 11.32 per cent of the popular vote resulting in 25 seats in the Chamber of Deputies. KDU-ČSL is a Christian-democratic (catholic) and conservative party, usually holding centrist views and supporting center-to-right policies. The party is led by Marián Jurečka. In 2017, KDU-ČSL barely passed the 5 per cent threshold needed to get seats in the Chamber of Deputies, as it got only 5.8 per cent of the popular vote and 10 seats. With the abbreviation in the name of the party emphasizing tradition, responsibility and prosperity (in the Czech language “tradice, odpovědnost, prosperita”), TOP 09 is a Euro-optimist, conservative-liberal party, quite similar to ODS, with a stronger conservative and catholic element, though it is also supported by so-called “city-liberals”. The party is led by Marketa Pekarová Adamová. In the 2017 elections, the party also barely passed the necessary threshold needed for the Chamber of Deputies with 5.31 per cent of the vote and 7 seats in the house. In 2021, the SPOLU Coalition received 27.79 per cent of the popular vote and 71 seats in the Chamber of Deputies, forming a cabinet with the PirStan Coalition with the majority of 108 out of 200 seats in the Chamber.

⁹ ANO 2011 (2021): *Až do roztrhání těla. Ten jediný program, který potřebujete. Jako vždycky.*

The SPOLU manifesto generally states that new security threats have emerged, while not being any more specific about them. NATO and the EU were seen as key partners. The coalition planned to focus on energy security, cyber security, terrorism, organized crime, migration, stability at the EU external border, and information security. They planned to create the post of National Security Adviser to coordinate the cooperation of security structures of the country. They also planned to adopt a new national security strategy which should update the concept of security threats and define the responsibility of individual sectors of government and administration.

Table 2 – Manifesto analysis

Party	Conceptualization and perception of security/ security situation	Proposals/ Measures / Vision (what to change)	Implementation steps (how to change)
SPD	<ul style="list-style-type: none"> • Worsened security situation • Confrontational politics of great powers as a threat • Illegal migration is considered a threat 	<ul style="list-style-type: none"> • Protection of economic interests • Improving cyber-security • Improving energy security • Improving food security 	<ul style="list-style-type: none"> • NATO membership plebiscite • EU membership plebiscite / Czexit • Increased external EU border protection • Visegrad cooperation • Refusing European Union immigration quotas • Revision of strategic and defence documents
ANO 2011	<ul style="list-style-type: none"> • The Czech Republic is a safe country 	<ul style="list-style-type: none"> • Improving cyber-security • NATO membership as key for security • Counter-terrorism • EU membership as key for security 	<ul style="list-style-type: none"> • strengthening of key competencies in cyber-defence, with data-, systems- and infrastructure protections, with a special focus on hospitals • humanitarian missions • decrease in illegal migration • increased external EU border protection • operational internal EU market • refusal of majority voting in the EU
PirStan	<ul style="list-style-type: none"> • Worsened situation • Russia and China are seen as hostile • Illegal migration as a threat • Terrorism as a threat 	<ul style="list-style-type: none"> • Illegal migration prevention • Improving energy security • Improving cyber-security 	<ul style="list-style-type: none"> • Preventing migration in countries of origin/transit • Increased external EU border protection • Prescreening

	<ul style="list-style-type: none"> Hybrid threats 		<ul style="list-style-type: none"> Border asylum procedures
SPOLU	<ul style="list-style-type: none"> New security threats 	<ul style="list-style-type: none"> Improving energy security Improving cyber-security Counter-terrorism Migration EU and NATO membership as key for security Improving information security 	<ul style="list-style-type: none"> Increased external EU border protection Revision of strategic and defence documents create the post of National Security Adviser

Source: electoral manifestos, own analysis

2 Security of the Czech Republic in the Context of National Strategic Documents

The Security Strategy is a governmental document that is created on behalf of the permanent orientation of a state/country, arising against the background of its domestic and foreign political situation, which encourages its political elites, based on the nature of the regime, the needs and value and orientation of the population to set certain goals that are important to the state to provide stability, security and overall survival of the country. The Security Strategy of the Czech Republic does not follow a given time frame (in comparison to the Quadrennial Defense Review of the US), but it is revised only in times of need to redefine the strategy to reflect contemporary developments.

The basic framework for the formulation and implementation of the Security Strategy of the Czech Republic is given by the Constitution of the Czech Republic, by Constitutional Law No. 110/1998 Coll., and other subsequent laws. The legal framework of the security of the Czech Republic is also influenced by the obligations arising from the Czech Republic's membership in the North Atlantic Treaty Organization (NATO), European Union (EU), United Nations (UN) and Organization for Security and Cooperation in Europe (OSCE).

Firstly, it is necessary to understand what we understand how we define what is security. The Security Strategy of 2003 defines security as a “desirable state when the risks for the Czech Republic resulting from threats to the population, sovereignty and territorial integrity, democratic establishment and principles of the rule of law, internal order, property, environment, fulfilment of international security obligations and other defined interests have been reduced to the lowest degree.”¹⁰

The crucial section of the security strategy is the definition and conceptualization of current threats. In comparison, the Security Strategy of 2011, defines the threats to the Czech Republic as terrorism, the proliferation of weapons of mass destruction and its delivery system, cyber-attacks, instability and regional conflicts in the Euro-Atlantic region, negative aspects of international migration, organized crimes and corruption, threats to the critical infrastructure, interruption of supplies of strategic raw materials or energy and lastly the national disasters.¹¹

The Security Strategy of 2015 defines the threats to the Czech Republic as weakening of the mechanism of cooperative security as well as political and international legal obligations in the field of security, Instability and regional conflicts in the Euro-Atlantic area and its surroundings, terrorism, proliferation of weapons of mass destruction and their means of

¹⁰ Bezpečnostní strategie České republiky, p. 4.

¹¹ Bezpečnostní strategie České republiky 2011, pp. 9–10.

delivery, cyber threats, negative aspects of international migration, extremism and the rise of ethnic and social tensions, Organized crime, especially serious economic and financial crime, corruption, human trafficking and drug crime, threat to the functionality of critical infrastructure, interruption of supplies of strategic raw materials or energy, and lastly natural disasters.¹²

In 2023, the security environment changed dramatically due to the Russian invasion of Ukraine but also due to the world pandemics, cyber-attacks on critical infrastructure and many others which resulted in the required revision of the posture which would be reflected in strategic documents such as Security Strategy.

The Security Strategy 2023 defines the main threats as the Russian Federation, hybrid threats, China and its cyber espionage, China and its relations in the region, degradation of the environment, pandemics, and state and non-state actors that can endanger the Czech Republic mainly by hybrid tools, Cyber security, and terrorism.¹³ The Security Strategy's main threat assessment is that the obvious threat is currently from the Russian Federation that can directly endanger the Czech Republic in numerous areas, for example in the context of regional stability, hybrid warfare, energy security or by military means. The Strategy states that “Russia is deliberately counteracting the political, economic and social stability in the Czech Republic. It is an essential threat to our security.”¹⁴ To a lesser extent, the Security Strategy names China, which is challenging the international order. This brings negative consequences for Euro-Atlantic security. China is increasingly asserting its interests by seeking to transform the existing international order; it is massively strengthening its military capabilities, including nuclear forces. China is implementing cyber espionage, seeks to control global data traffic and uses socio-economic coercion and other tools of hybrid influence. Chinese companies are effectively linked to the state and ready to serve its intentions.¹⁵

Since 2019, the political statements about the threats to the Czech Republic intensified and unified into a single topic into a threat from the Russian Federation. The reasons were of course the Russian invasion of Ukraine. Other important topics such as pandemics or illegal migration were sidetracked. In the political discussions and even based on the Security Strategy, the threat of the future potential pandemics was marginalized and thus almost omitted and for this reason, the “pandemics” is mentioned only three times in the Security Strategy 2023. From the historical perspective, the Security Strategy of 1999 mentions only “epidemics”, the 2003 elevated the threat from epidemics into “pandemics”, however, the statement is very superficial and does not elaborate it fully in great detail. The Security Strategy defines the main threats to national security and thus it serves as a roadmap to prepare the country for the potential endangerment. However, the Strategy is just one step, the most important stage is the implementation of the strategy, meaning the behaviour of the Government.

3 Implementation of the Party Positions to the Security Strategy

The security environment of the Czech Republic changed dramatically since 2015. The parties before the elections in 2021, namely the opposition of ANO 2011 (at that time ruling party) called for a revision of the Strategy.

The Implementation of the individual party positions to the Security Strategy was heavily influenced by the escalation of the Russian-Ukrainian conflict. Thus the Russian aggression overshadowed other security threats that were part of the preelection debates. The main topics that were sidelined were the pandemics and illegal migration.

¹² Bezpečnostní strategie České republiky 2015, pp. 11–12.

¹³ Bezpečnostní strategie České republiky 2023, pp. 14–18.

¹⁴ Ibid., p. 6.

¹⁵ Ibid., p. 14.

Even at that time, Prime Minister Andrej Babiš changed his position towards Russia. Even though he was criticised he was reluctant to label the Russian Federation as a threat to the Czech Republic. On the official visit of the Secretary of State of the United States in August 2020, Mike Pompeo met in that time Prime Minister Andrej Babiš and both agreed that Russia is trying to destroy our democracies and break our Western alliance.¹⁶ On the other hand, at that time Prime Minister Andrej Babiš had an opinion (earlier), that the sanctions imposed on Russia did not work, and he was inclined to a proposition to lift them.¹⁷ The Czech Republic overall has negative attitudes towards Russia. According to public opinion polls in the Czech Republic since 1991, Russia has long been one of the most negatively perceived countries. According to a 2016 survey, 26 % of respondents have a positive opinion of Russia.¹⁸ There are of course high governmental officials as former president Miloš Zeman that could be labelled as pro-Russian. Miloš Zeman, president of the Czech Republic from March 2013, has been described as "one of the European Union's most Kremlin-friendly leaders", with some of his close aides said to be agents of Russian intelligence.¹⁹ However, even Zeman changed his opinion after the invasion of Ukraine and in his speech, President Zeman condemned the Russian invasion of Ukraine. He said that Russia was committing a crime against peace and that its behaviour should be condemned.²⁰ As it was stated before, the other topics that are important to the national security of the Czech Republic were reduced in importance, such as illegal migration, pandemics, cyber security, hybrid threats and terrorism.

To understand further the implementation of the party positions to the security strategy, one should analyse the Coalition Treaty serving as the base for Czech government formation in 2021 and the Governmental Program Declaration of P. Fiala's cabinet. Generally, the Czech government approach to energy security based on the Coalition Treaty should focus on the decarbonization, diversification of energy sources, development of nuclear energy, promotion of renewable energy, and to increase the energy efficiency. Such approach reflects a balanced and forward-looking energy policy that aims to ensure energy security while also addressing environmental concerns and the challenges of climate change. The Coalition Treaty also demonstrates a comprehensive approach to cybersecurity, encompassing updates to national security strategies, enhanced oversight of intelligence services, strategic development of security forces, focus on open-source solutions to prevent vendor lock-in, the implementation of secure eGovernment Cloud services, and the development of secure digital infrastructure. These initiatives reflect an understanding of the critical importance of cybersecurity in national security, governance, and infrastructure development. In terms of European Union affairs, the Coalition Treaty commits to a democratic and open European Union, active participation in EU policy-making, strategic utilization of EU funds, advocacy for effective EU border protection and a balanced migration policy, and support for the deepening of the single market. These policies reflect a proactive and strategic engagement with the EU, aiming to maximize the benefits of membership for the Czech Republic while contributing to the overall strength and cohesion of the Union. Another key issue for the Czech government should be the question of international migration. The Government should concentrate on security, legality, and effective management of migration flows in cooperation with European Union partners. The government should aim to balance the need for border security and migration control with the integration and support of legal migrants, reflecting a comprehensive and multifaceted approach to migration policy. The main aspect of Czech Republic security is based on the NATO

¹⁶ PALATA, L. (2020): Rusko nás chce zničit, shodli se Babiš s Pompeem.

¹⁷ PERKNEROVÁ, K. (2014): Babiš nesouhlasí se svým ministrem. Situaci na Ukrajině prý sankce nevyřeší.

¹⁸ TUČEK, M. (2016): Sympatie české veřejnosti k některým zemím – listopad 2016.

¹⁹ WESOŁOWSKY, T. (2021): Czech PM's Remarks On 2014 Blasts Trigger Outrage, Underscore Split Over Russia Ties.

²⁰ KLÉZL, T. (2022): Zeman se proti Rusku vymezil pozdě, říkají experti. Politici jeho projev oceňují.

membership and thus it is essential to fulfill the financial obligations, enhance defense capabilities, and to actively participating in NATO's strategic initiatives. The government's policies stated in the Coalition Treaty should reflect an understanding of the importance of NATO in ensuring national and collective security, as well as the need for alignment with EU policies in the context of collective defense. Lastly, the Czech government's approach to hybrid threats should be comprehensive and multifaceted. It involves building resilience, enhancing defense and security capabilities, international collaboration, investment in technology and intelligence, public awareness, and a strong legislative and policy framework. This approach reflects an understanding of the complex nature of hybrid threats and the need for a coordinated and proactive response.²¹

In our opinion, the Governmental Program Declaration corresponds to the Coalition Treaty in relations to the topics outlined in our study. To summarize our focus policies we can state that the Czech Government's approach to energy security, as outlined in the Governmental Program Declaration, builds upon the foundations set in the 2021 Coalition Treaty. The Declaration emphasizes the importance of decarbonization and diversification of energy sources, underscoring the commitment to the development of nuclear energy and the promotion of renewable energy. This approach signifies a balanced and forward-looking energy policy, aiming to secure energy independence while addressing environmental concerns and the challenges posed by climate change. In the realm of cybersecurity, the Governmental Program Declaration continues the comprehensive approach initiated in the Coalition Treaty. It includes the enhancement of cybersecurity measures in both public and private sectors, the creation of effective platforms for collaboration, and the integration of cybersecurity into the national security strategy. These initiatives demonstrate a deep understanding of the critical role of cybersecurity in national security, governance, and infrastructure development with a focus on resilience and international cooperation. Regarding European Union affairs, the Governmental Program Declaration aligns closely with the Coalition Treaty, maintaining a commitment to a democratic and open European Union. It emphasizes active participation in EU policy-making, strategic utilization of EU funds, and advocacy for effective EU border protection and a balanced migration policy. This alignment signifies a continued proactive and strategic engagement with the EU. On international migration, the Governmental Program Declaration echoes the Coalition Treaty's focus on security, legality, and effective management of migration flows. It places a greater emphasis on the legal framework for the residence of foreigners and the digitalization of residence procedures, reflecting a comprehensive approach to migration policy that balances border security and migration control with the integration and support of legal migrants. In terms of NATO relations, the Declaration reiterates the Czech Republic's commitment to fulfilling its financial obligations, enhancing defense capabilities, and actively participating in NATO's strategic initiatives. This commitment underscores the importance of NATO in ensuring national and collective security and aligns with EU policies in the context of collective defense. Lastly, the Governmental Program Declaration's approach to hybrid threats is comprehensive and multifaceted, involving building resilience, enhancing defense and security capabilities, international collaboration, investment in technology and intelligence, public awareness, and a strong legislative and policy framework. This approach indicates a nuanced understanding of the complex nature of hybrid threats and the necessity for a coordinated and proactive response, with a particular emphasis on the digital aspect of these threats, including cybersecurity and information space defense.²²

²¹ Koaliční smlouva [Coalition Treaty] uzavřená mezi Občanskou demokratickou stranou, stranou KDU-ČSL, stranou TOP 09 (koalice SPOLU), Českou pirátskou stranou a hnutím STAROSTOVÉ A NEZÁVISLÍ (koalice Piráti a Starostové), pp. 14-43.

²² Programové prohlášení vlády [Governmental Program Declaration], pp. 25-31.

Conclusion

Czech political parties generally conceptualized security before the 2021 elections to the Chamber of Deputies due to the general understanding that the quantity and quality of threats to the Czech Republic increased dramatically. Illegal migration was seen as one of the most important issues. Specific areas of interest for the future were cyber-security, energy security, food security and migration prevention. As for the implementation, the parties did not offer much detail and kept their proposals quite general, with several similar steps offered, such as increased EU external border protection.

The most important topics and implementation steps outlined in the political manifestos of the parties that formed the ruling coalition led by P. Fiala (SPOLU and PirStan) were used in the Coalition Treaty of the two subjects, specifically in the areas of energy security, cybersecurity, EU and NATO affairs, international migration, and hybrid threats. The Coalition Treaty then created the base for the Governmental Program Declaration in the abovementioned areas.

We can also note the changes in the opinions of the leadership of the Government of the Czech Republic. The Politicians that were at the helm before 2021 were more inclined to the Russian Federation (such as former President Milos Zeman, and former Prime Minister Andrej Babis). The main theme of the elections was mainly about the future of the Czech Republic and the position towards Russia and China. Thus the main topic was if the Czech Republic was going to lean towards the West or East. However, Andrej Babis who is the chairman of the political party ANO 2011 is mainly a populist which means, that the party often changes attitudes and positions according to the public polls or the general attitudes of the general public. The preelection theme (duel between West and East) resulted in updating and publishing a new Security Strategy and the main theme prevailed which is the position of the Russian Federation and defining it as a main source of threat to peace, stability, prosperity and democracy.

As for future parts of the research, one could focus on the changes in structures of manifestos in general, on language and metaphors used, as well as on other forms of campaign materials (such as books written by politicians showing their ideas for the future or reflecting the past).

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CURRENT CHALLENGES WITHIN THE EU AND SLOVAK SMART ENERGY CONCEPT ISSUE¹

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Abstract: The Agenda 2030 and Industry 4.0 synergy can contribute to achieving sustainable development goals related to resource efficiency, clean energy, sustainable production, and responsible consumption. The main goal of the paper is to analyze the development and implementation of new technologies within the Agenda 2030 concept regarding the energy policy of EU and Slovak Republic and current trends in energy sector and current trends in the industrial policy of Slovak Republic in terms of digitization, automation and robotics in terms of Slovak smart industry and energy concept. Smart technologies are to be used in energy sector to achieve clean, safe and sustainable energy. Electronic control of energy consumption, remote switching on and off appliances as innovations tools saving a great deal of energy make us move forward towards renewable and sustainable energy sources to take the most of low energy consumption and greening of production synergy processes.

Keywords: Industry 4.0, Agenda 2030, sustainable development, artificial intelligence, internet of things, digital technologies

JEL: F63, O33, O52

Introduction

The paper deals with the application excursus of Industry 4.0 versus European Union sustainable development issues, analysis of the impact of the Agenda 2030 concept on selected EU economic policies and the subsequent possibilities of changes implication within the impact of Agenda 2030 concept on selected economic policies in Slovak Republic. The main goal of the paper is to determine the impacts of Industry 4.0 and Agenda 2030 concepts synergies on the development of EU and Slovak Republic socio-economic complexes. The particular attention is to be paid on issues such as energy policy, innovation policy along with their environmental background assessment impacts. The paper will analyze the symbiosis of Industry 4.0 with energy, industrial and innovation policies in EU and Slovak economies in the context of the consequences of their application within Slovak energy industry. In addition, the direction of socio-economic transformation, illustrating the impact on the primary employment sectors of Slovak economy in the parallels within the functioning of European Union economic policies are to be observed. The individual parts are devoted to the analysis of the development and implementation of new technologies within the Agenda 2030 concept regarding the energy policy of EU and Slovak Republic and current trends in energy sector and current trends in the industrial policy of Slovak Republic in terms of digitization, automation and robotics in the conditions of Slovak smart industry and energy concept. Finally, the paper analyses the synergy of current trends within the Innovation Policy of EU and Slovak Republic in the framework of the Agenda 2030 impacts on EU and Slovak energy sectors, especially in the field of the energy

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policy of Slovak Republic regarding the aspects of artificial intelligence, drones, Internet of things, construction of buildings and transport.

1 Theoretical background - Agenda 2030 versus Industry 4.0 comparative analysis

Regarding the key Principles of Agenda 2030, several aspects could be illustrated. Firstly, there are people. The agenda aims to end poverty and hunger, achieve gender equality, and ensure that all people have access to quality education, healthcare, and decent work. Planet emphasizes protecting the environment, tackling climate change, and promoting sustainable use of natural resources. Prosperity promotes inclusive and sustainable economic growth, decent work for all, and reducing inequalities within and among countries. Peace emphasizes building peaceful and inclusive societies, promoting access to justice, and strengthening institutions. Finally, partnership recognizes the importance of global partnerships and cooperation to achieve the ambitious goals of the agenda. Agenda 2030 is a transformative plan that calls for action from all stakeholders – governments, businesses, civil society, and individuals – to create a more sustainable and equitable world for all. It is a universal agenda, recognizing that developed and developing countries alike face challenges and have a role to play in achieving sustainable development. Agenda 2030 is a comprehensive plan for achieving sustainable development, addressing a wide range of issues such as poverty, inequality, climate change, and peace. It outlines 17 Sustainable Development Goals (SDGs) that serve as a blueprint for action by governments, businesses, and civil society.²

Industry 4.0, also known as the Fourth Industrial Revolution, represents the ongoing transformation of manufacturing and industrial processes through digitalization, automation, and interconnected technologies. It encompasses advancements in artificial intelligence, robotics, Internet of Things, and data analytics. Agenda 2030 and Industry 4.0 are two significant frameworks shaping the future of global development and industrial transformation. While they have distinct focuses, they also share complementary aspects that can contribute to a more sustainable and inclusive world.

Comparing the Agenda 2030 and Industry 4.0 objectives, Agenda 2030 focuses on achieving sustainable development, ensuring a better future for people and the planet. It emphasizes social, economic, and environmental well-being, addressing challenges like poverty, hunger, inequality, climate change, and environmental degradation. Industry 4.0 aims to enhance industrial productivity, efficiency, and innovation through technological advancements. It focuses on optimizing manufacturing processes, supply chains, and product development, leading to economic growth and competitiveness. Comparing their impacts, Agenda 2030 seeks to create a more equitable and sustainable world, addressing global challenges and improving the lives of people across all nations. It promotes inclusive development, environmental protection, and peaceful societies. Industry 4.0 has the potential to transform industries, creating new jobs, improving product quality, and reducing environmental impact through resource optimization. However, it also raises concerns about job displacement and potential widening of the digital divide. Complementary aspects show that despite their different focuses, Agenda 2030 and Industry 4.0 can complement each other in achieving sustainable development. Sustainable Industry 4.0 highlights the Industry 4.0 technologies can contribute to achieving SDGs related to resource efficiency, clean energy, sustainable production, and responsible consumption. On the other hand, Inclusive Development points out the Agenda 2030's emphasis on inclusive development can guide

² CLAEYS, G. - TAGLIAPIETRA, S. - ZACHMANN, G. (2019): How to make the European Green, p. 18; EUR-LEX (2019): Communication from the commission - The European Green Deal; RODIĆ, B. (2017): Industry 4.0 and the New Simulation Modelling Paradigm, p. 198.

Industry 4.0's implementation to ensure that its benefits reach all segments of society and reduce inequalities. To put it in nutshell, Agenda 2030 and Industry 4.0 represent two important frameworks shaping the future. While they have distinct objectives, they also share complementary aspects that can contribute to a more sustainable, equitable, and technologically advanced world.³

2 The Slovak Fourth Industrial Revolution in terms of Agenda 2030

Even Slovak Republic has not escaped the changes related to the development of Industry 4.0, each country that wants to move forward and develop economically must adapt to this situation. However, it is not only the task of enterprises to adapt their equipment and production to Industry 4.0, but also of the country's government to prepare a suitable environment for such business. Training in specific areas should be provided, as well as cooperation with practice. The so-called "The Network Readiness Index", an index of the quality of digital and information environment, has been created to reflect the readiness of a country for Agenda 2030-related changes. Slovakia needs to create the conditions for a gradual digital transformation in all sectors of the economy and society. In particular, this is the transformation of current industry to Industry 4.0 and Agenda 2030 elements, by which there are understood issues such as the digitization and the related automation of production and data exchange in production processes, business and collaborative models of cooperation and the associated changes in the processes of public administration and society.⁴ Effective use of new digital technologies, which can significantly contribute to the efficiency and competitiveness of Slovak economy, will be crucial; it is necessary to create preconditions for the emergence of new business models based on current digital trends.

The Fourth Industrial Revolution within the Agenda 2030 issue is changing the current shape of Slovak industry. The priority of the industry is becoming the implementation of automation and digital production, the digitization of control systems and the use of communication networks to ensure interoperability and flexibility of business processes. The vision of smart industry is also about the efficient use of scarce resources and raw materials. Changes in the interconnection of customer, manufacturer, supplier, and sales channels will represent a simplification and an even stronger interconnection of the entire chain. Human labor will be transformed into creative activity, with physically demanding routine work being delegated to machines and systems, and more dignified working conditions for employees.⁵ In order to streamline existing industrial initiatives, to help capitalize on existing knowledge and strengths, the Ministry of Economy's deal of "Innovative Slovakia" campaign presents a multi-layered concept of Smart Industry for Slovakia. This concept represents the vertical, horizontal and digital integration of Slovak industry along with the support of business, legal and social capacities for long-term sustainability. The concept seeks to take into account technological trends, rapid industrial globalization, changes in the industrial structure and new consumer demands. It aims to emphasize the need for better adaptation; human resources through new business models, new technologies and new modes of industrial production.⁶

³ De PROPRIS, L. - BELLANDI, M. (2021): Regions beyond Industry 4.0, p. 1612.; ENVIROPORTAL. (2017): Koncepcia inteligentného priemyslu pre Slovensko.; EUROACTIV.(2018): Aké má byť Slovensko v roku 2030?

⁴ MÜLLER, J., - KIEL, D. (2018): What drives the implementation of industry 4.0? The role of opportunities and challenges in the context of sustainability, p. 13; MURA, L. et al. (2020): Unemployment and GDP Relationship Analysis in the Visegrad Four Countries, p. 122.

⁵ AHMAD N, - SEMAN N. A. A. (2019): Industry 4.0 implications on human capital: A review, p. 231; BILAN, Y. et al. (2019). The influence of Industry 4.0 on financial services: determinants of alternative finance development, p. 84.

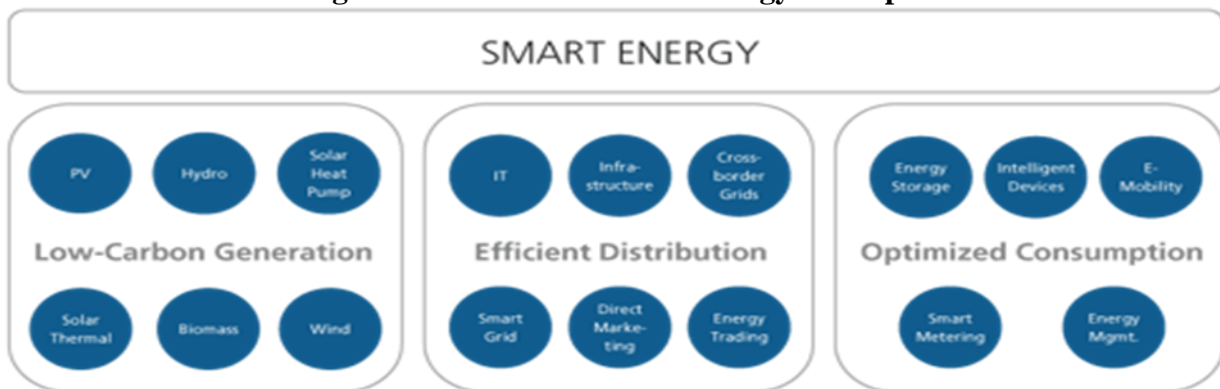
⁶ HÝŽOVÁ, S., - MAYEROVÁ, K., - VYHNIČKA, J. (2019): Požiadavky na vzdelanie a kvalifikáciu ľudí v priemysle 4.0, p. 156.

3 EU and Slovak smart energy within the Agenda 2030 concept

The backbone of smart energy concept is the use of information and communication technologies in energy sector, taking advantage of smart metering systems, digital control, and the high-tech information systems to prepare the electricity system for changes related to modern trends and challenges. The latest challenges are linked to meeting the targets set by European Union in energy sector, but also to meeting the challenges of climate change on the planet. The commitment agreed in Paris in the framework of the United Nations Climate Change Conference COP 21 obliges the Slovak economy to significantly reduce greenhouse gas emissions, up to 80% of which are produced by an energy process.⁷ To achieve the proposed targets, in particular by increasing the share of renewables in resource base and by stepping up efforts to save energy through energy efficiency measures, will not be possible without technological and operational changes within the electricity system. Therefore, the concept of deploying smart technologies in energy sector is so crucial and significant.

Smart energy combines the need for a conceptual solution for the integration of smart technologies on the production side and also on the consumption side. As illustrated in Figure 1, it is based on the conceptual solution of creating smart grids in Slovakia as a supporting technical solution for electricity system development, which will enable the integration of smart concepts on the production side (e.g. connecting renewable energy sources and other low-carbon energy sources), but also on the consumption side by more significant involvement of the consumer in energy market system (e.g. smart homes, smart technologies for consumers, mechanisms for controlling the consumption side, smart buildings), as well as the implementation of electromobility.⁸ The description makes clear the requirement to develop more concepts, which is linked to the fundamental requirement to involve the consumer in energy market so that they can adapt their behavior in order to reduce their energy expenditure by shifting their consumption to lower tariff bands.

Figure 1: The Slovak Smart Energy Concept



Source: MIRRI SR. (2019): Strategy of the Digital Transformation of Slovakia 2030.

Some partial smart energy concepts already exist in Slovakia (e-mobility, smart cities), others need to be created (smart grids, smart homes, smart buildings), but the most important thing is the interconnection and intercommunication of these concepts as a whole so that they can be called smart energy. The aim of the smart energy concept is to create a first impetus for the involvement of smart technologies within the energy sector at national level, with the participation of public sphere, scientific community, and professional and private sectors. The smart energy issue is one of the EU Energy Union priorities and Slovakia is lagging far behind. The concept of support, including the platform creation, analytical basis, and the identification

⁷ BOTHA, A.P. (2019): Innovating for market adoption in the fourth industrial revolution, p. 191.

⁸ SMART ENERGY FORUM (2021).

of financial support opportunities for priority topics, will help to integrate existing and emerging smart solutions and help Slovakia to fill in the gap with the rest of the EU within the energy sector. It will also enable Slovakia to participate in the Integrated Strategic Energy Technology Plan implementation, to improve participation in Horizon 2020 and EU Green Deal projects and prepare Slovakia for the application of legislative measures regarding the smart technologies deployment in energy sector. We have to keep in mind that the Energy Union will only be possible through making Slovak energy systems smarter. This applies to Slovak industry, homes, transport, working environment and the cities in which we live. Smart facilitating technologies and innovation, as expected in the integrated Smart Energy Technology Plan, will be a major focus of the upcoming EU Energy Union Research, Innovation and Competitiveness Strategy.⁹

The energy policy of Slovak Republic (EPSR) is focused on a secure and reliable supply of energy at a fair price and with the aim of consumer protection and sustainable development. The EPSR also includes science, research and innovation. The aim of the EPSR is also to contribute to the sustainable growth of national economy by ensuring a long-term sustainable Slovak energy sector. From this perspective, the priority is to ensure the reliability and stability of energy supply, efficient use of energy at optimal costs and ensuring environmental protection. The implementation of the EPSR will consolidate a well-functioning energy market with a competitive environment. The role of energy policy is to create a stable framework for the secure functioning of energy market that encourages investment in energy sector. EPSR was originally based on four pillars:¹⁰

- energy security
- energy efficiency
- competitiveness
- sustainable energy.

In 2014, the modified EPSR was approved by the Government of Slovak Republic. This policy set targets to be met in the timeframe up to 2035. The strategic objective of the new EPSR is to achieve a competitive low-carbon energy sector ensuring secure reliable and efficient supply of all forms of energy at affordable prices, taking into account consumer protection and sustainable development. This plan updates existing energy policies and extends them to decarbonization. In 2019, the Ministry of Economy of Slovak Republic issued the *Integrated National and Climate Plan 2021-2030*, which expands the original EPSR with additional priorities:¹¹

- optimal energy mix,
- increasing security of energy supply,
- development of energy infrastructure,
- diversification of energy sources and transport routes,
- maximum use of transmission networks and transit systems crossing the Slovak territory,
- applying the energy efficiency primacy principle,
- reducing energy intensity,
- a functioning energy market with a competitive environment,
- quality of energy supply at affordable prices,
- protection of vulnerable customers,
- tackling energy poverty,

⁹ ENERGIE PORTAL (2020): Do energetiky má ísť z Plánu obnovy výrazne menej peňazí, ako sa plánovalo.

¹⁰ ASB (2020): Energetická politika Slovenska sa mení.

¹¹ MINISTRY OF ECONOMY OF SLOVAK REPUBLIC (2020): Integrovaný národný energetický a klimatický plán na roky 2021-2027.

- an adequate export promotion balance in electricity sector,
- promotion of high-efficiency cogeneration,
- promoting the use of efficient central heating supply systems,
- promoting the use of renewable energy sources for electricity, hydrogen, heat and cooling,
- the use of nuclear energy as a low-carbon source of electricity,
- improving the safety and reliability of nuclear power plants.

The main quantified energy and climate targets for 2030 are to achieve an EU-wide reduction in greenhouse gas emissions of at least 40 % compared to 1990 (individual Member States have set shares according to local conditions), the binding target at Union level is to achieve a share of renewable energy sources (RES) in gross final energy consumption of at least 32 %, with a share of RES in transport of at least 14 % in each Member State, a national energy efficiency contribution of at least 32,5 % and an electricity interconnection of at least 15 %. On basis of this evidence base, the new Slovak energy policy recommends changes in energy supply technologies and practices in Slovakia with a view to future generations. The main quantified targets within Slovak Republic by 2030 are a reduction of greenhouse gas emissions for non-emission trade sectors (non-ETS) by 20 % (the share has been increased from the initially declared level of 12 %). The use of RES in final energy consumption is set at 19.2 % in 2030, with a required target of 14 % RES in transport. The elaborated measures for achieving the national energy efficiency contribution of Slovakia show values slightly lower (30.3 %) than the European target of 32.5 %. The industrial and buildings sectors will be key to achieving the targets. Electricity grid interconnection is already above 50 % and will remain so in 2030, so the target of at least 15 % will be met.¹² These targets are shown in Table 1.

Table 1: Comparison of EU and Slovak energy targets

<i>Goals of EU and SR</i>	<i>EU 2030</i>	<i>SR 2030</i>
Greenhouse gas emissions	-40 %	N/A
Emissions in the emissions trading sector	-43 %	N/A
Greenhouse gas emissions in other sectors	-30 %	-20 %
Share of renewable energy sources	32 %	19,20 %
Share of renewables in transport	14 %	14 %
Energy efficiency	32,50 %	30,30 %
Interconnection of electrical systems	15 %	52 %

Source: own elaboration by MINISTRY OF ECONOMY OF SLOVAK REPUBLIC: (2021).
Akčný plán inteligentného priemyslu SR.

Agenda 2030 brings new trends to all spheres and therefore also to the energy sector. Agenda 2030 is increasingly manifesting itself in the energy sector, which can be seen in the implementation of new elements in the energy sector. The first trend is *smart metering systems* that are able to measure energy consumption accurately. Another trend is related to environmental protection and the current climate crisis. As it has been already mentioned, the European Union aims to use a proportion of energy from renewable sources, which is also becoming a current trend. Security is also important, as energy is a sector where high security of use is essential. *Artificial intelligence* is increasingly being used in the energy sector, not only in the production of energy, but also in its maintenance, where so-called predictive maintenance is being used to warn in advance of possible future faults and errors, which saves

¹² MINISTRY OF ECONOMY OF SLOVAK REPUBLIC (2021): Akčný plán inteligentného priemyslu SR; DIGITÁLNA KOALÍCIA (2021): Stratégia digitálnej transformácie Slovenska 2030.

costs considerably.¹³ Artificial intelligence is used to automate energy production and optimize energy consumption. This also is to be beneficial for consumers, as energy costs should be reduced. Intelligent integration of renewables, energy efficiency and other sustainable solutions in different sectors will help achieve decarbonization at the lowest possible cost. The rapid decline in the cost of renewables, combined with improved support policies, has already reduced the impact of renewable deployment on household energy bills.

Another Agenda 2030 trend that can be exploited in energy sector are *drones*. Drones can be used, for example, for inspections and inspections of facilities as well as for inspections after accidents or natural disasters. During inspections of power lines, they help to detect vegetation overhangs, check the condition and sags of conductors, and when inspecting poles and substations, the condition of insulators, clamps, coatings, or earthing.¹⁴ By using drones wind farm operators can check the condition of blades, gearboxes or tower integrity. For photovoltaic power plants, drones can be used to detect, for example, faults or overheating of photovoltaic segments.

An important element of Agenda 2030 in energy sector is the *Internet of Things*, which enables the interconnection of different networks and devices. This makes it possible to receive or send information, and it can also be used in everyday life in the form of smoke sensors, motion monitors, energy consumption meters, etc. Their acquisition cost is low, and this way of transmitting information is efficient and secure. The Internet of Things can also be used in the management of intelligent buildings and homes in the form of remote control. Various systems can be controlled remotely, for example, switching appliances or heat sources on and off depending on the temperature in the room, its occupancy and so on. *Digital technologies* are a key factor in achieving these goals. Artificial intelligence, the cloud, the 5G network, the Internet of Things and so on could be deployed more quickly, thereby maximizing the impact of measures to reverse the climate crisis.¹⁵ Digitalization could be instrumental in monitoring air and water pollution or optimizing the use of energy and natural resources.

New energy trends are not only about energy use by itself, but also need to be incorporated into the *construction of buildings*. According to the requirement for energy efficiency and heat retention, buildings and their heating, cooling, lighting, and ventilation must be designed and constructed in a way taking into account their occupants and climatic conditions, they require low energy consumption when in use. Buildings must also be energy-efficient during construction and demolition. A large volume of energy and mineral resources is consumed in the construction and renovation of buildings; of the total, up to 40 % of the energy consumed. In Slovakia the annual renewal rate of building stock ranges from 0.4 % to 1.2 %.¹⁶ However, to achieve the new targets, this figure will have to be at least doubled. The renovation of public and private buildings could also increase energy efficiency. The renovation of buildings can reduce energy bills and boost the construction sector.

Transport also produces a large number of emissions. The EU should also increase the production and deployment of sustainable alternative transport fuels. By 2025, there will be needed around 1 million public charging and refueling stations for 13 million zero- and low-emission vehicles being expected on roads in EU. The Commission will support the construction of public charging and refueling stations where there is still a significant shortage, i.e., in particular in long-distance transport and in less densely populated areas and will launch a new call for funding as soon as possible to support this construction. Slovakia's energy and

¹³ EUROPEAN COMMISSION (2022): Slovakia in the Digital Economy and Society Index; SVAZAS, M. et al. (2022): The Features of the Shadow Economy Impact on Biomass Energy Sector, p. 9.

¹⁴ SFÉRA (2018): Digitálne trendy v energetike.

¹⁵ KNAPČIKOVÁ, L. - BALOG, M. (2019): Industry 4.0: Trends in Management of Intelligent Manufacturing Systems, p. 128.

¹⁶ EUROLINE SLOVAKIA (2021): Energetická hospodárnosť budov.

climate plan for decarbonization revolves almost entirely around the heating sector, with renewables being relegated to the back burner. It is Slovakia that has the greatest difficulty in achieving the planned share of renewable energy sources. It is also important to realize that, for example, transport, whose decarbonization relies heavily on battery or hydrogen electromobility, necessarily needs electricity generated from renewable sources.¹⁷

Conclusion

Based on the findings, we have arrived in conclusion that the energy policy in recent years has focused mainly on "green energy," i.e., renewable sources of clean energy. It is about precisely the new technologies that are beginning to be used in energy sector that could help us to meet this objective and thus achieve clean, safe, and sustainable energy. Artificial intelligence can help us with predictive maintenance, it can prevent accidents or give us early warning of possible faults. It is therefore important to develop new technologies and push the boundaries of energy provision through them. To put it in nutshell, electronic control of energy consumption, remote switching on and off appliances as innovations tools saving a great deal of energy make us move forward towards renewable and sustainable energy sources to take the most of low energy consumption and greening of production synergy processes. By and large, the synergy of smart energy concept regarding the information and communication technologies usage in energy sector, taking advantage of smart metering systems, digital control, and high-tech information systems is the way to adapt the electricity system for changes related to Green Deal issue. The latest challenges are linked to meeting the targets set by European Union in energy sector, but also to meeting the challenges of climate change as well as the Agenda 2030 objectives.

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¹⁷ SLOVAK ELECTRIC VEHICLE ASSOCIATION (2022); INNOVATE SLOVAKIA (2020): Empowering the Slovak innovation and startup scene - Success stories.

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CHALLENGES POSED BY CULTURAL DIVERSITY IN THE WTO: USING THE EXAMPLE OF CHINA AND ITS APPROACH TO PROTECTING INTELLECTUAL PROPERTY RIGHTS

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Abstract: The aim of this paper is to provide a clear cross-section of the issues related to China's approach to intellectual property rights (IPR) protection, based on the implementation of scientific methods such as research, analysis, induction and deduction, in the context of its relations with WTO Member States and how the cultural aspect can influence a state's approach to an issue such as IPR protection. The paper concludes with an overview of the possible negative consequences for China for not respecting IPRs.

Keywords: intellectual property rights, WTO, China, cultural diversity

JEL: O34, F13

Introduction

The concept of cultural diversity has become one of the popular expressions in international politics and law-making. It is increasingly used in a variety of contexts, sometimes simultaneously as a concept akin to "biodiversity"¹, sometimes as a correlate of "cultural exception" and most often as a general term used to counter the perceived negative effects of economic globalization. Although no one has yet provided a precise definition of what cultural diversity is², we can observe the emergence of the concept of cultural diversity, which encompasses a specific set of policy goals and decisions at the global level. These decisions are not limited, as one might expect, to cultural policy making, but permeate multiple areas of governance, and this is because of the complex linkages that are integral to the simultaneous pursuit of economic and other societal goals that cultural diversity encompasses and influences³. Intellectual property rights (IPR) are essential to protect and promote innovation. From an individual perspective, IPRs ensure that creators or those who have invested in the creation of goods receive the recognition and reward they deserve. From a societal perspective, these rights promote innovation and growth. Guaranteed protection and a single right provide greater incentive to develop new products, which in turn contributes to a more advanced economy. The OECD has ascertained that "a stronger level of patent protection is positively and significantly associated with the inflow of high-tech products and research and development spending."⁴ Intellectual property also serves as one of many indicators to measure a country's growth. For example, the World Intellectual Property Organization (WIPO) assesses the innovation of countries by comparing the number of patents filed in their respective countries.⁵ Intellectual property is essentially the foundation of a state's progress. Without uniform laws that effectively protect these intangible rights, societies inevitably suffer from

¹ Article 1 of the UNESCO Declaration of Cultural Diversity (2001) states that, "... [a]s a source of exchange, innovation and creativity, cultural diversity is as necessary for humankind as biodiversity is for nature".

² BURRI, M. (2010): Cultural Diversity as a Concept of Global Law: Origins, Evolution and Prospects, p. 1060.

³ Ibid.

⁴ PARK, W. G. - LIPPOLDT, D. (2008): Technology Transfer and the Economic Implications of the Strengthening of Intellectual Property Rights in Developing Countries, p. 5.

⁵ World Intellectual Property Indicators (2022): World Intellectual Property Organization.

suboptimal innovation. By implementing scientific methods, the present paper aims to provide a clear cross-section of the issues concerning China's approach to IPR protection in the context of its relations with WTO member states and how cultural determinants can influence a state's approach even to a topic such as IPR protection.

1 On intellectual property

A significant part of the commodity structure of international trade consists of sophisticated production, in the production of which large financial and personal resources (inventions, innovations, research, design) have been invested, which must be protected from misuse and copying.⁶ The World Trade Organisation (WTO) Agreement on 'Trade-Related Aspects of Intellectual Property Rights' (TRIPS) defines intellectual property rights (IPRs) as '*... rights granted to persons over the creations of their minds*'.⁷ It goes on to describe as a key function of IPRs that "*... usually grant the creator an exclusive right over the use of his creation for a specified period of time*"⁸.

However, the scope of protection and enforceability of IPRs varies from country to country. In order to protect their existing and future investments, WTO Members have agreed on the need to ensure at least a minimum level of protection of these rights through the Agreement on Trade-Related Aspects of Intellectual Property Rights - TRIPS, which entered into force on 01 January 1995.⁹ The TRIPS Agreement is so far the only multilateral trade agreement dealing exclusively with intellectual property rights. It presents 3 topics - *international standards, enforcement of intellectual property rights and dispute settlement*. The TRIPS Agreement is based on the following international conventions and agreements:¹⁰

- Rome Convention (1961) - performers, sound recording producers, radio and television stations;
- Paris Convention (1967) - patents, industrial designs;
- Bern Convention (1971) - copyright;
- Washington Agreement (1989) - integrated circuits.

The TRIPS Agreement covers seven main categories of intellectual property: *copyright and related rights; trademarks; geographical indications; industrial designs; patents; topographies of semiconductor products and undisclosed information*. The WTO cooperates in the field of intellectual rights mainly with the World Intellectual Property Organisation (WIPO) and the World Health Organisation (WHO), but also with other organisations.¹¹ The main societal objective of protecting copyright and related rights is to encourage and reward creative work.

2 Methodology

The aim of this paper is to provide a clear overview of the issues related to China's approach to IPR protection in the context of its relations with WTO Member States and how cultural determinants can influence a state's approach to an issue such as IPR protection, based on the application of scientific methods such as search, analysis, induction, and deduction. Such an overview can help the reader to understand the nature of the problem in a coherent way and bring into focus the state of the art of the issue under study in scientific spheres. It is important to consider the problem of China's approach to IPR protection from a theoretical as well as a

⁶ Ministry of Economy of the Slovak Republic.

⁷ World Trade Organization.

⁸ Ibid.

⁹ Ministry of Economy of the Slovak Republic.

¹⁰ Ibid.

¹¹ Ibid.

practical point of view. For this reason, based on a review of the academic literature, this paper also attempts to provide an overview of the possible negative consequences for China for not respecting intellectual property rights. In terms of methodology, the paper is primarily based on a search and subsequent analysis of the literature of leading scholars and experts in the fields of law, international relations, and intercultural relations.

3 Intellectual property rights protection: a look at China

Intellectual property rights have had a place in China for centuries but were not given serious legal attention until the mid-1980s. The People's Republic of China, with its complex and extensive bureaucracy aimed at protecting both foreign and domestic intellectual property, is on paper very similar to the West. However, intellectual property infringement in China is still common and in many respects normalised. Modern IPR regulation in China dates back to the 1980s, when China joined the World Intellectual Property Rights Organization (WIPO). Early domestic legislation included the Trademark Law in 1982, the Patent Law in 1984, and the Copyright Law in 1990.¹² China became a member of the WTO in 2001. This made TRIPS a relevant international framework influencing the regulation of intellectual property rights in China¹³ beyond the Berne Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property and the Madrid Agreement Concerning the International Registration of Trademarks, which it acceded to in the 1980s. Existing intellectual property legislation has been amended accordingly.¹⁴ However, the enforcement of IPR regulation has often been criticised as relatively weak, for example compared to territories historically close to it, such as Hong Kong or Singapore¹⁵ - a view reflected in assessments of IP producers within China and in recent years. Scholars attribute differences in the application of IPR protection, i.e., differences that can be traced to differences in enforcement and compliance, to multiple, partially interrelated sources that emphasize economic, cultural, political, and institutional approaches to varying degrees.

4 Factors influencing the application of IPR protection in China

Increasingly, scholars are recognizing the importance of considering a country's IPR regime and enforcement as highly contextualized in time and space. There is no doubt that theoretical considerations, such as incentive theory in particular, have strongly influenced the regulation of intellectual property rights in many countries (e.g., the United States).¹⁶ However, the underlying considerations are essentially decontextualised. Nevertheless, contextual factors such as culture or politics appear to play an extremely crucial role for the manner in which a given IPR regulation is implemented, i.e. enforced and complied with.¹⁷ In general, it has been argued and found that a country's level of economic development is related to the stringency of IPR protection that a country favours and enforces¹⁸ and the balance seems to be more favourable for more advanced economies as they tend to have more firms that rely on (highly) innovative rather than predominantly imitative business activities and tend to be more active exporters of knowledge-intensive products and services. As a result, and in accord with China's

¹² MUEHLFELD, K. - WANG, M. (2022): Intellectual Property Rights in China, p. 3.

¹³ YU, PETER K. (2014): The First Decade of TRIPS in China, p. 2.

¹⁴ MANDEL, G. et al (2020): Debunking Intellectual Property Myths: Cross-Cultural Experiments on Perceptions of Property, p. 112.

¹⁵ PENG, M. W. (2013): An institution-based view of IPR protection, p. 136.

¹⁶ MANDEL, G. (2014): The public perception of intellectual property, p. 269.

¹⁷ KSHETRI, N. (2009): Institutionalization of intellectual property rights in China. *European Management*, p. 155.

¹⁸ MARRON, D. B. - STEEL, D. G. (2000): Which countries protect intellectual property? The case of software piracy, p. 160.

increasing degree of economic development, it is argued that latest developments in China reflect advances in terms of transforming a principally imitation-oriented economy into an innovation-oriented economy.¹⁹ The development of Chinese IPR regulation can therefore be seen as a typical path in this regard, although compliance in particular appears to be lagging behind.

Thus, researchers stress the importance of the characteristics of a country's culture. In the case of China, the prevalent view is that the absence of respect for intellectual property rights has deep cultural roots in its religious practice of Confucianism.²⁰ In particular, scholars point to culturally rooted conceptions of *creativity* and to normative assessments of *imitation* that depend on culture. Henningsen²¹ argues, for example, that Chinese ideas about what constitutes a creative (authentic) work in art, literature, and not just everyday life have traditionally been broader and more inclusive, while analogous ideas in most Western countries tend to be narrower and decontextualized. For example, to the extent that judging a work as creative presupposes that it is unique - which is typical of current ideas in most Western societies. This judgment entails the need "to close one's eyes to the traces of the work's predecessors, to the models on which the work is based, and to the traditions into which the artist was born."²² As a result, some scholars have put forward the notion of *adaptive creativity*, which emphasizes the refinement and recycling of ideas, to capture more complex conceptions of creativity.²³ With respect to the normative assessment of imitation, scholars have proposed that a more culturally positive view prevails in contemporary China than in several other countries. For example, Henningsen described the significant feature that imitation has traditionally played in the Chinese educational system - an element that is likely to be supported by the logographic technique of the Chinese written language.²⁴ The author moves on to argue that even in the fields of art and philosophy, imitation and learning tend to be understood as inextricably linked processes, with 'linmo' representing a specific technique in which artists develop their skills by explicitly copying existing (master) works. The recognition of 'shanzhai', which is a term for counterfeits, imitations or fakes of products, is a modern manifestation of the traditional culture of imitation.²⁵ "Shanzhai" literally means "mountain fortress" or "mountain village" and refers to groups of bandits who resisted and evaded control of the imperial government and hoarded contraband in their mostly remote mountain fortresses²⁶. Indeed, empirical evidence appears to promote the idea that cultures that view the individual as more closely and fully embedded in ongoing and past social contexts—such as collectivist cultures versus individualistic cultures—are less likely to resist imitative practices that may be contrary to modern intellectual property rules.

For example, in an empirical study of 53 countries, Marron and Steel²⁷ found that countries with more collectivistic cultures tended to have higher software piracy rates than countries with more individualistic cultures, even when a country's level of economic development was taken into account. However, researchers have also pointed out that IPR protection varies significantly in countries that are likely to be similar in terms of cultural roots

¹⁹ MUEHLFELD, K. - WANG, M. (2022): Intellectual Property Rights in China, p. 4.

²⁰ Ibid.

²¹ HENNINGSEN, L. (2010): Copyright Matters: Imitation, Creativity and Authenticity in Contemporary Chinese Literature, pp. 19-20.

²² Ibid.

²³ MUEHLFELD, K. - WANG, M. (2022): Intellectual Property Rights in China, p. 4.

²⁴ HENNINGSEN, L. (2010): Copyright Matters: Imitation, Creativity and Authenticity in Contemporary Chinese Literature, p. 42.

²⁵ PAGE, L. (2019): Goodbye, shanzhai: intellectual property rights and the end of copycat China, p. 187.

²⁶ Ibid.

²⁷ MARRON, D. B. - STEEL, D. G. (2000): Which countries protect intellectual property? The case of software piracy, pp. 159-174.

and conceptions of creativity and imitation (e.g., China, Hong Kong, Singapore).²⁸ Historically, it seems likely that changes in national regulation and implementation of IPRs have typically occurred more frequently and over a shorter time frame than the evolution of underlying cultural dimensions.²⁹ Overall, it is unlikely that culture alone can explain differences in the implementation of intellectual property rights across countries. Scholars understand culture as an informal part of an overarching institutional framework and have lately presented an institutional viewpoint on the implementation of intellectual property rights and their evolution over time across countries. Central to this perspective is the emphasis on the incentive structure of IPR institutions as practices of the game (covering both regulations and enforcement), as well as the identification of three theoretical mechanisms that explain IPR compliance and IPR-related attitudes in a given country a specific point in time, namely: path dependence, longitudinal processes and institutional transitions.³⁰ According to the author, path dependence means that past conditions (e.g. weak IPR protection regime) influence actors' behaviour in the present, even if the conditions themselves have changed (e.g. stricter legal framework for IPR protection).³¹ Consistent with established conceptualisations of institutional hierarchies, the notion of long-term processes recognises that institutional change can be driven by institutional isomorphism and, especially when it involves not only formal (e.g. specific laws) but also informal institutions (e.g. normative judgments about the value of IP), can extend over long periods of time before a significant change in actors' behaviour is visible.

5 Public Perception of Intellectual Property Rights in China

To begin, we offer a preliminary systematization of the different types of behaviours that are relevant for assessing public perceptions of IPRs in China and that are included in the reviewed studies. Imitation is often conceptualized in contrast to authenticity, originality, uniqueness, or genuineness.³² When used in this sense, it represents a kind of umbrella term that encompasses a wide range of specific behaviours that may or may not be in violation of IPR regulation (e.g., copying products without trademark infringement). However, some of these manifestations are themselves referred to in the literature as imitation. For example, Le Roux et. al.³³ have developed a differentiated typology of different forms and modes of imitation relating to established products. At the core of their typology is a basic distinction between counterfeit (i.e. “an exact copy of the original product”)³⁴, also known as counterfeiting and imitation (the latter term is used in a narrower sense and refers to a product that looks like another product but does not attempt to be an exact copy, including knock-offs, look-alikes or me-too products). While counterfeiting is clearly associated with the infringement of intellectual property rights, this does not necessarily apply to imitations, but depends on the degree of similarity to the original product. This degree of similarity is in turn influenced by the number of similar features of the product, their prominence and distinctiveness.

Another concept related to and sometimes compared to counterfeiting and imitation is piracy, which often takes the form of illegal copying of (digital) products such as software or films on the supply side. It has also been characterised in previous research as non-deceptive counterfeiting,³⁵ in which consumers essentially act as accomplices, fully aware that they are

²⁸ PENG, M. W. et al. (2017): An institution-based view of global IPR history, pp. 893-907.

²⁹ Ibid.

³⁰ Ibid.

³¹ Ibid.

³² HENNINGSEN, L. (2010): Copyright Matters: Imitation, Creativity and Authenticity in Contemporary Chinese Literature, p. 42.

³³ LE ROUX, A. et al. (2016): A typology of brand counterfeiting and imitation based on a semiotic approach, pp. 349-356.

³⁴ Ibid.

³⁵ Ibid.

buying non-genuine products.³⁶ Le Roux³⁷ therefore summarily emphasise that none of these broader types of different behaviours (e.g. counterfeiting, imitation and piracy) constitute a homogeneous category. Instead, each category itself encompasses a number of further differentiated manifestations - and public perceptions and attitudes towards each of these may differ in principle.

6 Possible consequences for China for not respecting intellectual property rights

Based on a literature search and freely available sources on the Internet (WTO), we have identified the following areas that could penalize China for non-compliance with intellectual property rights in its relations with WTO countries. If China fails to respect intellectual property rights (IPRs) among World Trade Organization (WTO) countries, it may face several consequences:

Trade disputes: Other WTO member countries, especially those whose intellectual property rights are being infringed, can file complaints against China for violating trade rules on intellectual property rights. This could lead to trade disputes and potentially the imposition of trade sanctions or tariffs on Chinese goods.

Legal action and dispute settlement in the WTO: China could face legal action in the WTO that would lead to a settlement of the dispute. If China is found to be in breach of its WTO obligations, it could face sanctions, including the withdrawal of trade privileges or the imposition of retaliatory measures by the countries concerned.

Reputational damage: China's reputation as a responsible member of the international trading community may be damaged, which could affect its ability to negotiate and conclude trade agreements with other countries. This could in turn affect China's international trade relations and its economic growth.

Reduction of foreign investment: Foreign investors may be discouraged from investing in China if they perceive a lack of protection of intellectual property rights. This could lead to a reduction in foreign direct investment (FDI) and a slowdown in economic development in the country.

Countermeasures by the countries concerned: Countries whose industries are disproportionately affected by IPR infringements in China may take unilateral measures, such as imposing restrictions or tariffs on Chinese products, to protect their own industries.

Loss of innovation and technology transfer: A weak IPR protection environment may discourage foreign companies from sharing advanced technology and know-how with Chinese partners. This may hamper China's technological development and innovation capacity.

Slower economic growth: IPR protection is essential to foster innovation and economic growth. Without proper protection, the incentive for businesses to invest in R&D may be reduced, which may lead to slower economic growth in the long run.

Ongoing trade tensions: China's continued infringement of intellectual property rights could lead to ongoing trade tensions with its main trading partners, such as the United States and the European Union, and have a negative impact on global trade relations.

It is important to note that the specific consequences would depend on the extent and persistence of China's IPR violations, and the responses of the WTO Member countries concerned. The WTO provides a framework for addressing such issues through negotiations, dispute settlement mechanisms and enforcement of trade rules.

³⁶ BLOCH, P. H. et al. (1993): Consumer "accomplices" in product counterfeiting, pp. 27-36.

³⁷ LE ROUX, A. et al. (2016): A typology of brand counterfeiting and imitation based on a semiotic approach, pp. 349-356.

Conclusion

In the present paper, we discussed China's approach to IPR protection mainly from a cultural perspective. In less than half a century, China has created an intellectual property system that enables it to sustain global activities. China has shown a sustained interest in its IP system, revising its policies at least once every ten years; its enforcement does not meet international expectations. China has become a global centre for counterfeit products, and there are numerous allegations of Chinese companies stealing technology from US firms. While this is frustrating for policymakers and brand owners, understanding the problem in terms of actor analysis can provide greater insight into what motivates effective enforcement. While national leaders must balance long-term and short-term economic stability, local leaders seek sustained economic success and measured development-aspects of the region that IP enforcement could inhibit. Finally, the perspective of the Chinese population provides greater insight into the general tolerance for counterfeit products. IPRs focus on intangible assets that provide value to creativity and innovation. Although China has taken measurable steps to develop its policies, it is far from a perfect system. However, by continuing to use international institutions and economic statecraft, the international community can continue to hold China accountable for IP protection. These tactics, however, need to be complemented by relationship building, public education, and mutual understanding. Only through these key aspects will China's view of intellectual property change and move towards allowing both foreign and domestic companies to operate without fear of theft or imitation. We hope that the paper will also inspire researchers in academia to engage in further research in this area.

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CURRENT CULTURAL CHARACTERISTICS OF BRICKS COUNTRIES IN THE CONTEXT OF CHINA'S BELT AND ROAD INITIATIVE (BRI)

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Abstract: The Belt and Road Initiative (BRI) or One Belt One Road (OBOR / 1B1R) is an ambitious economic development and commercial project that focuses on improving connectivity and cooperation among multiple countries spread across the continents of Asia, Africa, and Europe. It upholds five principles of peaceful coexistence – mutual respect for each other's sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. The article compares four BRICKS countries operating in the BRI area through their cultural characteristics based on the Hofstede's cultural dimensions and analysis how these differences affect their mutual interaction.

Keywords: Hofstede's cultural dimensions, BRICKS countries, One Belt One Road Initiative (OBOR / 1B1R), Belt and Road Initiative (BRI), The Silk Road, The New Silk Road Initiative

JEL: P45

Introduction

The strategic economic importance of Asia for the so-called western countries of the world is inescapable and was also one of the most significant impulses to renew the idea of reactivating the Silk Road, already known in the past. Thanks to the process of ever-expanding globalization, economic development has also affected the Asian regions of the world with unprecedented force. However, if we ask ourselves whether it is only a matter of the economy and the deepening of its connections across continents, the answer is very clear. Nowadays, especially under the influence of globalization affecting all spheres of people's lives, it is impossible to separate its social, cultural, economic and political connections.

Accordingly, the question of the role of knowledge of intercultural consequences also arises, the question of selecting the specifics of the so-called Asian culture, or more precisely – the Asian cultural plurality. In our opinion, knowledge of these characteristics of the Asian continent, characteristics of cultural elements and patterns of behaviour of the inhabitants of Asian countries, with an emphasis on countries that fall into the corridors of the new Silk Road, but also other important Asian economic partners for Europe, can contribute not only to the success of development international cooperation, but also to better mutual understanding.

The process of globalization is progressing in the contemporary world, which is a very complex entity from the point of view of culture due to the existence of a large number of cultural systems interconnected with each other in mutual interactions. Cultural plurality from the point of view of international relations is, on the one hand, a potential source of international conflicts and barriers to integration processes (every single culture is unrepeatable, unique and in its essence tends to defend this uniqueness), on the other hand, all the convergence and the intermingling of cultural differences resulting in their new modifications.

China's Belt and Road Initiative (BRI) is a strategy initiated by the People's Republic of China that seeks to connect Asia with Africa and Europe via land and maritime networks with the aim of improving regional integration, increasing trade and stimulating economic growth. This initiative has identified five priority areas for international cooperation – policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bond.

In the article, our primary goal was to focus on four countries from the so-called BRICS countries, which are also part of the BRI strategy – China, India, Russia and South Korea. Our secondary goal was to compare their cultural differences through Hofstede's six cultural dimensions and the method used in the research was comparative analysis.

1 Belt and Road Initiative

The Belt and Road Initiative is known within China as the One Belt One Road (OBOR / 1B1R) strategy and has attracted considerable interest around the world. However, from now on, we are going to refer to the initiative solely under its recent abbreviation BRI in order to simplify the theoretical background and also to prevent any potential confusion. The initial plan to restore the Silk Road was to increase China's economic influence in the Central Asian region, only later did China come up with the idea of closer cooperation with European states as well. The Chinese are trying to improve China's regional cooperation with the countries of Central Asia primarily by improving communication, connections, facilitating trade and strengthening money circulation. Chinese institutions have invested considerable resources in improving the infrastructure along the route in an effort to increase trade with the European Union. By better balancing goods, capital and labour, China wants to reduce domestic overproduction and also help the internationalization of the Chinese yuan (Kaczmariski, 2017).¹

Figure 1: The Belt and Road Initiative



Source: Thai-China One Belt One Road Investment Trade Association; DOI: <https://en.tcbri.org/>.

¹ KACZMARSKI, M. (2017): Two Ways of Influence-building: The Eurasian EU and the One Belt, One Road Initiative, pp. 1027-1046.

The BRI is financed by a number of financial institutions. For example, the Silk Road Fund, established in November 2014 with an amount of USD 40 billion, the Asian Infrastructure Investment Bank (AIIB) established in June 2015 with an amount of USD 100 billion, the BRICS New Development Bank established in July 2014 with an amount of USD 100 billion, and the China Investment Corp established in January 2015 contributed between 50 and 100 billion USD (Solmecke, 2017).²

The main program of China's BRI is the China Pakistan Economic Corridor (CPEC), created to promote China-Pakistan economic cooperation and intercultural adaptation between Chinese and Pakistani employees participating in CPEC projects. What is important here is to draw basic lessons on acculturation, cross-cultural networking (i.e. heterophile), networking behaviour (i.e. guanxi vs. hawala) and factors influencing cross-cultural adaptation that would enhance the overall performance of CPEC projects. It is therefore essential that companies in intercultural or cross-border projects support intercultural mentoring and facilitate transnational networks to increase the effectiveness of such cooperation projects. Language skills, having mapped social networks, local networking systems (Chinese guanxi and Pakistani hawala) and cultural sensitivity when training employees are crucial, which would also disproportionately improve the overall performance of the CPEC projects (Mukhtar – Zhu – Lee – Bambacas – Cavusgil, 2021).³

As for the cultural BRI aspect, this grand concept has potentially great significance for the Chinese film industry, among others, which has been included as an important part of the national effort to expand China's cultural influence overseas. BRI presents a great opportunity for the Chinese film industry to shift the emphasis of market segmentation from relying on Western influences to a more Eastern orientation. Its promise of closer economic and cultural ties brings great international marketing potential. The Chinese film industry should seize this significant opportunity by further addressing cultural variables in its overseas distribution and by thoroughly creating detailed national taste profile. The synergistic development of the Asian film industry can release resources, technology and a very large market, which presents both opportunities and challenges (Ye – Binwei – Starkey, 2018).⁴

2 The BRICKS countries in the context of Belt and Road Initiative

The original BRIC designation is an abbreviation of the grouping that indicates the countries of the “The Big Four” – Brazil, Russia, India and China, which were considered developing countries at a similar stage of new advanced economic development, are on the way to becoming developed countries and should be among the four most dominant economies by 2050. The term was coined by economist Jim O'Neill in 2001. After the addition of South Africa in 2010, the name has since changed to BRICS (O'Neill, 2001).⁵

Mexico and South Korea are currently ranked 13th and 15th in the world by nominal GDP, just behind the BRICS and G7 economies. Both countries are experiencing rapid GDP growth of 5% each year, a figure comparable to Brazil from the original BRIC countries. Although South Korea was never originally included in the BRIC(S) acronym, recent solid economic growth has led Goldman Sachs to propose adding Mexico and South Korea to the BRICS acronym, changing the abbreviations to BRIMCK (including Mexico and South Korea)

² SOLMECKE, U. (2017): Multinational Enterprises and the 'One Belt, One road' Initiative: Sustainable Development and Innovation in a Post-Crisis Global Environment, pp. 9-27.

³ MUKHTAR, A. – ZHU, Y. – LEE, Y. – BAMBACAS, M. – CAVUSGIL, S. T. (2018): Challenges confronting the 'One Belt One Road' initiative: Social networks and cross-cultural adjustment in CPEC projects.

⁴ YE, H. – BINWEI, L. – STARKEY, G. (2018): Economic and Cultural Implications of China's One Belt One Road Initiative for the Film Industry: Cultural Distance and Taste Preference.

⁵ O'NEILL, J. (2001): Building Better Global Economic BRICs, Global Economics Paper No: 66.

or even BRIIMCK (including Indonesia). Additionally, Jim O'Neil also coined the term MIKT ten years ago to include Mexico, Indonesia, South Korea and Turkey (Du Plessis, 2011).⁶

BRICKS member states are developing reliable alternative mechanisms for international payments. The group has previously said it is working to create a common payment network to reduce dependence on the Western financial system. The new common currency should replace the US dollar as the global reserve currency. BRICS countries are also strengthening the use of local currencies in mutual trade. The New Silk Road Initiative represents the future of world trade consisting of protected, highly efficient trade routes between countries that represent approximately 75% of the world's population: This New Silk Road Initiative will accelerate trade between BRICKS member countries and aspires to use a new currency backed by gold and audited by blockchain technology (Silk Road Briefing, 2022).⁷

As for China and Russia, Chinese direct investment in Russia reached more than \$12 billion in 2020, with bilateral trade expected to double by 2024. Russian Trade Plenipotentiary for China Alexei Dakhnovsky said that Chinese investment in Russia will exceed USD 12 billion in 2020 at the Russia-China Investment Cooperation Forum, which is part of the 21st China International Fair for Investment and Trade (CIFIT) in 2018. Xiamen. He also stated that Russia and China have effective mechanisms for expanding investment cooperation, although it is necessary to stabilize this interaction due to the consequences of the coronavirus pandemic. There are effective mechanisms aimed at attracting investment between the two countries, such as the intergovernmental Russian–Chinese Investment Cooperation Commission, also special investment treaties and certain special economic zones. Various communication platforms that integrate state and business representatives of different countries to implement joint projects also serve as important mechanisms of international investment cooperation.

Investment cooperation between the two countries has created a solid foundation for development over the past 20 years. In the meantime, it is crucial to stabilize Russian-Chinese trade and investment cooperation, as well as mitigate the consequences of the pandemic and achieve the national development goals of Russia and China. Russia and China have also pledged to increase bilateral trade to \$200 billion by 2024. In 2021, for the first time, Russia participated in the CIFIT fair, one of the main investment platforms in China (dedicated to the “New international investment opportunities according to the new pattern of development” theme), where the focus was on investment projects with BRICS countries, BRI countries and RCEP countries (China with Australia, Japan, South Korea, New Zealand), and ten ASEAN countries (Devonshire-Ellis, 2021).⁸

3 The BRICKS countries in the context of Belt and Road Initiative

As mentioned above, the BRI is a massive infrastructure and economic development project initiated by China in 2013. It aims to promote economic connectivity and cooperation between countries primarily in Asia, Europe, and Africa. The BRI includes both the Silk Road Economic Belt on land and the 21st Century Maritime Silk Road at sea and geographically involves the following BRICKS countries: China, India, Russia and South Korea.

China is the initiator and primary driving force behind the BRI. It sees the initiative as the main way to extend its economic and political influence globally, enhance infrastructure development, and facilitate trade with partner countries. As a major contributor to the BRI, China has invested heavily in infrastructure projects, including roads, railways, ports, and energy facilities, across participating countries. The BRI is also seen as a way for China to

⁶ DU PLESSIS, P. (2011): “MIKT: Another BRIC in the Making?”. Seeking Alpha.

⁷ SILK ROAD BRIEFING (2022): BRICS Working to Develop a New Reserve Currency.

⁸ DEVONSHIRE – ELLIS, C. (2021): BRICS, RCEP and The Belt & Road Initiative All Part of the China-Russia Trade Hemisphere.

address overcapacity in industries like steel and cement by exporting excess production to BRI countries.

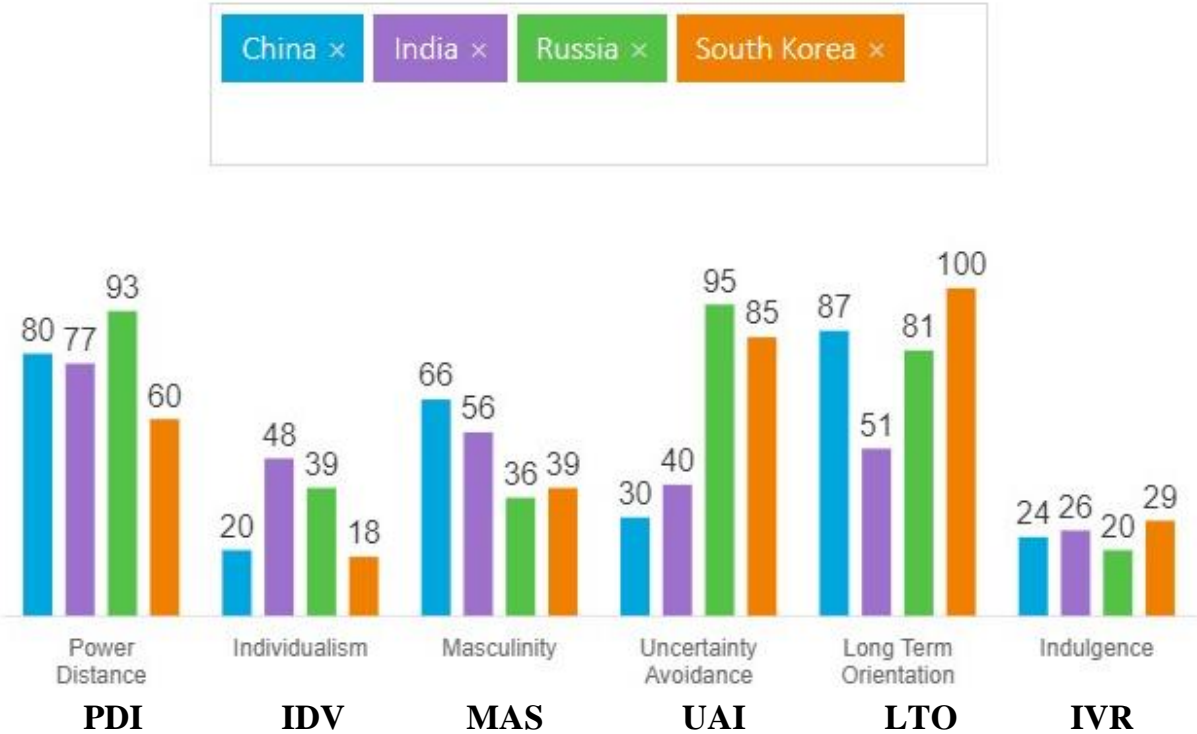
India's relationship with the BRI has been complex and contentious. India has not officially joined the initiative and has expressed concerns about the China-Pakistan Economic Corridor (CPEC), a significant BRI project that passes through Pakistan-administered Kashmir, a region claimed by India. India's concerns about sovereignty and territorial integrity have been a major hurdle in its participation in the BRI. However, it has expressed a willingness to consider cooperating with individual projects that align with its interests.

Russia shares a significant land border with China, and it has shown interest in cooperating with the BRI, particularly in its Eurasian Economic Union (EAEU). The EAEU and BRI aim to facilitate trade and transportation links between the two regions, providing opportunities for economic growth and cooperation. However, Russia has been cautious about the BRI, as it does not want to become overly dependent on China and aims to protect its own interests.

South Korea has shown interest in participating in the BRI, primarily due to the potential for increased trade and economic opportunities. It aims to connect its "Eurasia Initiative" with the BRI, which involves infrastructure projects and initiatives to promote economic cooperation with countries along the BRI routes.

Hofstede's cultural dimensions' theory is a specific framework for cross-cultural communication, which describes the effects of a society's culture on the values of its members and how these values relate to behaviour. Understanding how Hofstede's cultural dimensions impact their relations can provide insights into their interactions and collaborations. These dimensions can significantly influence how the BRICS countries interact and cooperate in various contexts such as trade, politics, and cultural exchanges. Awareness of these differences can facilitate better communication, negotiation, and mutual understanding, ultimately fostering stronger and more sustainable relations among these nations.

Figure 2: Hofstede’s Cultural Dimensions of four chosen BRICKS countries



Source: Evaluation based on Hofstede Insights (Cultural Analytics and Strategy Advisory); DOI: <https://www.hofstede-insights.com/country-comparison-tool>.

Figure 2 shows the final scores that were assigned to the studied countries on the Culture Factor Group Website – Hofstede Insights (Cultural Analytics and Strategy Advisory)⁹. The Culture Factor Group is the operating brand of Hofstede Insights Ltd. – a cultural analytics and strategy advisory with a global reach. With physical offices now in 10 countries and strategic alliances extending our reach to over 60, they are uniquely positioned to understand local cultural subtleties and business environments. This enables them to tailor our offerings to your unique needs. Tables 1 – 6 show cultural differences based on Hofstede’s cultural dimensions.

Tables 1 – 6: Cultural differences based on the Hofstede’s dimensions

Table 1: POWER DISTANCE DIMENSION			
Power Distance Index (PDI)			
This dimension expresses a culture's attitude towards inequalities within society and deals with the fact that all individuals in societies are not the same. Power distance is defined as <i>the extent to which less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally.</i>			
China	India	Russia	South Korea
PDI = 80	PDI = 77	PDI = 93	PDI = 60
With its relatively high index (80), it is a country where society believes that inequalities between people are acceptable. The relationship between subordinate and superior tends to be polarized and there is no defence against abuse of power by superiors. Individuals are influenced by formal authority and sanctions and are generally optimistic about their ability to lead people and also develop initiative. However, people should not have aspirations beyond their rank.	The index here is also quite high (77), which indicates a recognition of the top-down hierarchy and structure of society and firms. A typical attitude is strong dependence on the holder of power, acceptance of unequal rights between the privileged and the subordinate. Immediate superiors are accessible, but those one level above less so. A paternalistic leader, management directs and gives reason or meaning to their work life and rewards in return for employee loyalty. Real power is centralized, even if it doesn't seem like it, and managers rely on the obedience of their team members. Employees expect to be clearly directed about their roles and what is expected of them. Control is known, even psychological certainty, and the attitude towards managers is formal, even if it is on a first name basis. Communication is top-down in style, and directive and often negative feedback is never offered up the ladder.	With a high score (93) closest to the 100-point maximum, it is a country where the power holders in society are very distant. The largest country in the world is extremely centralized – up to two thirds of all foreign investments go to Moscow, where 80% of all financial potential is concentrated. The huge disparity between weaker and stronger people leads to the great importance of symbols of social status. Behaviour must reflect and represent status roles in all areas of business interactions, i.e. visits, negotiations or collaboration, the approach should be top-down and provide clear mandates for any role.	With an almost average score (60), the country is a slightly hierarchical society. People here accept a hierarchical arrangement in which everyone has their place and which needs no further justification. Hierarchy in firms is seen as a reflection of natural inequalities, centralization is popular, subordinates expect to be told what to do, and the ideal boss is a benevolent autocrat.

⁹ Evaluation based on Hofstede Insights (Cultural Analytics and Strategy Advisory)
DOI: <https://www.hofstede-insights.com/country-comparison-tool>.

Table 2: INDIVIDUALITY DIMENSION**Individualism Index (IDV)**

The fundamental problem that this dimension addresses is *the degree of interdependence that society maintains among its members*. It has to do with *whether people's self-image is defined as "me" or "we."* In individualistic societies, people are expected to care only for themselves and their immediate family. In collectivist societies, on the other hand, people join "groups" that take care of them in exchange for loyalty.

China IDV = 20	India IDV = 48	Russia IDV = 39	South Korea IDV = 18
<p>A low score of 20 (1/5 of the maximum) is a society with a highly collectivist culture where people act in the interest of the group and not necessarily in the interest of themselves. Considerations within the group affect not only hiring and promotion, but positionally closer group members (e.g. family) receive preferential treatment. Employees' commitment to the company (but not necessarily to the people in it) is low. While relationships with colleagues are cooperative within the group, they are cold and hostile towards people outside the group. Personal relationships prevail over work and the needs of the company.</p>	<p>With an average index (48), the country is a society with not only collectivistic but also individualistic features. The collectivist features of society indicate that there is a high preference for belonging to a larger social framework in which individuals are expected to act in accordance with the greater good of their defined group(s). In such situations, the actions of individuals are influenced by various factors, such as the opinion of their extended family, neighbours, work group, and other such wider social networks to which a person has a certain affiliation. If collectivists are rejected by their peers or humiliated by members of the wider group, it leaves them without a sense of control and with a sense of intense emptiness. For the employer/employee relationship, it is true that the employee is loyal to the employer and from the employer's side it is almost like protecting the family itself. Hiring and promotion decisions are often made based on relationships, which are key to everything in a collectivist society. The individualistic aspect of society is seen as a result of its dominant religion/philosophy – Hinduism. Hindus believe in a cycle of death and rebirth, with the manner of each rebirth depending on how the individual lived the previous life. People are therefore individually responsible for the way they lead their lives and how it will affect their rebirth. This focus on individualism interacts with the otherwise collectivist tendencies of Indian society, which is precisely what leads to its moderate score on this dimension.</p>	<p>A relatively low score of 39 (2/5 maximum) shows that family, friends, and often neighbourhood are extremely important in this culture to cope with daily life challenges. Relationships are key in obtaining information, introducing each other or successful negotiations. Individuals have a need to be personal, authentic and trustworthy in order to focus on caring for the recipient rather than relying on an implicit communication style.</p>	<p>With a low score of 18 (below 1/5 of the maximum), it is considered a collectivist society. This manifests itself mainly in strong long-term commitments to group members, be it family, extended family or extended relationships. Loyalty in a collectivist culture is paramount and takes precedence over most other social rules and regulations. The company fosters strong relationships where everyone takes responsibility for their group members. In collectivist societies, tort leads to shame and loss of face. Workplace relationships are perceived in terms of moral relationships (e.g. family ties), hiring and promotion decisions take into account employees within the group, and management is the management of groups.</p>

Table 3: MASKULINITY DIMENSION**Masculinity Index (MAS)**

A high score (pole of masculinity) on this dimension indicates that the company will be driven by competition and achievement, with success defined by being the best in the field.

Such a value system begins in school and continues in professional life.

A low score (pole of femininity) in the dimension means that the dominant values in society are caring for others and quality of life.

Quality of life is a sign of success and standing out from the crowd is not admirable.

The basic question is what motivates people to be the best (inclination towards masculinity) or whether it is better to like your work (inclination towards femininity).

China	India	Russia	South Korea
MAS = 66	MAS = 56	MAS = 36	MAS = 39
<p>With a two-thirds score (66), the country is a rather masculine society, i.e. they are success-oriented and relatively motivated. The pursuit of success can be illustrated by the fact that many Chinese sacrifice family and leisure activities for work. Services are provided until late at night and free time is not that important. Migrant farmers leave their families behind to get better jobs and pay in big cities, and the main criteria for success is school performance early in life.</p>	<p>With a slightly above-average score (56), the country is considered a rather masculine society, which is especially true when it comes to ostentatious visual displays of success and power. It is a spiritually based culture with millions of deities and many diverse religious philosophies. It is also an ancient country with one of the longest surviving cultures with values such as humility and moderation. In more masculine countries (such as Japan with MAS = 95), the focus is on success and achievements verified by material gains. Work is the centre of life and visible symbols of success in the workplace are very important.</p>	<p>The relatively low third score (36) ranks this country among societies inclined towards femininity. This may seem surprising given their flamboyant display of status symbols, but these are more related to their high PDI (93). At the workplace, as well as when meeting an unknown person, they tend to underestimate their personal achievements, abilities, or work benefits. Individuals speak modestly of themselves, and scientists, researchers, or doctors are most often expected to live at a very modest standard of living. Dominant behaviour may be accepted when it comes from a boss, but it is not appreciated among peers.</p>	<p>The relatively low third score (39) also ranks this country among societies leaning towards femininity, where the emphasis is on work (as a means of survival), managers strive for consensus, and individuals value equality, solidarity and quality in their working lives. Conflicts are resolved through compromise and negotiation. Incentives such as free time and flexibility are preferred. The emphasis is on comfort, and social status is not demonstrated. An effective manager is supportive and decision-making is achieved through active involvement in the team.</p>

Table 4: UNCERTAINTY AVOIDANCE DIMENSION**Uncertainty Avoidance Index (UAI)**

The uncertainty avoidance dimension is related to the way a society deals with the fact that the future can never be known. The ambiguity of whether we should try to control the future or let it be comes with anxiety, and different cultures have learned to deal with this anxiety in different ways. The index reflects *the degree to which members of a culture feel threatened by ambiguous or unfamiliar situations and have developed beliefs and institutions that try to avoid them.*

China UAI = 30	India UAI = 40	Russia UAI = 95	South Korea UAI = 85
<p>A relatively low (barely a third) score (30) ranks this country among societies that are far from avoiding uncertainty. Truth can be relative, although in immediate social circles there is an interest in knowing the "truth" and there are many rules (but not necessarily laws). However, adherence to laws and rules can be flexible to suit the actual situation and pragmatism is a fact of life. The Chinese are comfortable with ambiguity, because even the Chinese language is full of ambiguous meanings that can be difficult for Western civilizations to interpret. The Chinese are adaptable and enterprising (70% – 80% of Chinese companies are small to medium-sized companies or family businesses).</p>	<p>A relatively low (2/5 maximum) score (40) indicates that the country has a moderately low preference for uncertainty avoidance. There is a high degree of acceptance of imperfection here – nothing has to be perfect, nor does it have to go exactly as planned. It is a traditionally patient country, where there is a high tolerance for the unexpected, which is even perceived as a welcome break from monotony. People generally don't feel driven and compelled to take action and settle comfortably into established roles and routines without question. Rules are often put in place only to be circumvented, and one relies on innovative methods to "get around the system". A word often used is "adapt" and it means a wide range of things, from turning a blind eye to breaking the rules to finding a unique and inventive solution to a seemingly insurmountable problem. It is this attitude that is the cause of failure and at the same time the strongest aspect of the country. In India it is said that "nothing is impossible" as long as one knows how to "adapt".</p>	<p>With a near-maximum score (95), Russians feel very threatened by ambiguous situations, but at the same time they have created one of the most complex bureaucracies in the world. Presentations are either not prepared at all (e. g. when negotiations begin and the emphasis is on building relationships), or they are extremely detailed and well prepared. Briefing and detailed planning are very common practices. Russians prefer context and basic information. When communicating with people considered foreigners, Russians appear very formal and distant. Formality is also used as a sign of respect.</p>	<p>With a relatively high score (85), it is one of the most uncertainty-averse countries in the world. Countries high in uncertainty avoidance maintain strict codes of belief and behaviour and have zero tolerance for any unorthodox behaviour and thought. In these cultures, there is an emotional need for rules (even if the rules never seem to work), time is money, people have an intrinsic drive to be busy and work hard, and punctuality or punctuality are fundamental norms. Innovation can be resisted, but security is an important element of individual motivation.</p>

Table 5: LONG-TERM ORIENTATION DIMENSION**Long-Term Orientation Index (LTO)**

This dimension describes *how each society must maintain certain ties with its own past in dealing with the challenges of the present and the future, and societies prioritize these two existential goals differently*. Normative companies that have a low score in this dimension prefer e.g. preserving customary traditions and norms, while they view social change with suspicion. On the other hand, those with a high-scoring culture have a more pragmatic approach and thus promote frugality and effort in modern education as a way of preparing for the future.

China	India	Russia	South Korea
LTO = 87	LTO = 51	LTO = 81	LTO = 100
With an almost maximum score (87), the country proves that it is a very pragmatic culture. In societies with a pragmatic orientation, people believe that truth is highly dependent on situation, context, and time. They demonstrate the ability to easily adapt traditions to changed conditions, they have a strong tendency to save or invest, and they are dominated by overall frugality and perseverance in achieving results.	With an average score of 51 on this dimension, a dominant preference in Indian culture cannot be determined. In India, religious and philosophical thought is dominated by the concept of “karma”. Time is not linear and is therefore not as important as it is for Western societies, which typically score low on this dimension. Countries like India are very tolerant of religious views from around the world. Hinduism is often thought of as a philosophy more than a religion – it is a combination of ideas, opinions, practices and esoteric beliefs. In India, it is recognized that there are many truths and it often depends on who is looking and what. Companies that score high on pragmatism tend to forgive a lack of punctuality, a changing game plan based on changing realities, and a general comfort with discovering a destiny path as they go, rather than playing to a precise plan.	With a very high score (81), it is definitely a country with a pragmatic mind-set. In societies with a pragmatic orientation, people believe that truth is highly dependent on situation, context, and time. They show the ability to easily adapt traditions to changed conditions and have a strong tendency to save and invest. Thrift and perseverance in achieving results dominate.	With a 100% score, it is rated as one of the most pragmatic, long-term-oriented companies. South Koreans do not know the concept of one almighty God. People live their lives guided by virtues and practical good examples. In corporate South Korea, a long-term orientation towards a higher level of equity capital, a priority for stable market share growth over quarterly profit, etc., can be seen. It all serves the long-term viability of firms, meaning that firms are not here to make money every quarter for shareholders, but to serve all stakeholders and society as a whole for many generations to come.

Table 6: INDULGENCE vs. RESTRAINT DIMENSION			
Indulgence vs. Restraint Index (IVR)			
<p>One of the challenges facing humanity, now and in the past, is the level of socialization of young children. We do not become “human” without socialization. This dimension is defined as <i>the degree to which people try to control their desires and drives based on the way they were raised</i>.</p> <p>Relatively weak control is called "indulgence" and relatively strong control is called "restraint". Cultures can therefore be labelled as hedonistic or restrained.</p>			
China	India	Russia	South Korea
IVR = 24	IVR = 26	IVR = 20	IVR = 29
<p>Relatively low scores for all four countries indicate that they are restrained companies. Companies with low scores on this dimension tend to be cynical and pessimistic. Also, unlike hedonistic societies, restrained societies do not place much emphasis on leisure time and control the satisfaction of their desires and needs. People with this orientation feel that their actions are limited by social norms and feel that indulging in something is wrong.</p>			

Source: Own Evaluation based on Hofstede Insights (Cultural Analytics and Strategy Advisory);
DOI: <https://www.hofstede-insights.com/country-comparison-tool>

4 Observations and Recommendations

Observations:

1. Currently, the success of international cooperation at every level, not to mention the cooperation across the continent, which is the concept of the Silk Road, requires maximum knowledge of foreign partners and not only their economic characteristics, but no less important is knowledge of the characteristics of their culture in the broadest sense of the word.
2. Culture should never be evaluated as good or bad, there is only a different culture: different in belief in values or hierarchy of needs.
3. Culture does not have to be in accordance with the level of economic development of the country or region, different needs in different cultures can be fulfilled by different criteria.
4. There is no such thing as a so-called “single Asian culture”, on the other hand, countries belonging to the Asian continent can show not only diametrically different cultural characteristics but also very similar ones, and it always depends on the countries we evaluate.

Recommendations:

The following rules should be followed by every partner, every subject entering into international cooperation, if they want to be successful in it, all the more so when it comes to the culture of Asian countries (actors of the Silk Road) in many characteristics diametrically different from those of Europe:

- ✓ It is necessary to know a foreign culture well.

Despite many claims that modern civilization erases the differences between cultures and that dealing with cultural differences reeks of archaic ideas about human society, these differences are there and it is necessary not only to admit their existence, but also to name them, describe them, explain them and understand them. And not only the specifics of foreign cultures, but with the help of self-reflection, one must also look at one's own culture.

- ✓ Foreign culture must be respected.

That is, to take note of its differences without subjecting these differences to evaluation courts. One can never say that a certain culture is more advanced, more perfect or simply "better" than another culture, usually "our" own. Cultures are just different, different from each other and always representing the optimal management of a wide range of life situations of its members in the conditions in which they live.

✓ Accommodative step(s) must be taken in relation to foreign culture.

In the sense of trying to find a solution, to take a step towards mutual understanding and the overall relief of an objectively always complex and psychologically demanding social process. However, this is not realistic without a good knowledge of your partners and their cultural background. However, we should never give up our own identity, nor should we demand it from our partners. In this case, it is very important to find an objective measure of the given friendliness.

Conclusion

The process of deepening globalization of economic life and the development of scientific and technical progress opens up the possibilities of expanding the cooperation of countries across the continent. At the same time, it brings new insights to the professional public to make it more efficient, based more and more on knowledge across scientific disciplines - on interdisciplinarity approaches, taking into account a wide spectrum of social (cultural) economic and political characteristics of the international environment.

Ambitious plans for various forms of international economic cooperation are emerging, to which the concept of the Silk Road certainly belongs. However, for the success of a given project and mutual cooperation, it is not enough to evaluate only its economic parameters, on the contrary, a comprehensive approach of knowing the specifics of the given environment is needed.

The weight and the best possible knowledge of culture for the successful development of international cooperation are inescapable today. Both the approach to it and its characteristics are constantly changing due to the overall geo-social development. The professional public is still looking for criteria according to which the key differences of individual cultures could be clearly and comprehensibly evaluated. Not only those that are just a tourist attraction, but above all those that significantly modify interpersonal perception and communication and that can fundamentally affect mutual understanding and understanding between people, nations and countries and thereby positively stimulate or negatively limit the joint success of cooperation in the international sphere.

In our contribution, we tried to point out the importance of knowing, in addition to the economic and cultural characteristics of the countries of the Asian continent – strategic for the concept of the Silk Road, at the same time many times referred to as a continent with completely different – different cultural characteristics, such as ours – European ones. We also pointed out that the size of the given continent, with the number of countries that belong to it, the huge number of its inhabitants, peoples, nationalities, countries that live on it are facts, rather limiting its uniform cultural characteristics in favour of its cultural diversity.

That is why we selected some, in our opinion, significant Asian countries with regard to the concept of the Silk Road (PRC, India, Russia) and at the same time one of the most economically progressive developing Asian leaders – the Republic of Korea, and by evaluating selected cultural elements and subsequently evaluating cultural characteristics using Hofstede's criteria we tried to point out their cultural common and different features.

Our claims about common cultural characteristics, but also about the diametric differences of individual elements of culture or cultural patterns have already been confirmed in this narrow group of assessed Asian countries. Therefore, there is no uniform formula for

evaluating “Asian” culture, on the contrary, the characteristics of individual countries must always be carefully analysed, for each of them separately and very precisely. Our assumptions about the great difference in “patterns of behaviour” in these countries, the non-acceptance of which can lead to business failures or failure of cooperation with them. It is about accepting very “sensitive” so-called unwritten rules resulting from differences in cultures.

Hofstede's cultural dimensions provide a framework for understanding and analysing the cultural differences between countries. The BRICKS countries operating in the BRI area (Russia, India, China, and South Korea) are a group of major emerging economies, each with its own distinct culture and set of values. These cultural differences can have a significant impact on their relations and interactions, hence they can lead to both challenges and opportunities in the relations among BRICKS countries. Understanding and respecting these differences is crucial for effective diplomacy, trade, and cooperation within the BRICKS group. Negotiating, making decisions, and building relationships with cultural awareness can enhance the success of their collaborations and partnerships. Additionally, these cultural dimensions may evolve over time due to globalization and other factors, which can further influence their relations.

In summary, while China is the primary driver of the BRI, other countries in the region, like Russia, South Korea, and India, have varying levels of engagement and cooperation with the initiative. Russia and South Korea have expressed interest in aligning their regional economic initiatives with the BRI, while India's involvement is more cautious and selective due to territorial and geopolitical concerns. The extent of their participation may evolve as the BRI continues to develop and as these countries assess the potential benefits and risks.

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EXTREMISM IN PRESIDENTIAL DISCOURSE: A CONTENT ANALYSIS OF UZBEK PRESIDENT MIRZIYOYEV'S SPEECHES¹

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Abstract: The article analyzes the speeches of the President of Uzbekistan Shavkat Mirziyoyev since he came to power in 2016 with a specific focus on the presence of extremist rhetoric and themes to analyze the president's approach to this issue at the national, regional, and international levels. The Uzbek president, as the central figure of state power who can rule until 2040, with his public statements not only presents the long-term government positions but also shapes political attitudes of the nation, while at the same time maintaining continuity of the Uzbekistan's development and its position within international relations. Using qualitative content analysis, the paper focuses on the president's vision for countering extremism and radicalization, the main extremist narratives, as well as measures to eliminate the threats to interreligious, interethnic, and intercultural harmony posed by the potential growth of extremism. The analysis employs a coding framework to identify and categorize elements of extremist content and themes, or various shifts in Uzbek presidential discourse concerning extremism. This research indicates the presence of a noticeable shift in Mirziyoyev's discourse in comparison to his predecessor Karimov.

Keywords: extremism, Uzbekistan, President, speech, radicalization

JEL: F50, P2, D72

Introduction

After 27 years of rule by Uzbekistan's first president, Islam Karimov, a new era in the history of Uzbekistan's foreign policy began with Shavkat Mirziyoyev's rise to power in December 2016. Policies of openness and cooperation with neighbouring states, global powers, and international organizations have been supported by complex reforms liberalizing the economy, expanding civil liberties, and improving the quality of education and agricultural production. Under the former prime minister, Uzbek politics has also begun to place greater emphasis on countering extremism and radicalism. However, the spread of violent extremist ideas leading to radicalization and terrorism has become one of the phenomena accompanying the liberalization processes and a social cost of promoting the idea that the right to freedom of opinion is absolute and cannot be restricted.

In 2017, there was a widespread sense of optimism that the newly elected President would lead to a relaxation in the repression of religious freedom.² Rehabilitation and reintegration of former prisoners associated with radical groups and extremist movements have been part of broader efforts to counter extremism and radicalization in the country. Since he took office, President Mirziyoyev has initiated a series of reforms to release certain categories of prisoners on religious and political grounds. In the last five years, the government has removed 16,00 people from the list of suspected religious extremists.³ Within the process of deradicalization, Karimov's "*blacklists*" of persons suspected of religious extremism (following

¹ The paper was written within the scientific project registered as VEGA 1/0842/21: Development of Cooperative Security and Position of the Slovak Republic.

² USCIRF (2018): Annual report – Uzbekistan, p. 1.

³ MAENZA, N. et al. (2022): Zaključennye po Religiozным i Politicheskim Motivam v Uzbekistane, p. 6.

the wave of violence in 1999) have also been slowly discontinued.⁴ Although the number of released prisoners (including Mirziyoyev clemency power) sentenced to prison terms on political and religious charges is not officially published, thousands of other people, including public figures, have been arrested and sentenced for unclear reasons since the new president took office. The Uzbekistan authorities still consider legitimate expression of religious sentiment or belief “extremism.”⁵ This paper aims to use the method of quantitative content analysis (QCA) to identify what were the most written about topic in speeches of Uzbek President Mirziyoyev related to counter-extremism/radicalization and to illustrate the way Mirziyoyev has addressed the promises of religious freedom in Uzbekistan. By quantifying the qualities of language related to this topic the article seeks to show whether security cooperation issues remain an integrated framework of regional interaction to address common challenges in Central Asia and whether the Uzbek government promotes and prioritizes countering the traditional threats of extremism and terrorism.

1 Literature Review

While Uzbekistan has historically emerged as an example of inter-religious and inter-ethnic tolerance, the concept of countering extremism remains an important issue facing the changing Uzbek society. Bäckman and Cornell argue that although Uzbekistan has not experienced a single terrorist attack in the last 15 years, the threat of radicalization of young people (60% of the population) persists due to the infiltration and spread of violent extremist ideas that brought the dramatic period in the region at the turn of the century.⁶ Masharipov considers the most alarming recent trend to be the attempts by radicalized criminals to recruit new supporters from among migrants from Uzbekistan who have temporarily traveled outside the country for work through deception.⁷ The National Counter-Extremism and Counter-Terrorism Strategy for 2021-2026 reflects a similar view, stating that extremist and terrorist organizations, hidden within religious dogmas, continue to spread radical views and violence in society, inciting (young) people to violence, loss of national identity, or moral values.⁸

The debate on the definition of extremism and its forms has recently been a discussed topic among political scientists writing on extremism in Central Asia. The 2018 Law of the Republic of Uzbekistan on Countering Extremism defines (1st official definition) extremism as a manifestation of extreme forms of action aimed at destabilizing the social and political situation, violent change of Uzbekistan’s constitutional order, violent seizure of power and usurpation of its powers, and incitement to national, racial, ethnic, or religious hatred.⁹ Despite this too-wide definition, Rickleton underlines the unprecedented role of the stricter legislative and political measures following Mirziyoyev's rise to office, as well as their impact in the context of religious freedom.¹⁰ Addressing religious extremism, Safarova points out that the presidential administration has failed to formulate a law that would set more precise boundaries between moderate, radical, and extremist Islam to avoid contradictions and to ensure that the population clearly understands the differences between moderate and radical forms of religion.¹¹ Concerning the issue of preventing extremism, Dzhumayev stresses that President

⁴ BERDIKEEVA, S. (2021): A New Way Of Deradicalization.

⁵ RITTMANN, M. (2023): Uzbekistan: Backsliding on Religious Freedom Promises.

⁶ BÄCKMAN, S., CORNELL, S. E. (2023): Terrorism and Islamic Radicalization in Central Asia.

⁷ MASHARIPOV, B. (2019): V Uzbekistane realizujutsja mery po rasprostraneniju istinnyh cennostej islama.

⁸ Ўzbekiston Respublikasi Prezidentining Farmoni, 01.07.2021 jildagi PF-6255-son, pp. 1-2.

⁹ ZAKON RESPUBLIKI UZBEKISTAN O PROTIVODEJSTVII EKSTREMIZMU (2018), p. 1.

¹⁰ RICKLETON, CH. (2023): Svoboda veroispovedanija i radikalizacija.

¹¹ SAFAROVA, G. F. (2018): Mechanisms of overcoming Islamic extremism in the context of ensuring national security of Central Asian countries, p. 712.

Mirziyoyev has been referring in public primarily to the need for joint efforts, mutual trust, solidarity, and cooperation.¹²

1.1 Methodology and Data

This article begins with a brief literature review on the topic. It also employs the research method of quantitative content analysis. The relevant data on counter-extremism issues reflected in President Shavkat Mirziyoyev's speeches since his election in 2016 is collected and analyzed. The analysis is intended to present to what extent the given topic is represented in the President's speeches and to introduce the President's attitude toward the spread of extremist ideology. More specifically, the article is intended to show whether the Uzbek government's approach to this issue is gradually liberalizing or tightening and what solutions are addressed by the president to the public. More specifically, the article aims to highlight the specific contexts in which the President mentions extremism and to show how he perceives this phenomenon and its impact on Uzbek society. Moreover, the article seeks to answer whether the Uzbek government's approach to the issue of extremism has been gradually liberalizing or tightening since the death of the first President Karimov, and what solutions are being publicly addressed by President Mirziyoyev.

Data sources: To analyze the representation of extremism themes in the speeches of the President of Uzbekistan, textual materials containing official speeches by the President were collected. Data was collected from September 2016 to September 2023. A corpus of 116 official texts of the president's speeches and statements in Russian (3 in English) was formed for the analysis. The main source of transcripts of the speeches since Mirziyoyev took office was the official website of the President of Uzbekistan.

2 Current State

In Uzbekistan, a state where an authoritarian ruler remains the primary source of power and a strong leader cult is an enduring cultural tradition, all potential threats to the state are perceived sensitively and thoroughly evaluated. Given the country's geographical position, rich historical background, or ethnic and religious diversity, an effective countering of extremism has been a long-standing challenge for the Uzbek government. In the early years of President Mirziyoyev's rule, opinion polls showed that extremism had become an increasing concern for Uzbek society, respectively the biggest threat in all of Central Asia.¹³ Since taking office, President Mirziyoyev, in coordination with subordinate authorities, has sought to ensure security and achieve sustainable peace in the society.

In the past, there have been cases of extremist activity in Uzbekistan, including terrorism (1999, 2004) and recruitment of young people by violent extremist groups. However, the government tightened legislation to address safety only in 2018, when the Law on Countering Extremism in the Republic of Uzbekistan was adopted for the first time.¹⁴ In July 2021, the President approved the National Strategy of the Republic of Uzbekistan on combating extremism and terrorism for 2021-2026, which aims *“to ensure an effective and coordinated state policy in the combat against extremism and terrorism, to protect the Uzbek constitutional system, and to ensure national security, as well as the citizen's rights and freedoms with respect to this issue.”*¹⁵ Within the second stage of the strategy's implementation (2022-2025), the government currently *“analyses the latest developments and multiple perspectives on positive*

¹² DZHUMAYEV, R. (2023): Prizyv k prochnomu miru i procvetaniyu.

¹³ Gazeta.uz (2018): «Iztimoiy fikr»: 69% oproshennyh sčitajut ekstremizm glavnoj problemoj regiona.

¹⁴ LEX.UZ (2018): Zakon Respubliki Uzbekistan o protivodejstvii ekstremizmu № ZRU-489.

¹⁵ Gazeta.uz (2021): Prinjata strategija po protivodejstviju ekstremizmu i terrorizmu.

measures to reduce the threats of extremism, terrorism, and their financing, as well as the inter-ethnic and inter-religious co-existence in Uzbekistan."¹⁶

Despite the government's emphasis on effective preventive measures, Uzbek extremist structures are considered one of the strongest and most progressive in the Central Asian region. Uzbekistan's Ministry of Justice currently lists 40 extremist organizations, including existing online profiles, channels, or websites.¹⁷ At the same time, the potential for Uzbek immigrants to be involved in extremist or terrorist activities outside the country or the region is increasing.

3 An Analysis of the Mirzoyev's Speeches focusing on Extremism and Counter-Extremism

The President of Uzbekistan holds significant authority and most or all political power, plays a central role in the political and social life of Uzbekistan and wields considerable influence. The President appears consistently in the media and his speeches and statements are publicly available and presented using multiple communication channels. Uzbekistan's political leader also exerts influence in the socio-cultural sphere, and the President's speeches directly reflect the country's strategies to combat the most serious threats, including extremism and radicalization. An analysis of his public speeches allows to observe the evolution of his approach to the existing problem of extremism. Over time, the President's priorities, key themes, and the government's strategic measures, as well as developments in the Uzbek socio-political situation in the field of radicalization and extremism can be defined, concerning the relevance of international cooperation and the promotion of socio-cultural unity.

3.1 Analyzing Presidential Discourse (Selected Aspects)

Mirziyoyev's speeches primarily focus on presenting his visions for Uzbekistan's future and his commitment to bringing about positive change in different aspects of the country's life. Shavkat Mirziyoyev, as incumbent president elected by both parliament chambers in September 2016 following the nationwide mourning for the death of the founder of independent Uzbekistan Islam Karimov, emphasized that "*peace and harmony are precious assets that must be valued to further strengthen inter-ethnic and inter-religious harmony and the atmosphere of mutual respect and kindness in society.*"¹⁸ During the 43rd Session of the Organisation of Islamic Cooperation (OIC), Mirziyoyev highlighted Uzbekistan's efforts to restore the role of Islam ("sacred religion") in society after overcoming "*militant atheism.*" Additionally, he underscored the OIC's role in uniting member states for peace and security in the Muslim world and combating wars, terrorism, and extremism.¹⁹

3. 1.1 Extremism Issues

The topic of extremism was addressed in President Mirziyoyev's inaugural speech (officially elected in the elections of December 2016). Mirziyoyev strongly rejected the dissemination of extremist and radical ideologies, citing their potential to foment discord among individuals from diverse ethnic backgrounds. He emphasized the imperative of unwavering vigilance in the face of terrorism and extremism threats across different global regions. According to the president, the volatile conditions prevailing in specific world regions further exacerbate migratory trends, subsequently amplifying the dissemination of terrorism and

¹⁶ ADMINISTRACIJA PREZIDENTA RESPUBLIKI UZBEKISTAN (2021): Ukaz Prezidenta Respubliki Uzbekistan № UP-6255.

¹⁷ MINISTRY OF JUSTICE OF THE REPUBLIC OF UZBEKISTAN (2022): List of extremist organisations.

¹⁸ MIRZIYOYEV, S. M. (2016): Address by the Prime Minister of the Republic of Uzbekistan at the joint session of the Legislative Assembly and the Senate of the Oliy Majlis 8. 9. 2016.

¹⁹ MIRZIYOYEV, S. M. (2016): Address by the incumbent President of the Republic of Uzbekistan at the opening ceremony of the 43rd Session of the Council of Foreign Ministers of the OIC.

extremism. This evolution ultimately renders these issues of paramount global concern. Ensuring the security and integrity of Uzbekistan's borders, strengthening the country's defenses, and eliminating destructive forces have therefore become a declared priority of the Mirziyoyev's administration.²⁰

3. 1.2 Interethnic and Interreligious Harmony

The speech by President Mirziyoyev at the celebrations of the 26th anniversary of Uzbekistan's independence primarily centered on the deployment of the Action Strategy for the Republic of Uzbekistan for 2017-2021. The strategy accentuated 5 pivotal domains of national development: the improvement of the state and public governance, the reinforcement of the rule of law, the advancement of socio-economic spheres, the assurance of security and interethnic and interreligious harmony, and the pursuit of a discerning foreign policy based on constructive dialogue and cooperation.²¹ When celebrating national holidays, the President repeatedly states that "*peace and tranquillity, interethnic friendship and interreligious harmony are growing stronger in Uzbek society,*" as a direct consequence of all the reforms undertaken by the presidential administration.²²

3.1.3 Multinational Character of the Country

Emphasizing the multinational character of society can promote a sense of national unity and inclusivity. Since the inauguration, Mirziyoyev has repeatedly referred to the right to freedom of conscience and belief in Uzbekistan, where "*more than 130 nations and nationalities and religious organizations of 16 religions have been living in harmony for a long time.*" It also sends a message that all ethnic and cultural groups are integral parts of the Uzbek identity and development. Mirziyoyev also highlighted the role of the Uzbek language in his speech, saying that "*in recent years the Uzbek language has become a spiritual bridge for the representatives of different nations and nationalities living in Uzbekistan, ensuring peace and harmony in society.*"²³ Mirziyoyev underscores in his speeches that "*the genuine tolerance among representatives of diverse ethnic groups, cultures, and religions who have coexisted on the territory of Uzbekistan for centuries has formed the bedrock of their collective mindset and remains today one of the most paramount national priorities: the reinforcement of interethnic and civic understanding and harmony.*" According to the president, it is precisely the escalation of interethnic and interreligious tensions that precipitates the surge of nationalism and religious intolerance, ultimately dividing society and providing the ideological basis for radical groups. Mirziyoyev draws attention to the vulnerability of the youth and highlights the significance of imparting effective education to the youth rooted in national and universal values.²⁴

The President, in his parliamentary address, articulates that the paramount goal of his administration is "*to ensure that every individual in Uzbekistan, irrespective of their nationality, language, or religion, lives freely, in peace and prosperity, and is content with their life.*"²⁵ At the session of the UN Human Rights Council, he emphasized the ambition to further develop

²⁰ MIRZIYOYEV, S. M. (2016): Address by Shavkat Mirziyoyev at the joint session of the Chambers of Oliy Majlis dedicated to a Solemn Ceremony of Assuming the Post of the President of the Republic of Uzbekistan.

²¹ MIRZIYOYEV, S. M. (2017): Vystuplenie Prezidenta Uzbekistana na toržestvah, posvjasennyh prazdnovaniju 26-letija nezavisimosti Respubliki Uzbekistan.

²² MIRZIYOYEV, S. M. (2019): Vystuplenie Prezidenta na toržestvennom sobranii, posvjasennom 28-j godovsine gosudarstvennoj nezavisimosti Respubliki Uzbekistan.

²³ MIRZIYOYEV, S. M. (2019): Vystuplenie Prezidenta Respubliki Uzbekistan na toržestvennom sobranii, posvjasennom 30-letiju pridanija uzbekskomu jazyku statusa gosudarstvennogo jazyka.

²⁴ MIRZIYOYEV, S. M. (2017): Vystuplenie Prezidenta Respubliki Uzbekistan na vstreče, posvjašennoj 25-letiju obrazovanija Respublikanskogo internacionalnogo kulturnogo centra.

²⁵ MIRZIYOYEV, S. M. (2018): Poslanie Prezidenta Respubliki Uzbekistan Šavkata Mirzičeva Olij Mažlisu.

civil society institutions and wholeheartedly support freedom of expression in Uzbekistan.²⁶ Following his re-election based on constitutional changes in 2023, concerning religious radicalization, Mirziyoyev said that *"in Uzbekistan, alongside all political rights, guarantees of freedom of conscience and belief will always be strictly ensured."*²⁷

He also emphasized that he *"will never tolerate any manifestations of radicalism in society or the exploitation of religion for political purposes."*²⁸

Besides stressing the country's multiethnic character, the President also recalls Uzbek secularism in his public speeches. He describes Uzbekistan as a country where *"for centuries, representatives of different views, beliefs, religions and cultures have coexisted tolerantly"* and describes Uzbeks as *"a people who choose the path of peace rather than war in resolving any conflict, who have always lived in harmony, friendship, and cooperation with all nations."*²⁹

3.1.4 Religious Significance

In speeches primarily directed at the Uzbek public, Islamic narratives are frequently employed. The head of the country emphasizes the critical need to preserve the true essence and principles of the sacred Islamic religion within all aspects of society.³⁰

Addressing the threats of religious extremism, the president declares in public speeches that *"Islam is a religion of goodness, nobility, generosity, and humanism,"* and Uzbekistan's goal is to *"enlighten the world with true enlightenment against ignorance."*³¹

In his address to the UN General Assembly in September 2023, he stated that *"Islam is a religion of peace, knowledge, and enlightenment,"* and *"cases of religious intolerance and Islamophobia recently observed in some countries should not be tolerated."* In order to promote the ideas of interreligious tolerance and harmony worldwide, he proposed the establishment of an International Center for Interreligious Dialogue and Tolerance in Uzbekistan under the auspices of UNESCO.³² In response to the increasing *"manifestations of Islamophobia observed worldwide,"* the OIC should take practical steps. Simultaneously, the effectiveness of OIC's activities needs to be reassessed, as *"the current era demands the strengthening of cooperation in the fight against terrorism, extremism, radicalism, and drug trafficking, as well as in protecting the youth from the online dissemination of such threats."*³³

3.1.5 Regional Security and Counter-Terrorism

Mirziyoyev's speeches consistently reflect Uzbekistan's concern about regional security, the fight against terrorism and extremism, and the need for international cooperation in addressing these issues, considering Uzbekistan's strategic position. President Mirziyoyev emphasizes that *"international counterterrorism efforts often address the consequences rather*

²⁶ MIRZIYOYEV, S. M. (2021): Vystuplenie Prezidenta Respubliki Uzbekistan Šavkata Mirziëeva na 46-j sessii Soveta po pravam čeloveka Organizacii Objedinennyh Nacij.

²⁷ MIRZIYOYEV, S. M. (2023): Naša glavnaja zadača – opravdat vysokoe doverie naroda, ukrepljat dostignutye uspehi novymi, ese bolee vesomymi rezultatami.

²⁸ MIRZIYOYEV, S. M. (2023): Obnovlennaja Konstitucija stanet pročnym pravovym fundamentom 3. Rennsansa.

²⁹ MIRZIYOYEV, S. M. (2023): Vystuplenie Prezidenta Respubliki Uzbekistan na toržestvennoj ceremonii, posvjasennoj 32-j godovsine nezavisimosti Respubliki Uzbekistan.

³⁰ MIRZIYOYEV, S. M. (2017): President made a speech at a conference dedicated to issues of ensuring social stability, preserving true essence and content of Islamic religion.

³¹ MIRZIYOYEV, S. M. (2017): Vystuplenie Prezidenta Respubliki Uzbekistan Šavkata Mirziëeva na pervom sammite Organizacii islamskogo sotrudničestva po nauke i tehnologijam.

³² MIRZIYOYEV, S. M. (2023): Vystuplenie Prezidenta Respubliki Uzbekistan na 78-j sessii GA OON.

³³ MIRZIYOYEV, S. M. (2023): Vystuplenie Prezidenta na pervom sammite glav gosudarstv Centralnoj Azii i Soveta sotrudničestva arabskih gosudarstv Zaliva.

than the root causes of challenges." He asserts that "*the foundation of international terrorism and extremism, along with other factors, lies in ignorance and intolerance.*"³⁴

Hosting an international conference on Afghanistan the president linked achieving peace in Afghanistan to the fight against terrorism and extremism, emphasizing Uzbekistan's principled stance in this struggle.³⁵ At the Shanghai Cooperation Organization (SCO) Summit in September 2021, President Mirziyoyev stressed the importance of intensifying efforts to ensure peace and stability in the SCO region. He underscores the need for a coordinated approach to the situation in Afghanistan to prevent the potential growth of extremism in the region and the export of radical ideologies and subversive actions to neighbouring states.³⁶ During a meeting in the SCO-CSTO format, he reiterated the view that Afghanistan cannot remain a source of challenges and threats to the security of adjacent countries and reflected Uzbekistan's support for eliminating the transmission channels of terrorists from the "hot" zones of Afghanistan through enhanced practical cooperation among affected states.³⁷

President identifies radicalism, extremism, and terrorism as threats to the Uzbek people. He emphasizes the need to consolidate all efforts and capabilities at both the national and regional levels to address these issues. During the summit of the Turkic Council, Mirziyoyev underscored the necessity for member states "*to collectively prevent a humanitarian crisis in Afghanistan, its international isolation, and its transformation into a terrorist haven.*"³⁸ In the speeches, he is also critical that, against the backdrop of other pressing international problems, the Afghan issue is receding into the background.

At multilateral conferences, Mirziyoyev underscores the need for effective coordination in the fight against terrorism and extremism at regional and global levels. He highlights the successful regionalization of the UN Global Counter-Terrorism Strategy in Central Asia, emphasizing the complementarity of this approach to human rights and the rule of law. To enhance the effectiveness of the joint fight against terrorism and extremism, the Uzbek President proposed several initiatives, including opening a UN Counter-Terrorism Office in the Central Asian region, establishing a unified electronic network on cyberterrorism in Central Asia, creating an international legal mechanism against extremism and terrorism in the information space, forming a regional expert council for counterterrorism, convening a permanent Youth Council for Central and South Asian countries to develop an action plan for preventing extremism among young generations, and organizing a conference on religious tolerance under the UN's auspices.³⁹

During the SCO summit in 2023, amid increasing geopolitical tensions and conflict escalations, Mirziyoyev emphasized Uzbekistan's stance on the central role of the UN in conflict resolution and the significance of adopting a Joint Program to combat extremist ideology within the SCO framework.⁴⁰ Following the early presidential elections due to constitutional changes in July 2023, Mirziyoyev alluded to the "*new era*" and the complex challenges posed by armed conflicts, global peace disruptions, trade and investment flows, as well as threats to food and energy security.⁴¹

3.1.6 Reintegration of People (formerly) associated with Extremist Groups

³⁴ MIRZIYOYEV, S. M. (2017): Prezident Uzbekistana Šavkat Mirziëv vystupil na 72-j sessii GA OON.

³⁵ MIRZIYOYEV, S. M. (2018): Mirnyj process, sotrudničestvo v sfere bezopasnosti i regionalnoe vzaimodejstvie.

³⁶ MIRZIYOYEV S. M. (2021): Vystuplenie Prezidenta Respubliki Uzbekistan Šavkata Mirziëva na zasedanii Soveta glav gosudarstv-členov Šanhajskoj organizacii sotrudničestva.

³⁷ MIRZIYOYEV, S. M. (2021): Vystuplenie Prezidenta Respubliki na vstreče v formate ŠOS – ODKB.

³⁸ MIRZIYOYEV, S. M. (2021): Vystuplenie na sammite Soveta sotrudničestva tjurkojazyčnyh gosudarstv.

³⁹ MIRZIYOYEV, S. M. (2022): Regionalnoe sotrudničestvo stran Centralnoj Azii v ramkah Sovmestnogo plana dejstvij po realizacii Globalnoj kontrterrorističeskoj strategii OON.

⁴⁰ MIRZIYOYEV, S. M. (2023): Vystuplenie Prezidenta na zasedanii Soveta Glav gosudarstv-členov ŠOS.

⁴¹ MIRZIYOYEV, S. M. (2023): Naša glavnaja zadača – opravdat vysokoe doverie naroda, ukrepljat dostignutyje uspehi novymi, ese bolee vesomymi rezultatami.

The President's speeches also broadly reflect his commitment to social reintegration and addressing crime, particularly focusing on those most influenced by extremist ideologies. A significant part of the broader strategy aimed at improving the social sphere and ensuring the rights and well-being of all citizens is the prevention of crime in the country. In his speeches, the president informs both domestic and international audiences about the government's efforts in the area of *"social rehabilitation of individuals who were previously involved in extremist activities or fell under the influence of extremist ideology."* This involves *"rehabilitation and reintegration programs, including educational and vocational courses, to reintegrate former radicals into society."*⁴² Uzbek courts have begun to be more "humane" when sentencing those who have fallen under the influence of radical ideas. If until 2016 judges in criminal cases related to extremist activities were handing down long prison sentences (5-15 years), currently the conditional sentence or imprisonment up to 5 years is being applied.⁴³

Referring to the principles of humanism, the president noted that *"more than 20,000 citizens suspected of having connections with religious extremist groups have been removed from the blacklist"* introduced during Karimov's rule.⁴⁴ The government's reintegration efforts are being realized concerning women as well. President emphasized that *"to improve the spiritual and moral atmosphere in society, they have changed their approach to those who, unintentionally, fell under the influence of religious extremist movements, and today, thousands of such citizens (including women) have been reintegrated into normal life."*⁴⁵

The president also focuses on social issues related to women's involvement in crime to discuss measures for addressing them. He initiated the establishment of working groups under government supervision, tasked with addressing *"bitter and painful problems, such as the increase in crimes among women, divorce rates within families, and their susceptibility to religious extremist movements and terrorist organizations."*⁴⁶

3.1.7 Youth Radicalization and the Online Space

President Mirziyoyev underscores the paramount importance of engaging with the youth demographic in the ongoing struggle against extremism and radicalization. His speeches emphasize that a significant portion of extremist-related crimes are committed by individuals under 30, stressing the importance of youth education to combat ignorance leading to violence. Furthermore, he acknowledges the underestimated challenges posed by international terrorism, extremism, and radicalization, particularly during the previous administration. The president calls for utilizing the potential of military personnel to reintegrate young individuals who have been influenced by extremist ideologies.⁴⁷ As a result of the implementation of the Uzbek Youth Policy, the number of registered terrorist crimes in Uzbekistan among persons under 30 years of age has decreased by almost 50% in 2020 compared to 2017.⁴⁸

Against the backdrop of the COVID-19 pandemic, President Mirziyoyev underlined the exacerbated global issues, particularly the growing role of technology and social networks in youth recruitment and radicalization, and increased terrorist financing. He calls for *"a coordinated approach, which relies on a foundation of consolidating efforts and constructive dialogue to address shared challenges and threats in the region, particularly in the realm of*

⁴² MIRZIYOYEV, S. M. (2017): Prezident Uzbekistana Šavkat Mirziëv vystupil na 72-j sessii GA OON.

⁴³ AKHMEDOV, T. (2021): Opyt Respubliki Uzbekistan po borbe s terrorizmom i meždunarodnoe sotrudničestvo.

⁴⁴ MIRZIYOYEV, S. M. (2018): Vsestoronnoe razvitoe pokolenie – osnova velikogo budusego, sozidatelnyj trud naroda – osnova blagopolučnoj žizni, družba i sotrudničestvo – garantija procvetanija.

⁴⁵ MIRZIYOYEV, S. M. (2018): Vystuplenie na vstreče, posvjassennoj Meždunarodnomu ženskomu dnu.

⁴⁶ MIRZIYOYEV, S. M. (2017): Kritičeskij analiz, žestkaja disciplina i personalnaja otvetstvennost dolžny stat povsednevnoj normoj v dejatelnosti každyh rukovoditelja.

⁴⁷ MIRZIYOYEV, S. M. (2017): Prezident Uzbekistana Šavkat Mirziëv vystupil na 72-j sessii GA OON.

⁴⁸ AKHMEDOV, T. (2021): Opyt Respubliki Uzbekistan po borbe s terrorizmom i meždunarodnoe sotrudničestvo.

cybersecurity."⁴⁹ During his participation in the Movement of Non-Aligned Countries Meeting, President Mirziyoyev voiced his concerns regarding "the influence of destructive and radical ideologies on the younger generation."⁵⁰

At the 4th Advisory Meeting of Central Asian Heads of State, the president highlighted "the emerging threats associated with illegal online activities that create chaos and instability in the region." He supported regular consultations with the heads of security councils and intelligence services in Central Asian countries.⁵¹ At the 6th Summit on Interaction and Confidence-Building Measures in Asia, President Mirziyoyev articulated his apprehensions concerning the "dissemination of radical ideas using new propaganda methods aiming to activate young people in extremist organizations." He emphasized the imperative need for systematic collaboration to protect youth from radicalization and encouraged young people to believe in themselves and their role in shaping a just future. He also proposed the establishment of a "Generational Dialogue" format to address the most pressing youth-related issues.⁵²

4 Statistical Insights from Presidential Discourse and Key Findings

In the following table, we present the results of a content analysis, wherein categories and subcategories were formulated based on an extensive review of 116 transcripts of President Mirziyoyev's speeches. This Focus Level categorizes each theme as a "main topic" if the theme pertinent to extremism is a primary focus of the speech, "subtopic" if it's a secondary or related topic, or "topic not addressed" if the theme is absent from the content. The table provides both the absolute frequency (AF) of speeches where these narratives are mentioned within the chosen categories or subcategories, along with their relative frequency (RF).

Table 1: Prevalence of Extremism-Related Themes in Mirziyoyev's Speeches

	Category	AF	Focus Level	RF (%)	Subcategory	AF	Focus Level	RF (%)
1	Extremism Themes	1	Main Topic	0,86 %	1.1 Extremism, Counter-Extremism	0	Main Topic	0 %
						16	Subtopic	13, 80%
						98	Not	84, 48 %
		21	Subtopic	18,1 %	1.2 Radicalism, Counter-Radicalization	0	Main Topic	0 %
						15	Subtopic	12, 93 %
						101	Not	87, 07 %
		94	Not Addressed	81 %	1.3 Terrorism, Counter-Terrorism	1	Main Topic	0, 86 %
						17	Subtopic	14, 66 %
						97	Not	83, 62 %
2	Extremism and Regional Context	1	Main Topic	0,86 %	2.1 Neighboring Conflict Zones	3	Main Topic	2, 59 %
						14	Subtopic	12, 07 %
						98	Not	84, 48 %
		25	Subtopic	21,55 %	2.2 Regional Cooperation and Stability	4	Main Topic	3, 45 %
						15	Subtopic	12, 93 %
						95	Not	81, 90 %
		90	Not Addressed	77, 59 %	2.3 Extremist Threats in Uzbekistan	0	Main Topic	0 %
						21	Subtopic	18,1 %
						95	Not	81, 90 %
3	Security Issues	7	Main Topic	6, 0 %		3	Main Topic	2, 59 %

⁴⁹ MIRZIYOYEV, S. M. (2021): Centralnaja i Južnaja Azija: regionalnaja vzajmosvjazannost. Vyzovy i vozmožnosti.

⁵⁰ MIRZIYOYEV, S. M. (2023): Vystuplenie Prezidenta na sammite Kontaktnoj gruppy Dviženija neprisoedinenija.

⁵¹ MIRZIYOYEV, S. M. (2022): Vystuplenie Prezidenta na 4. Konsultativnoj vstreče glav gosudarstv Centralnoj Azii.

⁵² MIRZIYOYEV, S. M. (2022): Vystuplenie Prezidenta Respubliki Uzbekistan Šavkata Mirziëeva na VI sammite sovesanija po vzajmodejstviju i meram doverija v Azii.

					3.1 Security Challenges	33	Subtopic	28, 45 %			
						78	Not	67, 24 %			
					57	Subtopic	49, 12 %	3.2 Security Responses	2	Main Topic	1, 72 %
									34	Subtopic	29, 31 %
					52	Not Addressed	44, 83 %	3.3 National Security Policies	80	Not	68, 97 %
									1	Main Topic	0, 86 %
28	Subtopic	24, 14 %									
4	Reflection of Peace	3	Main Topic	2, 59 %	4.1 National Peacebuilding	87	Not	75, 0 %			
						3	Main Topic	2, 59 %			
						39	Subtopic	33, 62 %			
		55	Subtopic	47, 42 %	4.2 Regional Peacebuilding	74	Not	63, 80 %			
						2	Main Topic	1, 72 %			
						25	Subtopic	21, 55 %			
		58	Not Addressed	50, 0 %	4.3 International Peacebuilding	89	Not	76, 72 %			
						1	Main Topic	0, 86 %			
						24	Subtopic	20, 69 %			
5	International Relations	21	Main Topic	18, 10 %	5.1 Bilateral Relations	91	Not	78, 45 %			
						6	Main Topic	5, 17 %			
						16	Subtopic	13, 79 %			
		39	Subtopic	33, 62 %	5.2 Multilateral Diplomacy	94	Not	81, 03 %			
						13	Main Topic	11, 21 %			
						34	Subtopic	29, 31 %			
		56	Not Addressed	48, 23	5.3 Security Partnerships	69	Not	59, 48 %			
						7	Main Topic	6, 03 %			
						17	Subtopic	14, 66 %			
6	Culture and Extremism	12	Main Topic	10, 34 %	6.1 Multinational Society, Ethnicity, Interethnic Relations	92	Not	79, 31 %			
						11	Main Topic	9, 48 %			
						31	Subtopic	26, 72 %			
		54	Subtopic	46, 55 %	6.2 Cultural Influences on Extremism	74	Not	63, 80 %			
						3	Main Topic	2, 59 %			
						15	Subtopic	12, 93 %			
		50	Not Addressed	43, 10 %	6.3 National Culture and National Identity	98	Not	84, 48 %			
						8	Main Topic	6, 90 %			
						41	Subtopic	35, 3%			
7	Extremist Organizations	13	Main Topic	11, 21 %	7.1 Activities and Structure of Extremist Groups	67	Not	57, 76 %			
						9	Main Topic	7, 76 %			
						12	Subtopic	10, 34 %			
		14	Subtopic	12, 07 %	7.2 Youth as an Object of Online Extremist Propaganda	95	Not	81, 90 %			
						5	Main Topic	4, 31 %			
						9	Subtopic	7, 76 %			
		88	Not Addressed	75, 86 %	7.3 Recruitment Strategies	102	Not	87, 93 %			
						9	Main Topic	7, 76 %			
						8	Subtopic	6, 90 %			
8	Reflection of Islam	12	Main Topic	10, 34 %	8.1 Emphasis on Islamic Principles and Values	99	Not	85, 34 %			
						9	Main Topic	7, 76 %			
						19	Subtopic	16, 38 %			
		35	Subtopic	30, 17 %	8.2 Interreligious Relations	88	Not	75, 86 %			
						7	Main Topic	6, 03 %			
						29	Subtopic	25, 0 %			
		67	Not Addressed	57, 76 %	8.3 Promoting Religious Tolerance	80	Not	68, 97 %			
						6	Main Topic	5, 17 %			
						19	Subtopic	16, 38 %			
						91	Not	78, 45 %			

Note: Own calculations.

Source: Official website of the President of the Republic of Uzbekistan.

4.1 Key Findings

Since assuming office, the President of Uzbekistan Mirziyoyev has been dedicating his attention to a wide spectrum of issues, with the theme of extremism and its counteraction not constituting a focal point in presidential discourse. Mirziyoyev more frequently delves into subjects contributing to the harmonization of Uzbek society and the cultivation of national unity. Topics that may incite a certain degree of polarization or carry some negative connotations find minimal representation in his public addresses.

4.1.1 Main Aspects of the Speeches

The following aspects are characteristic of addressing the issue of extremism in the official statements of the Uzbek President:

- *Limited prevalence of the extremism theme:* Within the presidential discourse, there is a notable scarcity of direct references to the subject of extremism. However, a more in-depth analysis reveals that the theme of extremism is qualitatively present in the speeches within various categories and subcategories. The President approaches this issue with consideration of its complexity and associated facets, underscoring the importance of comprehensive analysis and examination of the problem.
- *The significance of contextual analysis of extremism:* The analysis of the official Mirziyoyev addresses underscores the importance of considering and evaluating extremism within the broader context of national, regional, and international issues. The President acknowledges that extremism does not exist in isolation and often correlates with other social, economic, and political factors. He raises the issue of extremism in light of its interconnection with global challenges and threats, such as international terrorism or religious radicalization, reflecting a comprehensive and systemic approach.
- *President's Stance on Extremist Groups:* In his public addresses, Mirziyoyev notably refrains from making explicit commentary on the activities of extremist organizations within Uzbekistan. President avoids specific mention of any groups or movements, such as the terrorist organization Islamic Movement of Uzbekistan (IMU), which had a long-standing presence in the region but has witnessed a decline in recent years, in part due to a wide range of government-led initiatives.
- *The geographical specificity of Uzbekistan and international cooperation:* Understanding the specificity of Uzbekistan's geographical position is of critical importance when examining the issue of extremism. Its location at the crossroads of various cultural and geopolitical influences renders Uzbekistan more vulnerable to transnational threats, including the potential for the transfer of extremist and terrorist ideologies across borders. Therefore, on an international scale, the President emphasizes the importance of collaboration with neighboring and international actors to effectively combat extremism and ensure stability in the Central Asian region. President Mirziyoyev is committed to developing a comprehensive international counter-extremism strategy, including social, economic, educational, and religious aspects, and his speeches reflect this effort. Within the analysis, the President's references to international cooperation and Uzbekistan's participation in global efforts to combat extremism and terrorism are presented.
- *Deliberate expression regarding ongoing armed conflicts:* The Uzbek President does not explicitly comment on ongoing global conflicts, except on the issue of Afghanistan. He refrains from using terms such as war, escalation, invasion, annexation, or aggression in his speeches. Nevertheless, he does engage with this issue in various nuances: "*The world faces new trials, threats, and challenges every day, yet even the most renowned political analysts and think tanks cannot predict the outcomes of the confrontations and conflicts*

unfolding in the world"⁵³ or "a crisis of trust is looming, increasing issues within global security institutions and a deviation from international legal norms are causing escalating tensions worldwide."⁵⁴

- *Usage of the word "radical"*: In his speeches, the President frequently employs the term "radical," but in a notably positive context, primarily to articulate his visions and objectives. For instance, he envisions a radical transformation of working methods, a radical improvement of state administration, healthcare, and medical services, as well as a radical transformation of urban and rural areas, agriculture, the judiciary, and public administration systems. Moreover, his goals encompass a radical elevation of the quality of life and well-being for the population or a radical transformation of the armed forces.
- *Long-Term Perspectives*: The analysis highlights the president's comprehensive efforts in combating extremism, as opposed to an overemphasis on rhetoric. However, from a long-term view, it is crucial to assess these efforts in the context of concrete actions concerning current threats. There is clear evidence that Mirziyoyev has undertaken several significant steps to fortify state institutions, enhance youth education, expand freedom of expression, initiate economic reforms to promote economic growth, job creation, and poverty reduction. Furthermore, he has actively promoted international cooperation in the fight against extremism and terrorism, facilitating mutual information exchange and collaborative strategies. The President is a proponent of increasing tolerance and religious freedom. His administration has made efforts to educate religious clergy on the values of mutual tolerance. These efforts towards sustainable development and mitigating factors that fuel the proliferation of extremism demonstrate the fact that no terrorist attack in Uzbekistan has been committed since he became president.

Conclusion

President Mirziyoyev has used his statements and speeches to outline the importance of countering extremism at national, regional, and global levels. In terms of content analysis, the number of speeches wholly or partially devoted to extremism is lower, as the President pays more attention to non-polarizing and society harmonizing, such as the celebration of national holidays, Uzbekistan's cultural heritage, peace, or economic prosperity. In speeches reflecting on the issue of extremism in the context of national or international security, President Mirziyoyev describes extremism as a serious threat to the security and stability of the state, in which, according to the latest amendments to the constitution, he may rule until 2040. In terms of comprehensive measures to counter the spread of extremism, the President advocates close regional cooperation and coordination with international organizations, primarily under the auspices of the United Nations. In his speeches at the UN, SCO, and CIS summits, he has repeatedly stressed the need to strengthen interaction in the fight against this phenomenon at the global level. Regarding topics directly related to extremism, Mirziyoyev in particular articulates the importance of religious tolerance, core Islamic values, social justice, and poverty reduction. In the area of prevention, the President's focus on the young Uzbek generation is primarily reflected through efforts to raise the educational level and measures to tackle the ideological causes of youth radicalization, which is of "serious concern" to the President. The emphasis on the national counterterrorism agenda was also present in the discourses examined, thus contributing to raising awareness, growing overall support for countering extremism, and increasing public confidence and the image of justice.

⁵³ MIRZIYOYEV, S. M. (2023): Obnovlennaja Konstitucija stanet pročnym pravovym fundamentom 3. *Renessans*.

⁵⁴ MIRZIYOYEV, S. M. (2023): Vystuplenie Prezidenta Respubliki Uzbekistan na 78-j sessii GA OON.

Although extremism has not yet been a key target in the Uzbek president's speeches, Mirziyoyev's addresses the issue in a broader context, emphasizing the primary need to eliminate the causes that make citizens susceptible to extremist ideologies, rather than their consequences. His interest in countering extremism is reflected not only in his public speeches but also in the concrete measures and reforms he has begun to implement since taking office as President of Uzbekistan. The introduced reforms and the measuring of their efficiency offer the potential for further investigation.

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POLITICAL MAP OF ARGENTINA AFTER PRESIDENTIAL ELECTIONS 2023¹

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Abstract: Argentina is one of the most important players in Latin American. Together with Brazil and Mexico, it is fighting for the post of regional leader. While in the field of foreign policy it defines itself at least as a regional power, in the field of domestic policy it has been struggling with problems in the economic and social areas for a long time. These are multiplied by high, usually double-digit inflation. On the one hand, the people of Argentina are tired of the inability of the politicians to solve basic social and economic challenges of the country, but on the other hand, they refuse to give up social benefits. By canceling them, many would face intractable problems – at least in the short term. Argentinians are aware of all these matters. Economic and social topics were key issues in election year 2023. However, their result brought about a fundamental change. Argentinians did not elect any of the representatives of the established political parties as their president. They put their hope in the hands of Javier Milei, who does not represent any of the main political currents in the country. He needed two rounds of elections for his election. He did not repeat the success of Peronist candidate Alberto Fernandez from 2019, who was elected in the first round of elections.

Keywords: Argentina, presidential elections, Javier Milei, Sergio Massa

JEL: F50, N40, O38

Introduction

October and November 2023 were election's months in Argentina. Argentinians could choose their new members of parliament and also new president.² Unpopular Alberto Fernandez decided not to candidate, so all key political parties introduced new candidates. The main topics were connected with economy. Country faces severe inflation (Figure 1), about 40% of the population lives in poverty and GDP growth is in red numbers (- 2.5%).³ The main protagonists of the presidential elections were Peronist Sergio Massa, candidate of centre-right and right wing of Argentinian politics Patricia Bullrich and new star of Argentinian politics libertarian Javier Milei (according to his opponents El Loco) who proclaims himself as anarcho-capitalist. Also leftist Myriam Bregman and Peronist from Justicialist party Juan Schiaretti sought for the presidential office.

Results

Argentinian presidential elections differ in some aspects from presidential elections in traditional democracies. All candidates must first participate in the primary elections (called PASO) in Argentina. Only those candidates who won at least 1.5% in the primary elections advance to the regular elections. The primary elections took place on August 13, 2023. Five

¹ The paper is a result of research project VEGA 1/0115/23 Aplikácie kooperatívnych modelov teórie hier v ekonómii a v medzinárodných vzťahoch/Applications of cooperative game theory models in economics and international relations.

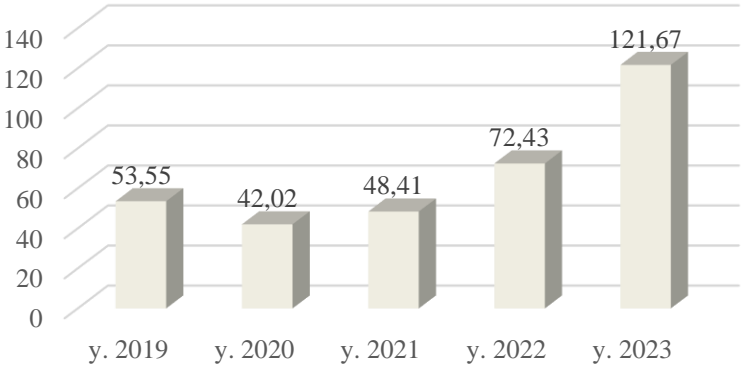
² Governors of some provinces were also elected.

³ JÜTTEN, M. (2023): Argentina: Outcome of the 2023 elections – Beginning of a new era?

candidates qualified for regular elections (Figure 2). Those candidates were, as it was mentioned above, winner of primaries Javier Milei, Peronists Sergio Massa and Juan Schiaretti, candidate of centrists and centre-right Patricia Bullrich and leftist Myriam Bregman.

The first round of the presidential elections was held on October 22, 2023. The winner of the first round was Sergio Massa with more than 36%, followed by Javier Milei with almost 30% of votes. Patricia Bullrich received almost quarter of votes (Figure 3).

Figure 1 Inflation in Argentina 2019-2023 (%)⁴

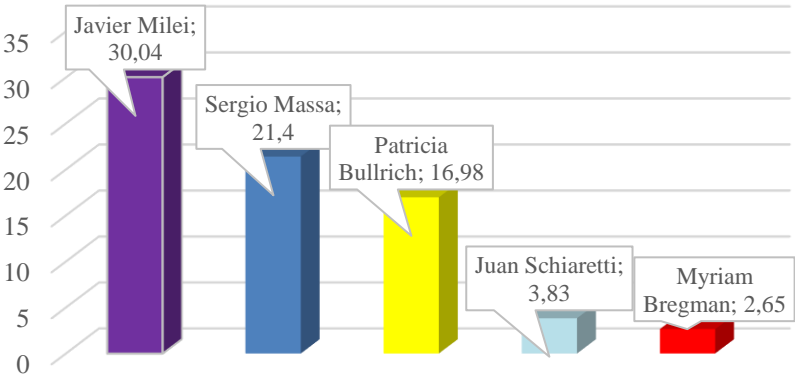


Source: Statista (2023).
Argentina's 2023 General Election Results. (2023).

As nobody fulfilled conditions for the victory in the first round⁵, the second round was necessary. It was planned on November 19, 2023.

The winner of the second round of the elections (Figure 4 and Figure 5) became Javier Milei. He received more than 55% of votes and about 14 and half million of Argentinians supported him. He got about three million more votes than Sergio Massa. What about social status of his voter, those were middle and lower classes. Also young Argentinians supported him.⁶

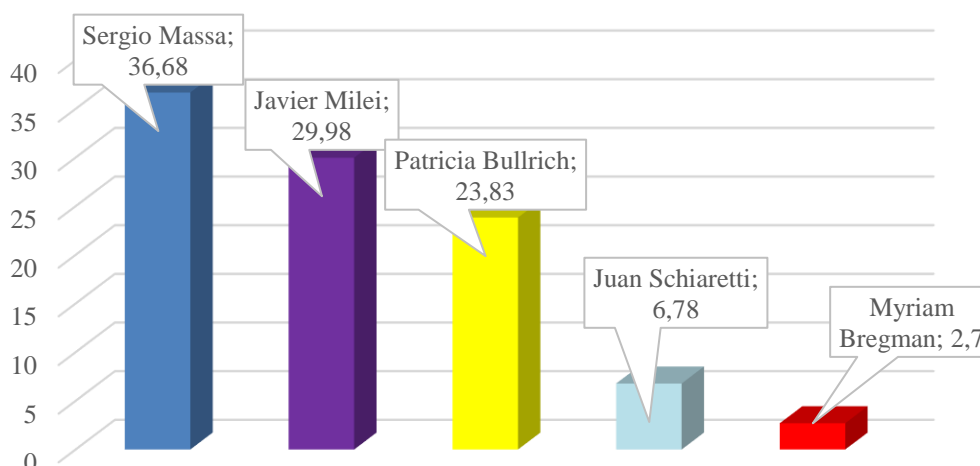
Figure 2 Primary (PASO) elections in Argentina in 2023 (%)



Source: ElectionGuide (2023). Argentina's 2023 General Election Results. (2023).

⁴ The value for 2023 is an estimate.
⁵ To be elected after the first round of the elections it is necessary to obtain at least 45% of all votes. The second possibility is to receive at least 40% of votes and to be at least 10% ahead of the second candidate. If nobody receives it, the second round is held.
⁶ JÜTTEN, M. (2023): Argentina: Outcome of the 2023 elections – Beginning of a new era?

Figure 3 Presidential Elections in Argentina in 2023 (1st round - %)



Source: ElectionGuide (2023).
Argentina's 2023 General Election Results. (2023).

What about the program of two main candidates, it was connected mainly with internal problems of Argentina.

Javier Milei priorities were dollar as new currency in Argentina, closure of the Central Bank of Argentina and massive cut in public expenditure spending. He also proved that some of his opinions are close to such conservatives as former and for many controversial presidents Donald Trump or Jair Bolsonaro. Namely, he was ready to hold a referendum to repeal abortion access in the country. Same as Donald Trump he does not think that humans are responsible for climate change. His foreign policy priorities included the ending of ties with Lula da Silva's Brazil⁷ and communist China – despite the fact that those countries are the biggest trading partners of Argentina. It is necessary to mention also that his vice-president candidate Victoria Villarruel relativizes the crimes of the Dirty War period and is advocating those responsible for them.⁸

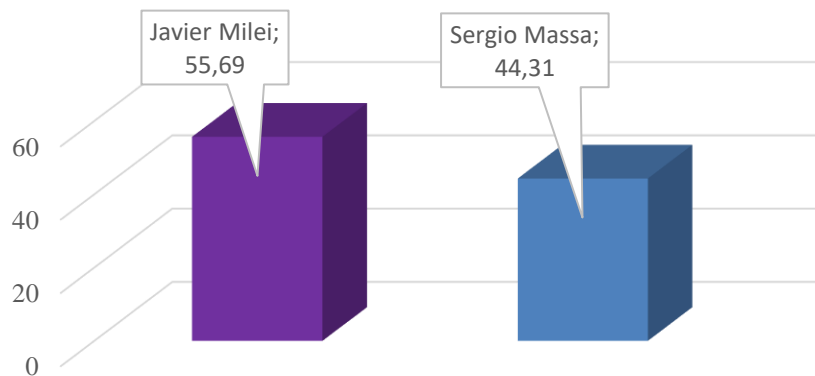
The main slogan of the campaign of Sergio Massa was “national unity.” In this context he pointed out that he was prepared to form the government of the national unity to tackle the problems of the country. He also emphasized the necessity of good relations with Brazil and China. The main challenge for him was to persuade Argentinian he was competent to solve their problems as he was in politics for two decades. So he was a symbol of old (incompetent) political elite for many in Argentina.⁹

⁷ According to Javier Milei was current president of Brazil Luiz Inácio Lula da Silva „corrupt communist“: PHILLIPS, T., SALOMÓN, J. (2023). He even went further as he named Pope Francis “leftist evil”: SCHMIDT, S., FELIBA, D. (2023).

⁸ Compare: Argentina: Outcome of the 2023 elections – Beginning of a new era? (2023); Elections 2023. Meet the Candidates: Argentina. (2023); PHILLIPS, T., SALOMÓN, J. (2023); WALKER, N. (2023).

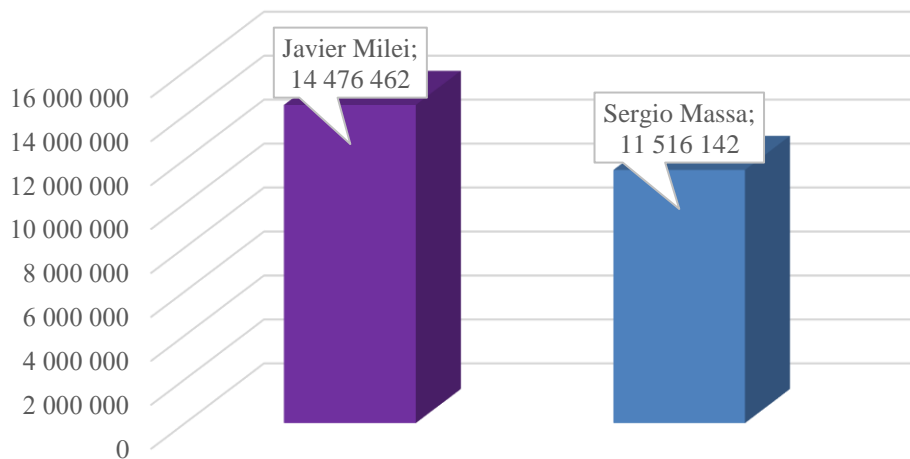
⁹ Ibid.

Figure 4 Presidential Elections in Argentina in 2023 (2nd round - %)



Source: ElectionGuide (2023).
Argentina's 2023 General Election Results. (2023).

Figure 5 Presidential Elections in Argentina in 2023 (2nd round – number of votes)

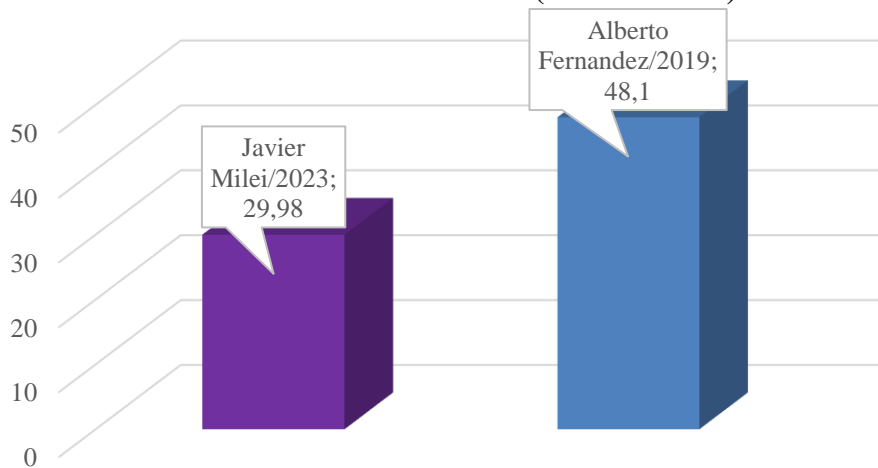


Source: ElectionGuide (2023).
Argentina's 2023 General Election Results. (2023).

The political map of Argentina has really changed after 2023 presidential elections in the country. If we compare the results of 2023 presidential elections with those from 2019, it is obvious that no candidate repeated the success of Alberto Fernandez from 2019. He won the presidency after the first round of presidential elections in 2019 (Figure 6 and Figure 7). Alberto Fernandez was able to attract more than 48% of voters in the first round of the elections. About twelve and half million of Argentinians supported him already after the first round of the elections. On the contrary the winner of the 2023 Javier Milei had the support of the less than 30% of Argentinians after the first round of the presidential elections. It was less than 8 million of voters. Despite the success in 2019 Alberto Fernandez did not seek for re-election in 2023 and it is clear why. His government disapproval rate was about 75%.¹⁰

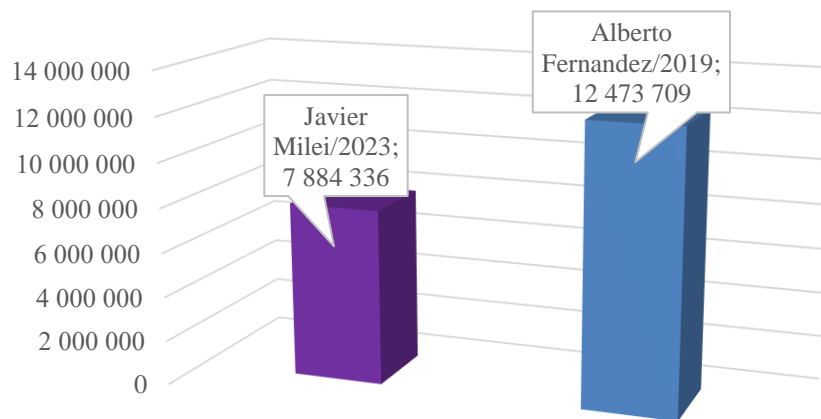
¹⁰ JÜTTEN, M. (2023): Argentina: Outcome of the 2023 elections – Beginning of a new era?

Figure 6 Comparison of results of presidential elections in Argentina between winners in 2019 and 2023 (1st round - %)



Source: ElectionGuide (2023).
Argentina's 2023 General Election Results. (2023).

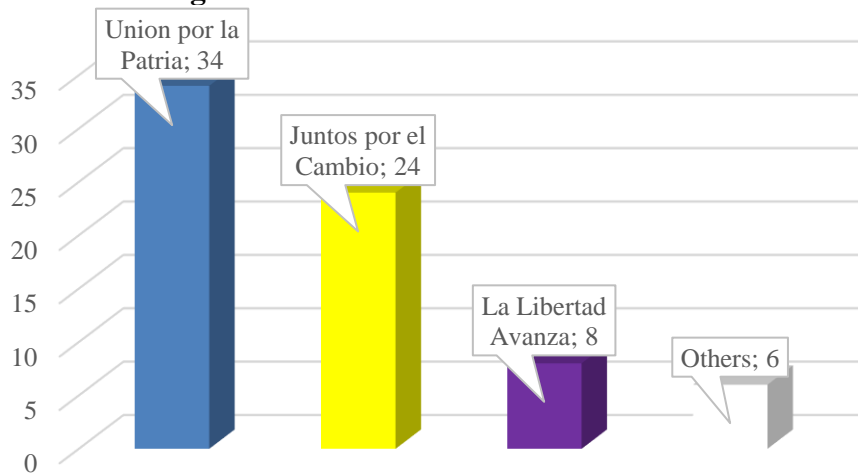
Figure 7 Comparison of results of presidential elections in Argentina between winners in 2019 and 2023 (1st round – number of votes)



Source: ElectionGuide (2023).
Argentina's 2023 General Election Results. (2023).

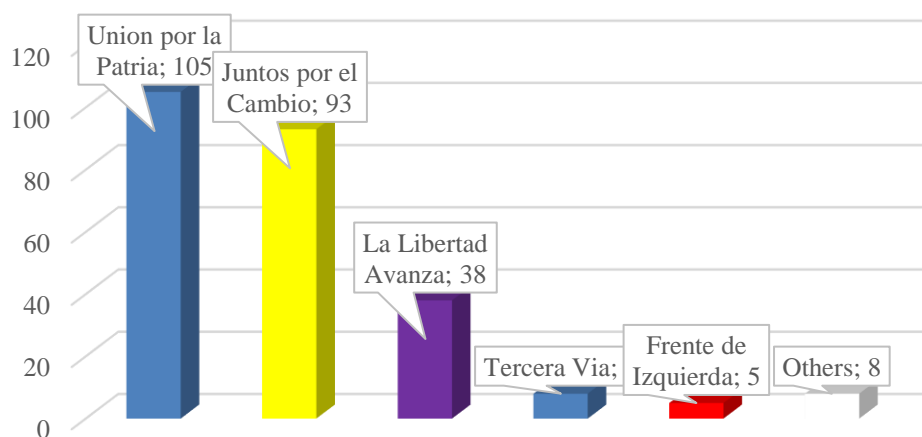
Javier Milei was the winner of the second round of presidential elections in Argentina in 2023 (he became the most voted president in the second round in Argentina after 2023). Although clear winner, it is obvious that there are some difficult obstacles ahead of him. Firstly, he has to create the coalition in the parliament that will support his government. His own political coalition has only few MPs in the parliament – only 8 from 72 in the Senate and 38 of 257 in the House of Chambers (Figure 8 and Figure 9). The strongest political bloc is created by Peronists from Union por la Patria in both chambers of the Argentinian parliament. Centrists and moderate right from the coalition Juntos por el Cambio form the second strongest political power in the parliament of the country. It is expected that Juntos por el Cambio can form the common coalition with the bloc of Javier Milei (Patricia Bullrich supported Javier Milei after she did not qualified into the second round of the presidential elections). But it is still questionable if Javier Milei is able to create stable government able to manage all the reforms that the country desperately needs.

Figure 8 Senate after the elections in 2023



Source: ElectionGuide (2023).
Argentina's 2023 General Election Results. (2023).

Figure 9 Chamber of Deputies after the elections in 2023



Source: ElectionGuide (2023).
Argentina's 2023 General Election Results. (2023).

Conclusions

Argentina is, despite its economic problems, the 3rd biggest economy in Latin America and the 2nd biggest economy in South America. It is regional power and member of G20. The 2023 elections were held 40 years after country returned to democracy after the end of Dirty war dictatorship period in 1983. They became a milestone – as dominating policy movement in the country (Peronists) was defeated. Peronists were ruling power 16 years of the past 20 years. And even more – they were not replaced by another traditional political movement (coalition Juntos por el Cambio) but by new and untraditional one – La Libertad Avanza.

Why Argentinians decided for such a change? They do not trust traditional political elite anymore. The victory of Javier Milei was convincing. He won in 21 of 24 provinces. Just 2 years after he became legislator.¹¹ It is obvious that many of those who supported Javier Milei do not like him. They just think that it is necessary to do something different, to choose

¹¹ Javier Milei will be Argentina's first libertarian president (2023).

somebody different. The government of Javier Milei will face serious challenges. According to Argentinians the key issues to solve are – inflation, high prices, corruption, unemployment and insecurity.¹² He promises Argentinians that “Argentina will return to the place in the world which it should have never have lost.”¹³ But what he has to do is to act quickly – he has just four years to persuade Argentinians that their decision was right and that he is finally that one who is able to stabilize the economy as the precondition for improvement of the living standard of the inhabitants in the country.

He must also prove he has influential foreign allies and is able to maintain or improve good relations with the countries in the region of Latin America. His victory was welcomed by Donald Trump and Jair Bolsonaro. According to Donald Trump Javier Milei would “Make Argentina Great Again.¹⁴” Jair Bolsonaro said that “hope would shine again in South America.”¹⁵ It is questionable if the support of Donald Trump or Jair Bolsonaro is the most important of those that Argentina needs now. Especially if Argentina's main trading partners are Brazil and China. That means the countries that faced the biggest insults from him during the presidential campaign.

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¹² Statista (2023); WALKER, N. (2023).

¹³ PHILLIPS, T., SALOMÓN, J. (2023). Argentina presidential election: far-right libertarian Javier Milei wins after rival concedes.

¹⁴ BUSCHSCHLÜTER, V. (2023): Javier Milei: Argentina's far-right outsider wins presidential election.

¹⁵ Ibid.

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INTERNATIONAL TRADE AS A DETERMINANT OF ECONOMIC GROWTH: A REVIEW OF CONTEMPORARY KNOWLEDGE

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Abstract: Perhaps the most studied issue in economics is economic growth and its determinants. Here we can mention not only economic determinants of growth but also geographical, cultural, political, and institutional parameters. However, the object of this study is the dynamics and structure of international trade as one of the production growth explanatory factors. The purpose of the contribution is to analyse current views on the relationship between trade and economic growth. Following the primary goal of the article, we conduct an empirical investigation of the relationship between the dynamics of trade flows and their commodity structure on economic growth. The results indicate that the import growth rate has a greater impact on economic growth in comparison to the export growth rate. Export product diversification seems to have an unexpected effect on growth. On the contrary, regression analysis shows that export specialization is associated with higher real GDP growth.

Keywords: economic growth, exports, imports, diversification, economic openness

JEL: F14, F43

Introduction

The theoretical study of foreign trade as a determinant of economic growth was carried out by all theoretical schools in economics as a pure discipline. Welfare gains from trade became an even more studied topic with the development of international economics as an independent area of study. Here we can mention such contributors as mercantilists, physiocrats, classical and neoclassical authors, Keynesians, as well as alternative school economists who pointed to the wealth distribution effect of trade. Mercantilists considered foreign trade the only way to accumulate wealth and the only source of growth, albeit using expansionist and protectionist policies. On the contrary, physiocrats believed that foreign trade was “fruitless” from the point of view of increasing national wealth. The classical thought of political economy revealed the positive effect of trade on national output. Representatives of the neoclassical school have shown that foreign trade leads to an increase in the income of owners of abundant factors via exports of abundant factor-intensive goods, thus stimulating economic growth.¹ On the other hand, representatives of dependency theories recognized the positive effect of trade on economic growth as well. Their criticisms were directed at the distribution function of trade, where international exchange moves wealth from developing countries to developed.

Over the history of the development of economics, a well-established theoretical mechanism for the influence of trade on economic growth has emerged. Exporting goods leads to economic growth by stimulating aggregate demand and aggregate supply. Stimulation of aggregate demand is realized both directly through the growth of net exports and indirectly through an increase in the price of production factors involved in export industries. This leads to an increase in consumer spending, investment, and government spending. An increase in aggregate supply is carried out directly through export industries. The mechanism of the impact

¹ KRUGMAN, P. R. – OBSTFELD, M. – MELITZ, M. (2012): *International Economics: Theory and Policy*. 705 pp.

of imports on economic growth is ambiguous. Higher imports reduce the aggregate demand for national goods and services. The same effect is applicable to aggregate supply as well. On the other hand, imports of high-tech goods stimulate economic growth via productivity rise and effective factors of production involvement.

In this contribution we consider theoretical approaches to the study of foreign trade as a determinant of economic growth. We analyse the influence of the trade dynamics and structure on national output as well. In relation to the purpose of the study, we establish hypothesis *H1* that *in the current period there is a direct linear relationship between trade dynamics and economic growth, other things being equal*. Accordingly, the inverse hypothesis *H0* states that *in the current period, there is no direct linear relationship between trade dynamics and economic growth, other things being equal*. Determinants of economic growth are not limited by trade parameters and include geographical, institutional, and policy factors,² though the objective of the paper addresses the problems of trade structure only.

1 Openness, trade creation and trade structure

The hypothesis of trade openness, that is, liberalization and trade creation, as a stimulus for economic growth is based on Smith's concept of absolute advantage.³ Involving a country in international trade opens the international market and allows for the efficient allocation of resources through the division of labour. The limited volume of the domestic market often limits the state of wealth, that is, the increase in consumption – one side of economic growth. A similar argument is also found in Ricardo's ideas about comparative advantage.⁴ International trade benefits all countries and leads to increased productivity and consumption. Countries that are open to international trade are also expanding their industrial sectors by importing the necessary resources and technologies. These theoretical approaches to the analysis of international trade suggest that openness has a positive impact on economic growth.⁵ Part of the positive impact of openness is the creation of trade through integration initiatives. However, this issue is still the subject of discussion in scientific works devoted to the influence of international exchange on economic growth. Some authors show that trade openness is not a reliable predictor of economic growth and depends on individual cases.⁶

A major debate in the scientific literature is associated with contradictory theoretical views on the structure of foreign trade. Some studies show that product diversification is a key factor influencing economic growth.⁷ However, other contributions highlight the role of export diversification as an anti-volatility measure rather than a long-run growth stimulus.⁸ Other works draw on the classical school of international economics and show the importance of export specialization in economic growth. In the global South, some studies suggest that specialization leads to economic growth, with results showing the statistical robustness of this determinant.⁹ Commodity diversification, on the other hand, has dominated discussions about the causes of post-war economic growth in developing countries in the second half of the 20th century. With the growing role of intra-industry trade, many different theoretical assumptions

² LEE, K. – KIM, B. Y. (2009): Both institutions and policies matter but differently for different income groups of countries: determinants of long-run economic growth revisited, pp. 533-549.

³ SMITH, A. (1776, 1977): *An Inquiry into the Nature and Causes of the Wealth of Nations*, 1152 pp.

⁴ RICARDO, D. (1817, 2001): *On the Principles of Political Economy and Taxation*, 333 pp.

⁵ CLEMENTS, M. A. – WILLIAMSON, J. G. (2004): Why Did the Tariff–Growth Correlation Change After 1950?, pp. 5-46.

⁶ RODRIGUEZ, F. – RODRIK, D. (2001): Trade policy and economic growth: a skeptic's guide to the cross-national evidence, pp. 261-338.

⁷ AL-MARHUBI, F. (2000): Export diversification and growth: an empirical investigation, pp. 559-562.

⁸ MCINTYRE, A. et al. (2018): Economic benefits of export diversification in small states.

⁹ RAMANAYAKE, S. S. – LEE, K. (2015): Does openness lead to sustained economic growth? Export growth versus other variables as determinants of economic growth, pp. 345-368.

and empirical tests have been put forward regarding the impact of expanding the range of exported products on economic growth.

2 Theoretical background: diversification and economic growth nexus

We distinguish between horizontal and vertical diversification. In the case of horizontal differentiation, products differ mainly in external characteristics. This type of differentiation is common in many industries that produce short-term consumer goods. Companies producing similar products compete mainly in terms of price and try to differentiate their product from other suppliers, for example by packaging, colour, slightly modified product shape, etc. In the case of horizontal diversification, the mix of goods is usually produced within one export industry. Horizontal diversification has several positive functions. One of the functions is to expand the existing export range, which neutralizes the consequences of fluctuations in world prices and mitigates economic risks. This in turn leads to stability in export earnings and a certain degree of independence of economic growth from a particular sector.¹⁰ According to the results of some authors,¹¹ horizontal diversification not only reduces the risk of external shocks but also has positive external effects on other sectors of the economy. The influence of foreign firms, that is, competition, causes a dynamic learning effect, which increases the productivity of domestic firms. Economic growth stimulated by horizontal diversification can be achieved in two ways. Firstly, this is an increase in the market share of products and an increase in export earnings. Secondly, the introduction of new products to the market.

In the case of vertical differentiation, products differ in quality. This differentiation is typical mainly for industries producing long-term consumer goods. Competition in these industries is based on new product development and innovation.¹² In the economic literature, the term *technological differentiation* is used as well. Within vertical differentiation, companies develop new products to replace old, less sophisticated goods. In this way, firms try to increase their market share by improving quality characteristics or by developing new editions of the product. Vertical diversification creates externalities for the accumulation of knowledge and new technologies. The production and export of primary goods, on the other hand, does not create such a spillover effect. Such effects create and improve opportunities for other industries as well.¹³ Like horizontal diversification, it also ensures stability in export earnings; the nature of industrial products is not subject to such fluctuations in prices as raw materials or agricultural products. Economic growth through vertical diversification is achieved by expanding the activities of firms or by producing new products.

Horizontal and vertical export diversification can lead to economic growth, but their effects and results depend on technology, marketing, and skills. Vertical diversification, compared to horizontal diversification, requires more advanced technology, sophisticated economic policies, skills, and initial investment. Although vertical diversification can lead to more dynamic externalities.

The first mentions of the positive impact of diversification on economic growth were put forward by representatives of alternative theories of international trade. In the 1950s Prebisch¹⁴ and Singer¹⁵ pointed out the injustice of the international division of labour in relation to developing countries that specialized in the export of primary goods. According to

¹⁰ HAMED, K. – HADI, D. – HOSSEIN, K. (2014): Export diversification and economic growth in some selected developing countries, pp. 700-704.

¹¹ HERZER, D. – NOWAK-LEHNMANN, D. F. (2006): What does export diversification do for growth? An econometric analysis, pp. 1825-1838.

¹² HUSTED, S. – MELVIN, M. (2012): International Economics, 408 pp.

¹³ AL-MARHUBI, F. (2000): Export diversification and growth: an empirical investigation, pp. 559-562.

¹⁴ PREBISCH, R. (1950): The economic development of Latin America and its principal problems.

¹⁵ SINGER, H. W. (1949): Economic progress in underdeveloped countries, pp. 1-11.

their argument, highly concentrated export flows worsen the terms of trade and increase income instability, thus hampering economic growth. According to dependency theory, developing countries compete in exports of commodities characterized by low price elasticity of demand, which affects stability in export earnings. Therefore, demand for manufactured goods is growing faster than demand for commodities, resulting in worse terms of trade for commodity exports in the long run. The solution to the dependence of developing countries is the diversification of production, that is, industrialization, and the expansion of the categories of exported goods. Based on theoretical knowledge, diversification policies have become a common goal of economic policy in developing countries.¹⁶ Lee and Zhang, for example, state that the economic benefits of export diversification vary depending on country size and income level.¹⁷ Larger and poorer countries in the low-income group, as well as small states, benefit greatly from expanding the range of exported goods.

As some studies show, many developing countries choose a policy of diversification and liberalization of exports to stabilize export income. This is driven mainly by the investment climate. Risk-averse foreign firms will not invest in a country whose macroeconomic environment is unstable and may be unfavorable for long-term economic growth, so many countries create liberalized conditions for these firms to maneuver. Michaely notes that countries with higher diversification are more industrialized in terms of the share of primary goods in total exports.¹⁸ Thus, export diversification may be useful in achieving the long-term policy goal of stabilizing export earnings.¹⁹ New theories of international trade argue that greater economies of scale caused by increased exports can lead to higher levels of productivity and, therefore, overall output.²⁰

3 Data and methods

To verify our hypothesis, we applied the following parameters: GDP growth rate, export and import growth rate, diversification index, and openness index. The values of the GDP growth rate, export and import growth rates, and diversification index were obtained from the United Nations Conference on Trade and Development (UNCTAD) database. The economic openness index was collected from the World bank open data database. As an indicator of economic growth, we chose the real GDP growth rate based on a constant 2015 US dollars. Export and import growth rates correspond to the annual growth rate of merchandise trade expressed in thousand US dollars. Both dependent and independent variables represented average values for the period from 2015 to 2020. To capture the broad range of cross-sectional units, we used economic and trade data on 194 sovereign countries and dependent territories.

Table 1: Summary statistics, 194 observations

<i>Variable</i>	<i>Mean</i>	<i>Median</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Std. Dev.</i>
GDP Growth rate	1.8632	1.7548	-7.6790	9.2409	2.6136
Exports	3.4402	2.9564	-21.804	77.963	9.6243
Imports	2.0648	2.0208	-32.317	24.861	5.9943
Diversification	0.68213	0.72418	0.23836	0.91943	0.15684
Openness	62.271	51.659	12.962	328.63	38.704

Source: Author.

¹⁶ DOGRUEL, S.–TEKCE, M. (2011): Trade liberalization and export diversification in selected MENA countries.

¹⁷ LEE, D.–ZHANG, H. (2022): Export diversification in low-income countries and small states: Do country size and income level matter?, pp. 250-265.

¹⁸ MICHAELY, M. (1977): Exports and Growth: An Emepirical Investigation, pp. 49-53.

¹⁹ BLEANEY, M. – GREENAWAY, D. (2001): The impact of terms of trade and real exchange rate volatility on investment and growth in sub-Saharan Africa, pp. 491-500.

²⁰ KRUGMAN, P. (1980): Scale economies, product differentiation, and the pattern of trade, pp. 950-959.

In addition to other explanatory variables, we apply the export diversification index, that is a modified Finger-Kreinin measure of similarity in trade.²¹ The index indicates values of $0 \leq S \leq 1$, with an index value closer to 1 representing greater divergence from the world pattern. The generally accepted way of calculating the diversification index is:

$$S_j = \frac{\sum_{i=1}^N |h_{ij} - h_i|}{2}, \quad (1)$$

where S_j is the export diversification index for country j , h_{ij} is share of product i in total exports of country j , and h_i represents share of product i in total world exports. According to equation 1 lower standard deviation in the index value indicates a higher degree of export diversification, and conversely, a higher standard deviation indicates a higher degree of export specialization.

To investigate the relationship between the studied parameters, we applied multiple regression analysis based on simplified neoclassical growth model that omits factors of production parameters and the level of technology. The purpose of the regression analysis is to evaluate the functional dependence of the conditional mean value of the dependent variable on independent variables. In this work, the use of multiple regression allows us to determine the systematic relationship and influence of selected economic variables on the economic growth rate. The practical implementation of the regression analysis was carried out with the statistical software Gretl 1.9, which contains the necessary functions to perform the tasks of this paper.

4 Empirical results

The purpose of this contribution was to examine the relationship between economic growth and international trade. We analyse several aspects of trade, including openness, diversification, and the growth rate of export/import flows. Multiple regression was built based on theoretical assumptions summarized in the theoretical part. To achieve the purpose of the paper, economic growth was expressed through the average annual GDP growth rate in 2015–2020. Trade dynamics was considered through the export and import growth rate. The degree of diversification was determined based on the absolute deviation of the trade structure of a country from the world structure. In addition to these variables, the index of openness expressed through the trade-to-GDP ratio was also applied. The output of the multiple regression is summarized in Table 3. In connection with the theoretical ideas, we assume that the growth of export volumes has a positive effect on economic growth.

The output of the regression analysis shows that the coefficient of determination (R^2) is 0.29. This coefficient shows that the selected regression function explains the variability of economic growth by 29%, while the other part represents the unexplained variability and the influence of unspecified predictors. Of course, the variability of the growth rate varies depending on the chosen set of explanatory variables. We consider this variability to be sufficient considering the complexity of the chosen dependent variable, which can be explained by other economic, geographical, and institutional factors. The regression model is highly statistically significant, with a P-value less than 0.05.

Table 2: Cross-sectional data regression output and theoretical assumption

	<i>Estimated effect of the parameter</i>	<i>β-coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>
const	$\beta > 0$	0.531005	0.744449	0.7133	0.4765
Exports	$\beta > 0$	0.0566301	0.0166321	3.405	0.0008 ***

²¹ FINGER, J. M. – KREININ, M. E. (1979): A measure of export similarity and its possible uses, pp. 905-912.

Imports	$\beta > 0$	0.192248	0.0302546	6.354	<0.0001 ***
Diversification	$\beta < 0$	1.48114	0.874008	1.695	0.0918 *
Openness	$\beta > 0$	-0.00433380	0.00351242	-1.234	0.2188
N	194				
P-value	3.84e-13				
R ²	0.293440				

Note: *, **, *** indicates statistical significance at the level of 10%, 5% and 1% respectively.

Source: Author.

The value of the β coefficients indicates the value of the change in the dependent variable in the case of a change in the value of the independent variable by one unit. The multiple regression analysis shows that an increase in the export growth rate by 10 percentage points rises the growth rate by 0.6 percentage points. However, imports have a stronger positive effect on the economic growth rate. An increase in the import growth rate by 10 percentage points rises the growth rate by almost 2 percentage points. In the case of both export and import growth, rates are highly statistically significant predictors. Thus, we reject the null hypothesis and confirm the hypothesis that in the current period there is a direct linear relationship between trade dynamics and economic growth, other things being equal. The impact of the openness of the economy expressed through the share of exports and imports on GDP is negative; therefore, this predictor is statistically insignificant (P-value > 0.05). On the other hand, the effect of the diversification index contradicts the theoretical assumptions. The positive β -coefficient shows a statistically significant (at the 10% level) direct effect of export specialisation on the real GDP growth rate. Recall that a higher standard deviation (closer to 1) indicates a higher degree of export specialization. According to regression analyses, higher index values are associated with higher real GDP growth.

Conclusion

The purpose of this contribution was to analyse theoretical perspectives on the impact of international trade on economic growth. For empirical confirmation of theoretical ideas, we estimated the relationship between selected parameters of foreign trade and economic growth using the dataset of 194 sovereign states and dependent territories. The choice of the investigated dataset was justified by the availability of data on economic growth and trade.

The results of the regression analysis showed a statistically significant direct effect of trade dynamics on economic growth. The hypothesis *H1* that *in the current period there is a direct linear relationship between trade dynamics and economic growth, other things being equal*, was confirmed based on regression analysis. The growth rate of export and import volumes has a positive effect on the real GDP growth rate. The above-mentioned effects of international trade on economic growth are statistically significant. An exception is the indicator of economic openness expressed through the trade-to-GDP ratio, which showed a negative effect on economic growth, although statistically insignificant. Despite theoretical considerations, the regression analysis showed the recognition of specialization, not diversification, as a determinant positively affecting economic growth. However, the question within the given issue is reverse causality, since the rate of economic growth can affect the dynamics of trade, like how export and import flows affect the rate of economic growth. This particularity is of interest for further investigation of the chosen issue in the future.

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TERRITORIALITY IN CURRENT HUNGARIAN FOREIGN POLICY¹

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Abstract: This contribution investigates the role of territoriality in the current Hungarian foreign policy, particularly regarding Hungarian minorities living in neighbouring countries. It points to the historical, social, ideological and international aspects of the approach to this issue in the foreign policy implemented by two conservative parties in different international conditions: shortly after the end of the Cold War, when disintegration of the multinational states neighbouring Hungary occurred, and in the twenty-first century, when Hungary became a member state of NATO and the EU and relations in Central Europe have stabilized. Especially in the second stage, the unification of the Hungarian nation across the borders became one of the decisive principles of the FIDESZ foreign policy. It was implemented by a whole series of extraterritorial measures aimed both preserving the identity of the Hungarian communities and strengthening political power of FIDESZ along with regional position of Hungary.

Keywords: territoriality, foreign policy, Hungary, national minorities

Jel: F 50, F51

Introduction

The question of territoriality returned to Hungarian foreign policy at the end of the twentieth and beginning of the twentieth first century, especially when conservative political parties governed external relations. This fact had historical, social, ideological, and international reasons. In relatively brief period we observed two different situations in international development. Shortly after the end of the Cold War, the disintegration of the multinational states neighbouring Hungary took place. In the twenty-first century relations in Central Europe have stabilized and Hungary joined the NATO and the EU. Particularly in the second stage, the unification of the Hungarian nation across the borders became one of the decisive principles of the FIDESZ foreign policy. It was implemented by a whole series of extraterritorial measures aimed both preserving the identity of the Hungarian communities, and to achieve domestic political power goals and strengthening the regional position of Hungary. This contribution investigates the role of territoriality in the current Hungarian foreign policy, particularly regarding Hungarian minorities living in neighbouring countries.

1 Theoretical background

Foreign policy can be understood as state activities directed towards other states and societies. It can be theorized as the extra-societal or extra-territorial aspect of the state's function.² States are the main space in which foreign policy is carried out, both as its subjects and objects. Since the territory is one of the basic features of the state,³ then foreign policy is an activity directed beyond the boundaries of the defined territory of the given state. This policy can also affect measures for the defence of one's own territory, as well as for the acquisition of

¹ The paper was prepared in framework of the project VEGA No. 2/0152/20 Tendencies of development of current capitalism - contradictions and conflicts

² OUGAARD, M. (2010): A modified Poulantzian Perspective on Geopolitics and Capitalism.

³ WEBER, M. (1990): Politika ako povolanie (Politics as a Vocation).

other territories, or influencing the development on the territory of foreign states. In both cases, however, it is also related to political power, given that the state is a distinctive form of territorialization of political power,⁴ that is, the control of tools for determining, maintaining, and changing the internal organization of the state and its external action. Ultimately, political power is determined by the constellation of social classes and groups. Interests promoting by the state externally also depends on this constellation.

Political power is associated with sovereignty – as the right of the state to rule over its territory, however this sovereign power of an individual state is continually challenged, contested, and modified. Under concrete historical conditions some states are emerging, some collapsing and some diverging due to secessionist movements. These processes are results of economic, social, and political changes of the concerned states, structural changes of international relations and foreign policy actions of great powers and other interested state.

Alongside with the great powers, smaller states can also strive to expand their own territory, usually as allies of the great powers whose goal is to change the existing international order. An example can be Germany's policy of alliances before and after the outbreak of the Second World War, which resulted in the change of borders in Europe.

The relationship between power and territoriality receives special attention in the theory of imperialism, while some authors distinguish between the territorial logic of power and the logic of capital. While the logic of capital is understood as –molecular– processes of capital accumulation in space and time, territorial logic is perceived as „the political, diplomatic and military strategies invoked and used by a state ... as it struggles to assert its interests and achieve its goals at large“.⁵ Politicians and state typically seek outcomes that sustain or augment the power of their own state vis-à-vis other states.⁶ Territorial logic does not necessarily have to be connected with a change of borders, but it can also manifest itself in influencing the policy of another state as a result of economic and military superiority.

Territoriality is inevitably associated with identity and could be utilized for reproduction of sense of loyalty, and it is central towards idea of nation.⁷ Nationalism is a means of strengthening the hegemony of a certain class in the state, but it can be an effective tool for mobilizing support for action of state in the external environment. Territoriality also plays role in kin-state policy towards kin-minorities living abroad. These communities are used by governments as cultural-linguistic source for definition of territorial national identity crossing state borders.⁸

2 Territoriality in Hungarian foreign policy in the nineties

The approach to territoriality in Hungarian foreign policy after 1990 has two distinct phases. The first one is related to the immediate demise of the bipolar system, created after the Second World War, and accompanied by the disintegration of the multinational states neighbouring Hungary. Part of the territories of these states historically belonged to Hungary as part of the Austro-Hungarian Monarchy, whose demise after the First World War was the result of the emergence of several independent states (including Hungary). Under the peace treaties, only one-third of the territory of the historical Hungary fell to new one, while numerous Hungarian communities found themselves in the newly formed states. In the period between the two world wars, the ruling classes of Hungary strove for the revision of peace treaties and the change of state borders, even for the restoration of Hungary in its original borders.⁹

⁴ JESSOP, B. (2016): *The State: Past, Present, Future*.

⁵ HARVEY, D. (2004): *The new imperialism*, p. 26.

⁶ *Ibidem*, p. 27.

⁷ STOREY, D. (2003): *Citizen, State, Nation*. Geographical Association.

⁸ WATERBURY, M.A. (2010): *Between state and nation. Diaspora politics and kin-state nationalism in Hungary*.

⁹ ZEIDLER, M. (2009): *A revíziós gondolat*.

The conservative part of the new political class, which was formed during political, economic, and social changes at the end of the eighties and the beginning of the nineties of the last century, and often had family ties to the ruling elites of the interwar period,¹⁰ ideologically identified itself with nationalism of its predecessors. However, it was in many aspects adapted to new historical conditions. On the one hand, there was an effort to strengthen Hungary's position and gain an advantage in enforcing its own preferences by integrating into Euro-Atlantic structures, on the other hand, it was a systematic effort to present the demands of Hungarian minorities living in neighbouring states within the so-called of national policy and conditioning good neighbourly relations by respecting the demands of Hungarian communities. In the situation when the narrative about the injustice of the peace treaties and the so-called Trianon trauma became important part of the public discourse in Hungary, interstate relations in Central Europe were marked by growing distrust of the Hungarian government's intentions.

The Hungarian conservative government's attempt to make the recognition of the territorial integrity of some neighbouring states conditional on the solution of the minority issue, while not rejecting the question of a peaceful change of borders in principle, contributed to the instability in the region.¹¹ On the one hand, the Hungarian government declared that it had no territorial claims against its neighbours, but on the other hand pointed out that the Final Document of the Helsinki Conference on European Security (1975) excluded the violent change of borders, but at the same time allowed their change in accordance with international right by peaceful means and agreement.¹²

The Ukrainian-Hungarian Treaty on Good Neighbourhood and Cooperation signed in 1991 contains wording regarding mutual respect for the territorial integrity of both countries and the non-existence of territorial claims against each other at present or in the future. In the treaty both parties pledged to protect the rights of national minorities living on their territory. Such wording could also be used for arrangement relations with other neighbouring countries, especially with those in which the numerous Hungarian communities are living. However, the political will of Hungarian government was lacking for such a solution.

After the difficult ratification of the treaty in the Hungarian parliament caused by the rejection of some members of the then ruling party Hungarian Democratic Forum (MDF) and the nationalist-populist opposition, Prime Minister J. Antall declared that the so-called "territorial clause" in the treaty with Ukraine cannot be a precedent in relation to any neighbouring country.¹³

In the conditions of the ongoing civil war in Yugoslavia, the increasing tension in interstate and ethnic relations in Central Europe was perceived by the countries of the European Union as a security risk and at the same time an obstacle to the consolidation of the economic and political influence of the EU in Central Europe. Therefore, the EU states, upon proposal of France, approved an initiative aimed at strengthening stability in Central and Eastern Europe. Part of it was also providing the perspective of joining the EU as an incentive for the settlement of relations in the region.

This initiative known as the Pact on stability in Europe included a series of negotiations of the Central European and Baltic countries, which resulted in the adoption of a final document (signed by fifty-two members of the OSCE), consisting of political declaration on the principles of good neighbourly cooperation, a list of agreements between countries of the region and EU members, as well as among Central and Eastern European countries and between them and other neighbouring states and listing the assistance prospects proposed by Central and Eastern European countries and those financed by the EU as a part of PHARE. The main result of the

¹⁰ MELEG, A. (200): *Átmeneti osztály és hegemónia* p. 81.

¹¹ DUNAY, P. (2004): *Az átmenet magyar külpolitikája*, p. 227.

¹² JESZENSZKY, G. (2016): *Kísérlet a Trianoni trauma orvoslására*, p. 274.

¹³ *Ibidem*, p. 279.

Pact was the interlinking of the principle of the inviolability of borders and respect for the rights of minorities.¹⁴ These principles were included in the bilateral so-called fundamental treaties of Hungary with the Slovak Republic and Romania, in which the most numerous Hungarian minorities live in. However, these treaties were the result of negotiations conducted by the new socialist-liberal coalition government of Hungary after the victorious elections in 1994. The question of EU and NATO accession and the elimination of any obstacles, including disputes with neighbours, that could threaten this process played a priority role in new foreign policy of Hungary. This, among other things, meant an unequivocal rejection of any questioning of the existing borders in Central Europe. Both the Hungarian Socialist Party and its liberal coalition partner (Alliance of Free Democrats) were closely connected to multinational corporations, and the issue of regional stability was related to the economic interests of the latter, as well as the efforts of groups associated with these parties to create not only economic but also political conditions for inflow of foreign capital.¹⁵

3 Extraterritorial nationalism in FIDESZ policy

The second phase of Hungarian conservative foreign policy's approach to territoriality begins at the turn of the twentieth and twenty-first centuries. Its peculiarities were influenced by two key factors. The first were the changes in the conservative-right wing of Hungarian politics. After the overwhelming defeat of the MDF in the elections in 1994, the position of leader of the right was taken over by the FIDESZ party, which was founded as a liberal party in the late eighties. This position was confirmed by the victory in the elections in 1998. FIDESZ took over the conservative agenda of nationalism in a slightly modified form. Regarding the issue of Hungarian minorities in neighbouring countries, it adhered to their perception as part of the unified Hungarian nation. At the same time Fidesz did not question the principle of the inviolability of territorial integrity declared in the basic treaties with neighbouring states, although as an opposition party did not support their ratification, since the demand for autonomy for Hungarian minorities was not enshrined in them.¹⁶

At the turn of century relations in Central Europe had been stabilized and the process of Euro-Atlantic integration became dynamic. Hungary together with the Czech Republic and Poland joined NATO (1999) and was invited to accession negotiations with the EU. This development significantly strengthened international position of the country and the self-confidence of FIDESZ as a ruling party.

Under these circumstances FIDESZ came up with a new policy initiative towards Hungarian communities in neighbouring countries, namely the adoption in 2001 of the Act on Hungarians Living in Neighbouring Countries (the term Status law is also used). This legal norm was a compromise between the demand of minority representatives for the provision of foreign Hungarian citizenship for Hungarians living abroad and the fear that such a step could hinder Hungary's entry into the EU. The law envisaged preferential treatment and the provision of support to members of Hungarian minorities in the fields of education, science, culture, and healthcare both on the territory of Hungary and in neighbouring countries. The law was supposed to be applied also on the territory of neighbouring states, but without their consent, which caused a deterioration of relations, especially with the Slovak Republic and Romania. Both countries considered the law as extraterritorial, violating their sovereignty.

FIDESZ implements its policy of supporting Hungarian minorities based on several principles, which were also reflected in the Status law and touch on issues of territoriality and

¹⁴ DUNAY, P. – ZELLNER, W. (1997): The Pact on Stability in Europe – A Diplomatic Episode or a Lasting Success?, p. 301.

¹⁵ ÉBER, M. et al. (2014): 1989. Szempontok a rendszerváltás globális politikai gazdaságtanához, p. 50.

¹⁶ NÉMETH, Zs. (1998): Parlamenti beszéd a szlovák -magyar alapszerződésratifikációja tárgyában; ORBÁN, V. (1998): Parlamenti beszéd a román-magyar alapszerződés ratifikációja tárgyában.

related sovereignty. The first is the principle of a unified Hungarian nation, including Hungarians abroad. The Hungarian constitution, adopted after the first two-thirds victory of FIDESZ in the parliamentary elections in 2010, also legally enshrined that non-resident Hungarians are full and equal members of the Hungarian nation. The second principle is national reunification beyond borders. The Hungarian state plays an important role in this reunification within the existing borders, which was also reflected in the adoption of the law on the preferential naturalization of foreign Hungarians. According to some official justifications, dual citizenship for the first time since the signing of the Treaty of Trianon enables the unification of the Hungarian nation in a legal sense.¹⁷ As Pogonyi put it, Fidesz completed by Constitution the transborder nation-building of the Right. He marked this policy as „Hungarian transborder nationalism.“¹⁸

In the process of approving the law, its provisions were also justified by the claim that the principles of absolute state sovereignty and absolute territoriality are gradually weakening.¹⁹ Despite the currently underlined principle of sovereignty vis-à-vis the EU by the FIDESZ government, it fully utilizes the possibilities of the single market and the free movement of persons, goods, and capital in its policy towards Hungarians abroad.

Within the framework of the national policy, institutions were created that have a cross-border and ethnic character and ensure the coordination of the activities of the Hungarian state and organizations of Hungarians in neighbouring countries. Such is the Hungarian Standing Conference, which has the status of a political consultative body, and its members are political parties of Hungarian minorities represented in the parliaments or regional assemblies of the home countries, together with parliamentary parties from Hungary and the Hungarian government. The Forum of Hungarian Representatives of the Carpathian Basin brings together representatives of members of parliament for Hungarian minority parties and in some cases also in regional assemblies together with members of parliament from Hungary. It is a consultative body of the Hungarian Parliament, and it is financed from its budget.

The institutional link between the Hungarian state and Hungarians living abroad means, on the one hand, the possibility for the latter to exercise their interests through the Hungarian government, but on the other hand, the government can also formulate goals regarding Hungarians abroad and beyond the territory of Hungary.²⁰

In addition to education and culture, support for Hungarian minorities also focuses on the economic activities of members of Hungarian minorities in neighbouring countries. In the case of Serbia and Ukraine, foundations, or business centres there were created, which decide on the allocation of funds provided by the Hungarian state. As in the case of the Status law, some countries neighbouring Hungary have reservations about the extraterritoriality of the Hungarian state's decisions and their implementation in the distribution of economic support. For example, the Slovak Republic, to exclude such procedures, insisted that the allocation of funds for entrepreneurs and companies from districts with a Hungarian minority must be decided under EU rules on economic aid and in the territory of Hungary.²¹

Conclusion

The cross-border or extraterritorial nationalism of the FIDESZ government serves two interrelated functions. It strengthens its legitimacy as a national force realizing the interests of the unified Hungarian nation. On the other hand, since the adoption of the law on the voting rights of Hungarians abroad, the power position of Fidesz has been strengthened thanks to their

¹⁷ KURUCZ, M. (2012) Dvojaké občianstvo v maďarskom politickom diskurze v rokoch 1998 – 2010, p. 90.

¹⁸ POGONYI, (2017): Extra-Territorial Ethnic Politics, Discourses and Identity in Hungary, p. 1.

¹⁹ A Statusztörvény (2002), p. 75.

²⁰ BÁRDI, N. (2004): Tény és való, p. 133.

²¹ KURUCZ, M. (2018): Priestorové aspekty súčasnej maďarskej zahraničnej politiky. Karpatská kotlina, p. 116.

votes. At the same time, economic and other support provided on the territory of neighbouring states enables Fidesz to deepen its influence among the Hungarian minorities. The policy of FIDESZ towards Hungarians abroad also has a symbolic value, as it demonstrates that the Hungarian state is also present with its activities in the territories of neighbouring countries where Hungarian minorities live. Hungary's current foreign policy has never officially questioned the territorial arrangement in Europe, even though several government representatives, including its prime minister, on some occasions mention the Trianon trauma or directly speak about the injustice of the peace treaties. On the other hand, its cross-border activities in many cases directly or indirectly affect the sovereignty of neighbouring states without an effort of Hungarian government to conclude agreements on the terms of their implementation.

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WAR IN UKRAINE: GLOBAL ENERGY SUSTAINABILITY IMPLICATIONS

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Abstract: The article is aimed at comprehensive analysis of global development trends of energy market as well as overall geopolitical context within the wartime and uncertainty framework. Owing to net-zero imperatives, sustainability, inclusivity and decarbonization initiatives previously set by global authorities, market shifts were mainly predetermined by green energy efficiency and energy security goals. However, the study outlines modern crucial cross-border transformations due to geopolitical wartime implications and international relation consequences. The shown trends over the recent years revealed transformations of world energy market, including electricity generation that occurred because of cross-border confrontation. Outstanding and non-typical shifts caused by military tensions are to be considered in terms of appropriate and adequate solutions for sustainability. The new realm of energy mix with renewable power, energy efficiency, system resilience and flexibility, resource diversification along with international energy export / import potential deployment is a key priority.

Keywords: decarbonization, energy market, energy security, international trade, sustainable development.

JEL: D81, F02, Q01, Q43

Introduction

The post-pandemic world is constantly changing. New challenges are inextricably connected to geopolitical abnormal that has already become the new normal. Uncertainty and instability permeate all crucial spheres of global life. War in Ukraine caused by Russian invasion provoked plenty of disruptions in the international economic chains. Humanitarian crisis exacerbated the downturn and led to political disfunctions. Inevitably trade costs are rising due to sanctions, export / import restrictions, higher energy prices and transport interruptions. Long-term impacts can be enormous and consequential. There is a high risk that trade can become more fragmented within geopolitical blocs and unions. The greatest threat is undoubtedly connected to losing human safety and well-being covering major basic needs of Maslow hierarchy. The expected recession has provoked not only state crisis, but also caused volatility in the global context.

The over-riding aim of the study is to conduct the complex data analysis of not only global energy market, but also various state development shifts under wartime circumstances over the recent years following the international trade imperatives as well as sustainability, net zero and inclusivity.

The article predominantly substantiates and proves the applicability of using analytical methods, especially extrapolation for the formation of a forecast of economic trends and further description of potential development directions of various international markets and countries taking into account global uncertainty and international tensions. The main research method used within the study was secondary data analysis, based on broad evaluation of qualitative data ranges and expert reports of international geopolitical consultancy. Grounded comparative

analysis was conveyed with the help of using systemic approach in order to outline the main features as well as key trends.

Literature review

To study the issue of revealing and tracking the existing shifts in the global markets, particularly connected with energy sector and international collaboration, as well as explaining the driving forces for the future growth in terms of socio-economic trends and identifying probable ways and results of this development, a review of the literature was conducted in order to analyze the available theoretical and empirical works related to the issue.

In general, war is first and foremost an element of a certain politics. It represents one of the possible ways of achieving the stated objectives of a policy. Thus, while war is a political phenomenon, it is also an economic phenomenon. It follows that the relationship between war and economics involves many aspects in a reciprocal relationship. The relationship between the economy and war is dynamic and its nature is constantly subject to the evolution of internal and external circumstances.¹ Furthermore, in order to conduct a result-oriented stand against some enemy it is crucial to take into account various war dimensions – military, political, economic, social, humanitarian, and informational.²

Going deep into the causes of global instability taking place over time political factor is inextricably linked to others in sense of its root impact. Thus, a lot of international conflicts were predetermined by historical as well as geopolitical confrontation. Gordon M. Hahn emphasizes that regime change relates to the instability of the country and enlarges the instability in whole region.³

The importance of the link between demography and war is the relative capacity of a given political unit's population to aid in its defense or to threaten other political units. For this reason, population increase and decrease have always been identified as vital security issues; however, the importance of raw population as an increment of state power has waxed and waned across time in response to technological innovations and broad normative social changes.⁴ To give an example, demographic losses from military operations are also significant, which are still difficult to estimate. But according to the results of the various studies, even 25 years after the end of the wars, the population of the affected countries remained significantly smaller than in comparable countries without armed conflicts. The main components of these losses are the victims of military operations, the outflow of refugees and the decrease in the birth rate.

Krc M. and Hynkova V.⁵ mention that some countries are choosing to restrict international trade and to favor protectionism. If national economists fail to deliver the desired result by restricting trade, more vigorous tools are reached for, and trade protection can trigger a spiral of measures and countermeasures resulting in a trade war. And this statement has real implications. For example, fairly moderate inflation in 2022 in Ukraine, with large-scale destruction of the production base and infrastructure, was due to the fact that the western border of Ukraine remained open, and neighboring countries were not engulfed in war. In this way, a significant part of consumer demand in Ukraine was met at the expense of imports. Imports compensated for some of the lost domestic supply (while real GDP fell by 29.2%, dollar imports decreased by only 4%), and large-scale foreign aid enabled to maintain the population purchasing power relative to imports. The frozen energy tariffs in Ukraine in the face of rising global energy prices also helped curb inflation.

¹ SHATZ, H. J. (2016). U.S. International Economic Strategy in a Turbulent World.

² HORBULIN, V. (2017): The World Hybrid War: Ukrainian Forefront.

³ HAHN, G.M. (2018): Ukraine Over the Edge: Russia, the West and the 'New Cold War'.

⁴ MEARSHEIMER, J. (2001): The tragedy of great power politics.

⁵ KRC M., HYNKOVA V. (2022): Aspects of Economic Warfare – Causes and Consequences, Challenges to national defense in contemporary geopolitical situation p. 323.

Overall, one of the mechanisms that determines the potential for the recovery of economic activity after the end of the war is the amount of destruction of infrastructure and production capital. Countries affected by the war, the stock of physical capital 5 years after the end of the war was on average 12% smaller than before the war. However, a key factor in a successful recovery is the achievement of a secure and lasting peace. Along with this, other factors have a positive effect on the speed of economic recovery after the war: the short duration of the war, dynamic economic growth and strong institutions on the eve of the war, a slight decline in the economy during the war.

World Trade Organization and Ukraine: collaboration peculiarities

World Trade Organization (WTO) is the main internationally recognized body that establishes and drives global trade rules. It includes 164 members and accounts of more than 98% of world trade.⁶ Ukraine has a huge trade potential on the global arena, taking into account the fact that more than 50% of its GDP is inextricably linked to export and presupposes high-level mutually beneficial agreements among trading parties. Further integration of Ukraine into the world economy and WTO major provision of a non-discriminatory and predictable regime for Ukrainian goods and services in the markets of WTO members are considered to be significant development priorities for the nearest future.

Since joining the WTO in 2008, Ukraine has successfully joined the WTO group of countries under Article XII of the Agreement on the Establishment of the WTO. Members of this group made a significant contribution to the liberalization of trade within the framework of the WTO. Ukraine's membership in this group also enables to maintain the continuity of the obligations under the Protocol on Ukraine's Accession to the WTO. In order to defend and protect its trade interests, Ukraine systematically takes part in the procedural activities of the highest governing body of the WTO – the Conference of Ministers. Within the framework of the Conference of Ministers, the most important decisions are made and the priority directions of WTO activities are already determined. In particular, within the framework of the 11th Conference of Ministers, which took place in December 2017 in Buenos Aires Ukraine joined a number of joint declarations and statements related to the support of multilateral trade system, e-commerce, disciplines on internal regulation of services, trade and empowerment of women in the economic sphere.

One more crucial aspect of Ukraine's contribution to the world trade development regards the accession of new members to the WTO. Ukraine is a member of 18 working groups. Advocating the interests of Ukrainian manufacturers and service providers during the negotiations regarding the accession of new members to the WTO is based on the prioritized proposals of highly-recognized state authorities as well as business associations aimed to remove entry market barriers. Participation in multilateral negotiations on agriculture, industrial product market access, service trade, trade rules, e-commerce enables Ukraine to defend its national trade position and economic interests as well as take part in the global trade development. Currently these negotiations are mainly focused on the following areas: agriculture, limitation or cancellation of subsidies in the fishing industry, e-commerce, internal regulation disciplines in the service sector etc.

Ukraine also plays an active role in the multi-problematic discussions on monitoring changes in the trade policy of WTO members with risk and value chain assessment taking into account both beneficial and negative impact factors of bilateral and multilateral trade, providing additional explanations on the introduced measures upon request.

Moreover, as a member of the WTO Ukraine undoubtedly adheres to its obligations in the field of transparency in accordance with the provisions of the WTO agreements and,

⁶ WORLD TRADE ORGANIZATION 2023.

thereby, contributes to multilateral trade system strengthening of the WTO with the main foundation principle based on transparency of the members' trade policy. Ukrainian comprehensive participation in the notification system has some huge practical value, as it opens up information access for Ukrainian companies about future changes in the trade regimes of other countries. The notification system gives WTO countries the opportunity to comment on draft laws or other acts of law of other WTO members before they are adopted, or to initiate discussions with the competent authorities of the respective countries about the possibility of making changes to them.

All things considered, multi-sectoral membership of Ukraine in the WTO declares the comprehensive importance of the following activity blocks:

- participation in the grounded dialogue panels on fair trade rules by conducting multilateral negotiations in order to take into consideration all the interests of domestic producers of goods as well as service providers;
- procedural improvement of Ukrainian goods and services as well as their suppliers' access to the markets of candidates for accession to the WTO based on the results of multilateral and bilateral negotiations;
- active participation in trade policy reviews regarding WTO members as well as WTO information system, using the early information exchange advantages in the context of various alterations in the trade regimes of WTO members;
- full-scale access to the most effective and multi-channel system for resolving trade disputes and conflicts of interest; possibility of raising and resolving trade concerns within the framework of WTO meetings;
- practical possibility of concluding free trade agreements with main and prospective trade partners (inclusive membership in the WTO is a mandatory prerequisite for starting negotiations with individual partners);
- establishment of a market economy country status constituting an important positive factor within anti-dumping investigations regarding Ukrainian goods and services.

To be clear, the Apec leaders' declaration⁷ this year also reaffirmed their determination to deliver a free, open, fair, non-discriminatory, transparent, inclusive, and predictable trade and investment environment. They stated that they are committed to necessary reform of the WTO to improve all of its functions, including conducting discussions with a view to having a fully and well-functioning dispute settlement system accessible to all members by 2024.

It is worth mentioning, long-term influence can become prominent and consequential. There is a high risk that trade may be more fragmented in terms of geopolitical blocs. In case no official blocs emerge, private actors are to choose strategies how to minimize risks by rebuilding supply chains. This can lead to global GDP reduction in the long run by about 5%, mainly by oppressing competition and innovation.

In general, that within the framework of the WTO, there is constant work on improving the quality and content of agreements, including the results of practical experience of their implementation and the world trade development trends in order to solve sharp issues and misconceptions that may arise. The collaboration between Ukraine and WTO is constantly evolving and its activities include new topical issues, e.g. sustainability, women economic rights and opportunities, small and medium-sized business support, trade fairness etc.

World energy market development trends – current state

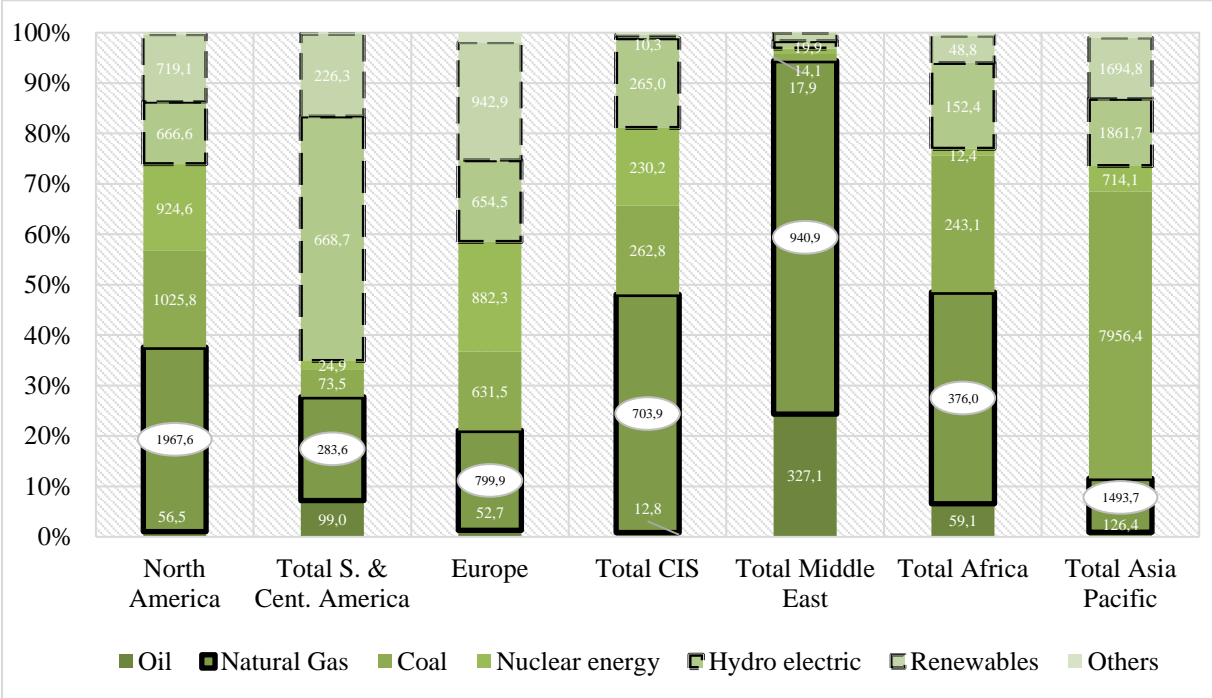
Climate change is one of the biggest global challenges for humanity in the 21st century. Its consequences are discussed by countries, corporations and all influential international structures. Global Commission on the Economy and Climate states that quite a rapid and

⁷ GUARDIAN AGENCY (2023): Apec summit ends with unity on WTO reform but not Gaza or Ukraine.

comprehensive transition to green economy mode could bring additional \$26 trillion to the global economic system over the same period. Every country has some form of climate change prevention as well as adaptation policy, including Ukraine.

In 2022, the energy system switched from concerns around post-COVID demand to supply concerns arising from the war in Ukraine. With the background development trends from 2021 the greatest discussion was again around significant gas share in the total chart as well as nuclear power substitution in the future (Figure 1).

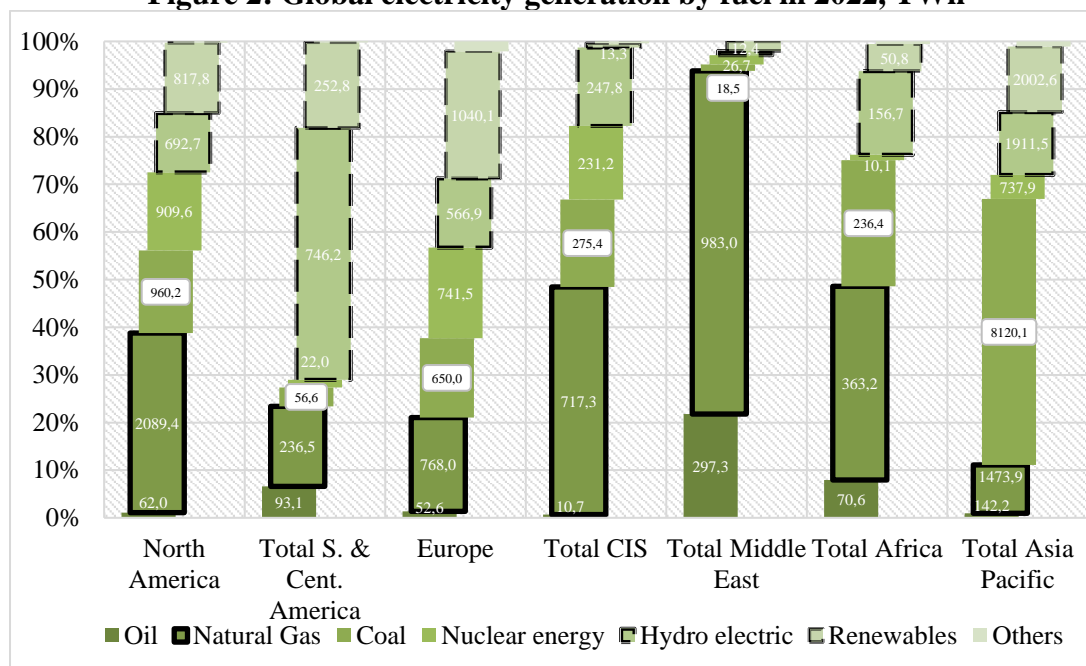
Figure 1: Global electricity generation by fuel in 2021, TWh



Source: own compilation based on *British Petroleum* data.

It is worth highlighting that despite a huge demand for fossil fuels demonstrated in recent years, there are positive signs of sustainable changes towards world green initiatives. Together with the technological deployment of low-emission alternatives, the extent at which new assets on fossil fuels are being included into the global energy system has significantly decreased. To add more credence to this assertion, sales of cars and vehicles with internal combustion engines are below the pandemic level. Regarding electricity sector, worldwide contribution of power plants working on coal and natural gas have been reduced, without peaks. Sales of residential gas boilers have been trending downwards and are now outnumbered by sales of heat pumps in many countries in Europe and the United States. However, 2022 changed everything in terms of global vision (Figure 2).

Figure 2: Global electricity generation by fuel in 2022, TWh



Source: Own compilation based on British Petroleum data.

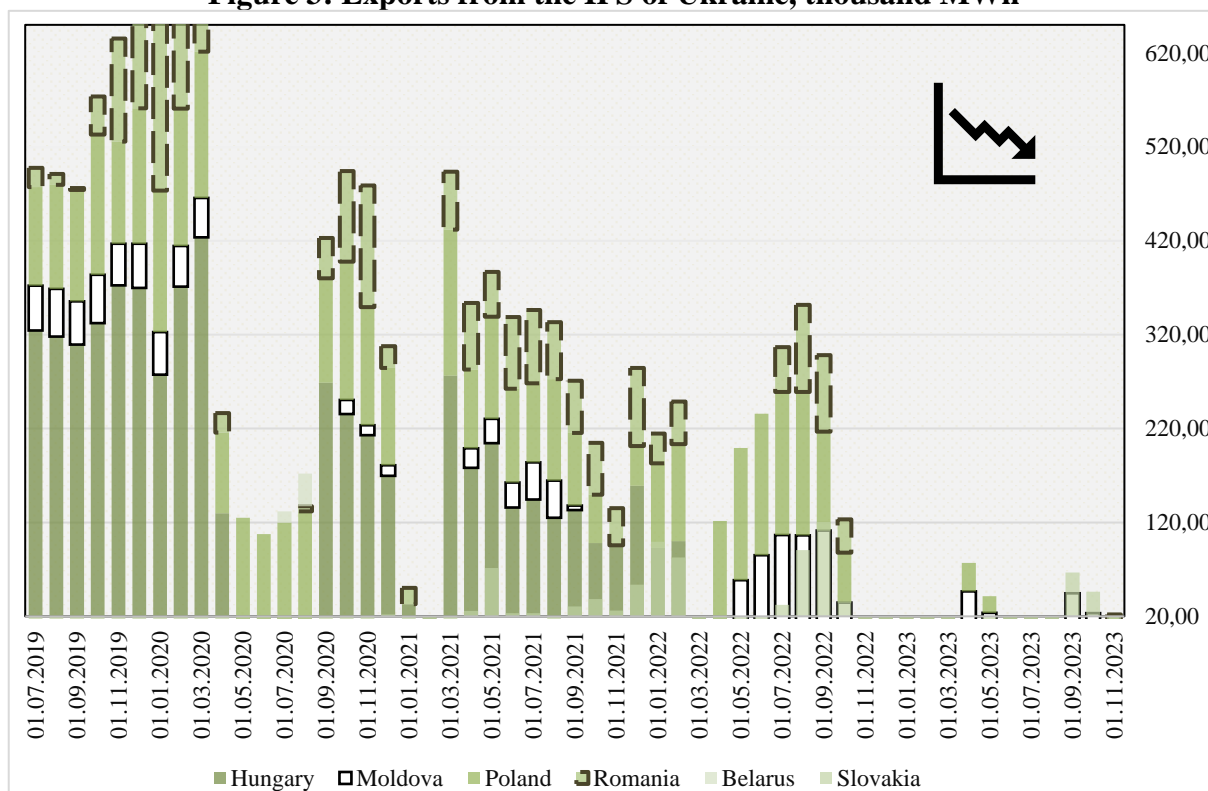
Following the existing market peculiarities, some future trends may be forecasted following the energy market development initiatives. In the *Electricity Market Report 2023*⁸ by International Energy Agency it's mentioned that fossil fuel-based electricity is set to cover 2022 saw a 1% increase in total primary energy consumption taking it to around 3% above the 2019 pre-COVID level. Renewables (excluding hydroelectricity) share of primary energy consumption reached 7.5% with a slight increase over the previous year. Fossil fuel consumption as a percentage of primary energy remained steady at 82%. Carbon dioxide emissions from energy use, industrial processes, flaring and methane (in carbon dioxide equivalent terms) continued to rise to a new high growing 0.8% in 2022 to 39.3 GtCO_{2e}, with emissions from energy use rising 0.9% to 34.4 GtCO_{2e}.

In contrast, global electricity generation increased by 2.3% in 2022 which was lower than the previous year's growth rate. Wind and solar reached a record high of 12% share of power generation with solar recording 25% and wind power 13.5% growth in output. The combined generation from wind and solar once again surpassed that of nuclear energy. Coal remained the dominant fuel for power generation in 2022, with a stable share around 35.4%, marginally down from 35.8% in 2021. Natural gas-fired power generation remained stable in 2022 with a share of around 23%. Renewables (excluding hydro) met 84% of net electricity demand growth in 2022.

The extremely accelerated pace of new renewable capacity additions constitutes the trend towards renewable generation increase that can lead to market pace dominance over coal surpass in the nearest future, taking into account beneficial weather conditions. Due to the fact that high gas prices increased the demand for alternatives, coal generation may slightly fall. However, Asian countries show the opposite trend.

⁸ ENERGY INSTITUTE (2023): Statistical Review of World Energy.

Figure 3: Exports from the IPS of Ukraine, thousand MWh



Source: Own compilation based on National Energy and Utilities Regulatory Commission data.

Ukraine has a huge potential in terms of electricity generation and trade. Despite wartime conditions, it continues taking part in international negotiations as well as global supply chain operations. As we can see from the Figure 3, the before-war trend was quite promising in sense of electricity supply to the foreign countries. However, war impacted a lot leaving only several possible options for trade – Poland, Moldova, Slovakia. Unfortunately, a lot of capacities are either ruined or occupied, that’s why it’s extremely complicated to fulfill the role of international contributor to a considerable extent.

Ukrainian energy market – security and capacity issues

Global prospects are not that much promising under wartime reality. Politicians as well as energy experts claim that winter is expected to be the most challenging period of year in terms of energy security due to probable military disruptions in order to destabilize the country.

However, there were a lot of strategic preparations taking place in Ukraine for its efficient functioning within various industries. Government and international policies are aimed at providing every citizen with the service or utility needed due to seasonal requests. Thereby, almost 16 billion cubic meters are accumulated in the storages, in warehouses – 1.1 million tons of coal, almost 1.9 GW of generating capacity was restored (+1.3 GW is planned to be restored by the end of 2023), in particular, 445 heat supply facilities were restored, and new deliveries of air defense systems were also provided in order to strengthen the protection of energy facilities.

Moreover, the United States has handed over 22 mobile boilers to Ukrainian communities and is preparing new deliveries. Denmark will contribute EUR 7 million to the Energy Support Fund of Ukraine. The total amount of support through the Fund has already exceeded 320 million euros.⁹

⁹ GOVERNMENT PORTAL – STATE SITE OF UKRAINE 2023.

In addition, opportunities for importing electricity from the EU have been expanded. Now Ukraine can import up to 1.2 GW of capacity, while a year ago it was 500 MW. At the same time, Ukraine is currently importing insignificant quantities of electricity. Previously, it was reported worldwide that Ukraine had renewed the export of electricity to three countries – Slovakia, Poland and Moldova. However, there are some procedural issues occurring while handling such export / import operations. For instance, the Slovak Republic is currently decreasing its electricity purchase, because in Ukraine the process of conducting auctions for power distribution is not brought up to the required European standards.

The National Commission for Regulation of Energy and Utilities as well as the Ministry of Energy may bring the process of auctions for distribution up to EU standards, so that Ukraine could effectively conduct electricity export / import operations. Procedurally, operators of countries that buy or sell electrical equipment may hold separate auctions with the income distributed among participants.

It is already profitable for Ukraine to export electricity to Europe, given that wholesale prices on the Ukrainian market fluctuate around 80 euros/MW-year,¹⁰ in Slovakia and Romania – close to 110 euro/MW-year, for Poland – over 140 euro/MW-year. Apparently, this is an increase in Ukrainian GDP and a foreign exchange earning inflow as well as contributions to the state budget. In 2021, Ukraine exported electricity for \$700 million, although exports became less than 2% of electricity (with growing trend).

It is also worth noting that the agreed capacity of commercial imports is 1,200 MW, while the technical capability of power transmission interconnectors is 2,000 MW. Increasing the permitted flow capacity is extremely important for Ukraine, but it is still not possible to get the necessary approval from ENTSO-E. It is clear that an increase of 800 MW of flow will mean the emergence of additional demand on the markets of neighboring countries, which will additionally affect pricing. However, the Ukrainian side has already done a lot of work in terms of agreeing the rules for the distribution of interstate crossings at joint auctions, and the necessary volume of imports can be purchased on the markets of different countries: Slovakia, Poland, Romania.

The closest collaboration in terms of energy sustainability is undoubtedly predetermined by European Union initiatives declared by Ukraine. To be precise, Ukraine is one of eight recognized accession candidates with North Macedonia (since 2005), Montenegro (since 2010), Serbia (since 2012), Albania (since 2014), Moldova, Bosnia and Herzegovina (since 2022). Turkey is a candidate since 1999, and Georgia has applied in 2022 formally for being a candidate too. Ukraine needs to position itself within the group of Western Balkan states and Moldova and have the regional dimension of this next enlargement in mind, in addition to its individual process.

Ukraine is currently extremely determined to join the European Union showing this goal by fulfilling international reform expectations. However, some challenging aspects can be noticed:¹¹

- to be on par with the EU-average, Ukraine's energy consumption would double, while its GDP per capita would increase about tenfold;
- Ukraine's transport sector consumes a third of the energy per capita of the EU average;
- while energy consumption per euro of value added in the agricultural and service sectors is comparable to the EU, industrial energy consumption is nine times higher;

¹⁰ UKRAINIAN ENERGY EXCHANGE 2023.

¹¹ GREEN DEAL UKRAINE PROJECT 2023.

– in some energy-intensive industries such as iron and steel and non-metallic minerals Ukraine uses much more energy per unit of value added than corresponding sectors in the EU – these sectors have disproportionately high importance in the Ukrainian industry.

The Ukrainian Government has been supporting the implementation of the EU Green Deal since its introduction, also having climate obligations under Paris Agreement and Energy Community Treaty. As an EU candidate country, Ukraine will also have to adjust its long-term energy and climate targets to meet EU climate ambitions. Clear climate goals will be necessary for attracting needed investment into Ukraine’s energy sector. Moreover, an EU-aligned energy and climate policy plan makes it easier to receive support from the EU, prevent carbon tariffs, and participate in burden-sharing (allocation of allowances).

Commercial electricity flows are a powerful market tool for balancing supply and demand. The summer heat, which coincides with the time of repairs on the main generating equipment, leads to an increase in demand. This summer, the Ukrainian operator of the transmission system – Ukrenergo – was repeatedly forced to call in emergency assistance to cover the difference between production and consumption. Increasing commercial imports during peak hours would help meet demand and avoid the need for emergency assistance from adjacent grid operators.

Growing imports can meet demand and avoid emergency assistance from neighboring grid operators. However, the current price restrictions will make it difficult to attract electricity imports from EU countries in the peak hours of the winter of 2023/2024. Further liberalization of prices on the Ukrainian electricity market can only lead to their increase and not provide the required result in investments in new generating capacities, that’s why such steps are to be taken carefully.

Another way is to use non-market instruments with their own advantages and disadvantages. The option with imported PSO will put an additional burden on the Ukrenergo tariff, worsen the situation with calculations, and also make the electricity market even more regulated. Under normal circumstances, this results in the generation of additional revenues whenever the power system approaches a deficit situation and sends market signals that stimulate investment in generating capacity. Deficit pricing is aimed at significantly increasing prices in the face of a shortage of generating capacity, thus providing better incentives for new investments in the flexibility of the energy system and its stable operation.

However, under the martial law reality in Ukraine investments in the construction of new capacities are rather risky. Sufficient volumes of highly maneuverable capacities are of high demand though. At the same time, a possible price jump after the revision or cancellation of restrictions on the organized segments of the electricity market will greatly affect economic processes in the country. It is also important to fully implement the provisions and mechanisms of REMIT to avoid market manipulation and prevent the formation of price collusion.

Conclusion

Wartime reality brought a new vision on global future. Grounded shifts took place within all industrial and social sectors. High level of uncertainty is inevitable under such circumstances. Energy sector is not exceptional. The one thing is clear: a brand-new global leadership is to be established in order to prevent irreversible complications. Mutually beneficial collaboration as well as sustainability priority constitute the way countries have to move in the upcoming development. The unprecedented market shifts arose by means of chain effects caused by targeted world interactions. In order to set up a new normal there is to be total data transparency on energy and climate that will enable crucial decision-making, investments and democratic stakeholder engagement. Moreover, a practical roadmap for further net zero is to be updated taking into account already existing downward trends and unmet goals. Comprehensive measures will enable thorough data, information and model analysis in order

to contribute to capacity building support and measure prioritization, as well as development of robust energy and climate strategies.

The global energy crisis and the problem of climate change are precisely projected onto the situation in Ukraine. On the one hand, in order to increase energy security and implement a green transformation, it is necessary to actively develop distributed generation based on renewable energy sources. On the other hand, the missile strikes by Russia are currently leading to difficulties in meeting the demand for electric energy, and Ukraine is forced to actively to use the equipment of outdated thermal power plants and coal, fuel oil and gas as fuel.

Due to wartime conditions the equilibrium in various markets, including electricity generation, is unpredictable. Multi-century history showed that only mutually beneficial collaboration within the country range enables risk nullification and further crisis prevention. Thus, the comprehensive integration of Ukrainian system into the pan-European energy system ENTSO-E is one of the key strategic goals as well as an important component of energy security. Synchronous energy system operations with ENTSO-E increases the reliability and stability of Ukrainian system, expands opportunities of electricity exchange between neighboring countries, strengthens competition in the domestic conditions and creates operational framework in the European energy market. The integration of the Ukrainian Energy System of Ukraine into ENTSO-E is provided by the Association Agreement between Ukraine and European Union. Moreover, new rules and regulations are to be set taking into account global shifts in energy generation in the global context. Various generation sources, both green and traditional, impact differences in state policies and capacities. That's why it is extremely crucial to establish global framework in order to cover demand, realize export/import potential, maintain sustainability.

Ukraine now and at the stage of post-war recovery has every chance to receive the necessary help from partners in order to increase its own energy security and rebuild the energy sector taking into account the set climate goals, plans for decentralization and decarbonization.

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CHINA'S INTERESTS ON THE AFRICAN CONTINENT THROUGH THE PRISM OF FOREIGN DIRECT INVESTMENTS

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Abstract: China is a major contributor and donor of aid to African countries. To understand China-Africa relations, we identify selected interests of China on the African continent that would have a beneficial effect on China in the long term and are linked to foreign direct investment. To achieve the purpose of the paper, we apply standard methods of induction, deduction, and synthesis. When examining the work, we concluded that in the context of foreign direct investment, China is interested in continuing to deepen China-Africa relations due to the growing potential of the African population and the increasing middle class. Other reason is increasing agricultural productivity, which leads to business opportunities. Finally, the African energy sector is also interesting for China and China is trying to strengthen its influence and positive image through the construction and renovation of parliaments and state buildings in Africa.

Keywords: China, African countries, China-Africa relationship, Foreign Direct Investment
JEL: F21, P33

Introduction

In general, foreign direct investment plays an important role in stimulating economic growth and increasing the revenue of the destination country, developing international trade, creating new jobs, scientific and technological progress and increasing labour productivity. Through these investments, foreign companies are involved in the internal functioning of the country to which they direct their investments.¹ According to the IMF's assessment, FDI is resilient in times of financial crises, which could encourage a preference for FDI over other forms of capital flows.² Although FDI is favorable in creating and maintaining competition between domestic and foreign companies, it poses a challenge for smaller domestic entrepreneurs who have a hard time establishing themselves and maintaining themselves in these conditions. Another disadvantage is that developed countries use less developed countries to locate their production units polluting the environment. The amount of foreign direct investment from China to Africa exceeded the amount of foreign direct investment going from the US to African countries in 2013.³ The total number of Chinese investors investing on the African continent, Chinese private companies account for up to 90%, but considering the value of investments, the largest investors are Chinese state-owned enterprises. Due to their long-term returns and strategic importance, Chinese state-owned enterprises dominate their investments mainly in sectors such as energy and transport.

¹ CALIMANU, S. (2021): Benefits And Advantages Of Foreign Direct Investment.

² LOUNGANI, P. – RAZIN A. (2001): How Beneficial Is Foreign Direct Investment for Developing Countries?

³ RAJPAL, D. (2023): Advantages and disadvantages of FDI.

1 Population growth in Africa

Among the reasons motivating China to strengthen its position on the African continent is the growing potential of the African population. According to projections, the population of the African continent will increase to 2.5 billion by 2050, while China's population will fall to just under 1 billion. Life expectancy will increase in China and there will be a demand for young labour, which Africa can provide to Chinese investors. China ranks among the high-middle-income countries. Their interests lie in exploiting the African continent's comparative advantage in the form of cheap labour.⁴ In other words, China has considerable influence over emerging economies through trade and investment.⁵

2 Agricultural sector and its potential

The second reason why China has strategic interests on the African continent extends to agriculture, which has a history of about 40 years. The deepening of relations between the African continent and China occurred at a time when China began to strengthen its position of power on the global stage. Its efforts also included creating bilateral agreements and providing humanitarian aid. However, to be provided to individual African countries, they had to recognise Taiwan as part of the People's Republic of China, in other words, they were indirectly forced to adopt a 'one China' policy.⁶

Africa's economy is dominated by the primary sector. African farmers do not produce as many agricultural crops as would be needed. It is one of the continents characterised by subsistence agriculture, yet it lags in the assessment of food security. Given that the agricultural sector is crucial for the African population, it is necessary to increase the amount of technical assistance and increase scientific and technological progress in this area. The solution to the problems affecting food security and low incomes could also lie in the transfer of technology to this continent. That is connected to China, which has made significant investments in this region.

China has committed to increasing agricultural productivity in the region since the creation of the Forum for China-Africa Cooperation (FOCAC). Its goals include improving food security, with operationalization taking place with the participation of university institutions, but the view of the effectiveness of China's agricultural direction is controversial. There is no consensus on aid flowing from China to Africa on which experts agree. On the one hand, there is a controversial perception of agricultural aid due to concerns arising from hidden speculation arising from trade and geopolitical opportunities. On the other hand, there are experts who take the view that there is a noticeable positive correlation between agricultural aid granted and agricultural activity in this area.⁷

3 Energy sector and infrastructure

China focuses its concentration of projects connected to activities in the energy production sector and transport sectors. The sector into which the largest amount of Chinese investment flows is energy sector.⁸ In 2023, China is one of the funders of infrastructure projects in sub-Saharan Africa. These investments over the last two decades amounted to 155 billion USD. Since the end of 2019, the United States of America has been financing the Fund

⁴ SHIRLEY, Z. (2021): Why substantial Chinese FDI is flowing into Africa.

⁵ The World Bank (2023): Overview.

⁶ BUCKLEY, L. (2013): Chinese Agriculture Development Cooperation in Africa: Narratives and Politics.

⁷ NDORICIMPA, S. – XIAOYANG, L. – SANGMENG X. (2022): China's agricultural assistance efficiency & to Africa: Two decades of Forum for China-Africa Cooperation creation.

⁸ IDE-JETRO. China in Africa.

for Countering Chinese Influence.⁹ Between 2023 and 2027 will be allocated 325 million USD to control and counter China's influence.¹⁰

In general, it is difficult to assess the level of investment flowing from China because Beijing does not transparently disclose these figures to the public.¹¹ One of the prerequisites for China's active involvement in the energy sector is the construction of infrastructure that facilitates the implementation of both projects and mining. Examples of China's involvement in building African infrastructure are roads and bridges in the Democratic Republic of Congo. Railways were built in Angola and power stations in Zambia. As part of the construction of railways, construction also took place in Nigeria and the construction of new lines took place in Gabon and Mauritania, which was associated with the development of mining.¹² Between years 2000 and 2023, more than 13,000 km of railways were built in Africa in cooperation with China. Motorways were also built, covering up to 100,000 km. About 1,000 bridges, 100 ports and at least 80 energy facilities were built. In this context, China has also proposed the Belt and Road Initiative, the main objective of which is to improve infrastructure throughout the continent and, in this respect, would lead to the development of intra-African trade.¹³ However, this initiative led to environmental damage because the implementation of Beijing's initiative has exacerbated the environmental crisis, which has manifested itself in increased air pollution, water scarcity and, last but not least, soil erosion.¹⁴

4 Construction and reconstruction of government buildings

In the longer term, China is also strengthening its influence by constructing and reconstructing parliaments and other state buildings in African countries. Countries where these constructions or reconstructions have taken place include, for example, Liberia, Mozambique, Seychelles and Guinea Bissau. China took place in reconstruction of Presidential Palace in Burundi or the headquarters of the African Union, which is in Ethiopia. The Heritage Foundation has conducted research looking at China's construction of government buildings in African countries, finding that as many as 186 African government buildings have been constructed or renovated since 1966. On the other hand, United States for example, do not usually contribute to projects related to the improvement, reconstruction, and construction of government buildings in Africa. For the countries of Africa themselves, this process is beneficial not only through the actual construction and reconstruction of buildings, but also in mobilising domestic political support for future voters, who often do not know where these funds come from because their main concern is a tangible output in the form of a building. The construction of these buildings often carries certain risks associated with eavesdropping and espionage, as evidenced by the 2018 controversy over the eavesdropping of the Chinese headquarters of the African Union located in Ethiopia.

However, the economic benefit for African countries in the process of implementing construction projects is not noticeable, since from the sketch to design and completion it falls under Chinese firms.¹⁵ This was also the case with Lesotho and its parliament building. The Chinese construction company Yanjian group was responsible for the construction of the building, employing Chinese employees in the implementation of the project. However, the construction of the parliament did not end China's presence in this African country, because

⁹ BOCIAGA, R. (2023): China's Africa Belt and Road investment drops as West spends more.

¹⁰ CONGRESSIONAL BUDGET OFFICE (2023): Cost Estimate.

¹¹ McCARTHY, S. (2023): China has poured billions into Africa's infrastructure. Is it now tightening the tap?

¹² SCHIERE, R. – RUGAMBA, A. (2011): Chinese Infrastructure Investment and African Integration, p. 15.

¹³ XINHUA. (2022): Cooperation with China brings better infrastructure, more jobs, sustainable development to Africa.

¹⁴ DIPANJAN, R. (2023): Environmental damage from Belt and Road Initiative projects on rise.

¹⁵ BARTLETT, K. (2023): Why China is Building Africa's New Parliaments.

since the completion of the building, Chinese companies have been the ones that continue to maintain it. The maintenance of the building is the competence of China because the Chinese construction company that was responsible for the construction of this building applied not only Chinese building standards, but also the specifications of the materials used. As it turned out, government officials in Lesotho admitted that they themselves did not have the technical equipment or competent people to keep the parliament building running. This means that contracts for Chinese workers will be extended.¹⁶ Institutional building and reconstruction will continue, for example, in Ghana and its Foreign Ministry building, the repair of which will be fully financed by China.¹⁷

5 New business prospects and opportunities

The slightly increasing middle class in Africa is increasing the demand for the development of smart urban systems, energy, better education, entertainment centres, financial services, but also better and more accessible healthcare. Chinese private companies are actively penetrating these sectors in African countries by exporting Chinese business models, intellectual property and technology platforms that are adequately tailored to emerging markets.¹⁸ Africa is a promising market for China to which FDI goes, as it serves as a source of raw materials in terms of, for example, iron ore mined in Gabon or coal from South Africa.¹⁹ China's interest in African raw materials also extends to oil, copper, metals and timber, which Chinese investment firms use to expand and which African countries possess. Since the mid-90s, oil imports from African countries to China have increased significantly. Gabon, the Republic of Congo, Equatorial Guinea, and Cameroon have favourable conditions for exports of raw timber, which they have also exported to China to a large extent. South Africa, along with Ghana and Gabon, are among the countries whose supplies to China include manganese. Cobalt imported into China also mostly comes from Africa, specifically imports from the Democratic Republic of Congo and South Africa.

Conclusion

China has several major interests in Africa. What is attractive to China is the growing potential of the African population, which could help restructure China's economy because it can take advantage of Africa's comparative advantage in the form of cheap and abundant labour.

We identified a Chinese effort to gain access to strategic raw materials or natural resources. China sees the African agricultural sector as a commercial and geopolitical opportunity in increasing agricultural productivity, not forgetting the issue of food security. Partly linked to this point is the desire to be involved in Africa's energy sector, which receives the largest amount of investment.

We conclude that China wants to strengthen Sino-African relations to increase its international influence. China is working to build and renovate parliaments infrastructure and other government buildings in African countries to consolidate its position. African governments often express their support for the 'one China' policy because it is a prerequisite for attracting Chinese investment and aid.

¹⁶ NCUBE, I. (2023): China builds influence using African parliaments.

¹⁷ BARTLETT, K. (2023): Why China is Building Africa's New Parliaments.

¹⁸ SHIRLEY, Z. (2021): Why substantial Chinese FDI is flowing into Africa.

¹⁹ LAFARGUE F. (2004): China's Presence in Africa.

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MILITARY ACTIVITIES OF EUROPEAN UNION IN BOSNIA AND HERZEGOVINA¹

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Abstract: The aim of this article is to evaluate the current state of the European Union (EU) military engagement in Bosnia and Herzegovina. It deals with the definition of ethno genesis, as it is the diverse ethnic structure that is often considered as a source of conflict in the Balkans. It also defines the historical events that determined the deployment of military forces of international organizations in Bosnia and Herzegovina, up to the continuing EU military presence in the country. It describes the current scope of the EU's engagement in Bosnia and Herzegovina. Attention is paid to the emphasis on the EU's military engagement, the EU's longest-running military operation - EUFOR Althea. The stated aim is achieved using the basic methods of scientific research - analysis, synthesis and comparison of relevant theoretical works of renowned foreign and domestic authors dealing with the researched and related issues.

Keywords: Bosnia and Herzegovina, European Union, EUFOR Althea

JEL: K40

Introduction

Bosnia and Herzegovina is a mountainous country in the west of the Balkan Peninsula, where three different religions and three different nationalities meet. The history of this country is full of conflicts and wars, which gradually shaped the territory of Bosnia and Herzegovina into its present form. The war tragedies that took place in the Western Balkans in years 1992 - 1995 have marked this country forever. The current political situation in the country is filled with history and it is characterized by the building of political consciousness based on a subjective sense of historical grievance. This small European country with a varied ethnic structure has long been exposed to problems such as corruption, a high level of poverty, emigration, and a complex and unstable political situation. Although Bosnia and Herzegovina is currently one of the poorest countries in Europe, it aspires to become part of the EU, for which it formally applied for membership in 2016.

Currently, the EU is most visibly involved in Bosnia and Herzegovina through the military operation EUFOR Althea, which is the longest-lasting EU intervention ever. The operation, which bears its name after the Greek goddess of healing, is part of the EU's broader comprehensive approach to Bosnia and Herzegovina and it is one of the tools with which the EU tries to ensure a stable security situation in its immediate borders.

The EU strives to be an important player in foreign policy and at the same time a guarantor of security in Europe. The deployment of military forces in the form of the EUFOR Althea operation is, to a certain extent, also a projection of its ambitions in the Western Balkans

¹ Publication of this paper was supported by the outputs of the research project NI 4200549 "Optimization of decision-making processes of crisis management in the conditions of the Armed Forces of the Slovak Republic in preventing and resolving non-military crisis phenomena."

region. At a time when the security balance in Europe is significantly shaken, the EU continues to demonstrate its continued commitment and determination to support a secure environment not only in Bosnia and Herzegovina, but also in the entire Western Balkans. This is evidenced by the current strengthened military presence of the EU in Bosnia and Herzegovina, which expresses the clear intention of the EU to continue to maintain a stable security situation in the country. The question remains why, even after almost eighteen years, the military presence of the EU in Bosnia and Herzegovina is still necessary. Will the state authorities of Bosnia and Herzegovina ever be able to maintain stability and peace in the country even without the help of EUFOR Althea units or the EU itself?

A significant factor that constantly affects the level of stability in Bosnia and Herzegovina is the inability to reach a political agreement between the representatives of the three-member Presidency. Even today, it is possible to watch the power games between the representatives of the three largest ethnic groups in the country on the political scene. The situation in the country will not improve as long as disagreements, the inability to reach a compromise and a lack of productive communication, a boycott of reforms or a high level of corruption continue. It therefore seems that the EU's military involvement in this country will be still necessary.

1 Ethno genesis and historical-political evolution in Bosnia and Herzegovina

Bosnia and Herzegovina, the country of the former Yugoslavia, currently consists of two entities - the Republika Srpska and the Federation of Bosnia and Herzegovina. The Brčko district is also a part of the country - a self-governing territorial unit of the state, which is administered jointly by both entities and is formally a territorial part of both the Republika Srpska and the Federation of Bosnia and Herzegovina. This arrangement is the result of the Dayton Peace Agreement, which ended the bloody conflict in this territory in 1995. At the same time, however, it created a fragile, highly decentralized and ethnically divided state with a complicated government system. Three majorities are the most numerous in the country - Serbs, professing the Orthodox religion, Catholic Croats and Bosnians, whose official religion is Islam. In order to understand the current relations between the three most numerous ethnicities of Bosnia and Herzegovina and their influence on the current security situation in the country, it is necessary to approach the long-term historical and political evolution in this territory.

The territory of Bosnia and Herzegovina is located in the central part of the Western Balkans and already in the past represented an important traffic link between Asia Minor and Central Europe. The surface of the country is predominantly mountainous, while almost 90% of the territory is covered by mountains of Dinara. That is why the river valleys are mainly inhabited, which at the same time form the natural borders of the territory - the northern border is the river Sava, the western border is the river Una, the eastern is the Drina, and in the south, there is a twelve-kilometer narrow strip of the coast of the Adriatic Sea.

During the 6th and 7th centuries, the territory of the Western Balkans was settled by Yugoslav tribes, who subsequently adopted Christianity. In 1054, when there was a split between the Christian East and the West, the southern Slavs living in this area also split. Those who lived to the east of the Drina river began to profess the Orthodox religion, and those who lived to the west of the Drina river became part of the Roman Catholic religion. The borders of both of these Christian camps essentially copied the borders between the Eastern and Western Roman Empire from 395. The religious division of the Southern Slavs in the territory of the Western Balkans played a significant role in the later formation of the territorial division and in the very evolution of relations between affected ethnic groups.²

² KRESLO, M. (2016): Bosna a Hercegovina. Průvodce nejen po horách, pp. 4-5.

For a short period, the Kingdom of Bosnia was established in the 14th century, which at the time of its greatest expansion spread over the territory of today's Bosnia and Herzegovina, Montenegro, Serbia and Croatia. In the southern part of the kingdom, the Duchy of Herzegovina later became independent. Already in the 15th century, this territory was controlled by the Ottoman Empire, and Turkish troops controlled most of the territory of today's Bosnia and Herzegovina. Subsequently, a certain part of the local population was Islamized. From this time, the population of Bosnia and Herzegovina was divided on the basis of religious affiliation, namely the Muslim population and "non-Muslims" (Orthodox Christians, Catholics and Jews). In the 17th century, when the decline of the Ottoman Empire occurred, this territory became the battlefield of several wars between Turkish troops and the Habsburg monarchy. After the Congress of Berlin in 1878, the territory of Bosnia and Herzegovina came under the administration of Austria-Hungary.³

During the Austro-Hungarian occupation of Bosnia and Herzegovina, Belgrade, as well as Zagreb, tried to incite nationalist ideas among the local Orthodox and Catholics. During this period, the Austro-Hungarian administration tried to promote the concept of a common identity, with which it wanted to prevent nationalistic tendencies. It received partial support from the modern Muslim elite, but the best representative of the Orthodox and Catholic elite did not succeed. Moreover, this ideology did not gain support even among traditionalist Muslims.⁴ Just as the concept of a common identity and unity of these different nations did not succeed during the Austro-Hungarian administration, it also failed later in the period of the former Yugoslavia.

At the beginning of the 20th century, society in Bosnia and Herzegovina was divided on the basis of religion. All local ethnic groups, i.e. Serbs (Orthodox), Croats (Catholics) and Bosnians (Muslims) started to create their own cultural associations. Later, individual ethnic groups also started to establish political parties and movements, which increasingly contributed to the spread of nationalism in the country.

After the World War I., a new state was created in the region of the Western Balkans - the Kingdom of Serbs, Croats and Slovenes, with King Alexander at its head. The newly formed state unit seemed very fragile mainly because there were three different religions, two different alphabets, four languages and many other small minorities on its territory. Within the new state entity, the Serbs asserted themselves most powerfully. There was tension between the individual ethnic groups and they found it difficult to find a compromise when solving disputes. The Croats, who tried to enforce equal status and emphatically rejected the official state ideology, according to which Serbs, Croats and Slovenes were one nation, but with three names, stood out the most against Serbian domination. Yugoslavia's King Alexander resolved the government crisis in the country by establishing a dictatorship, abolishing the approved constitution and trying to create unity and cohesion. In 1929, the Kingdom of Serbs, Croats and Slovenes was renamed the Kingdom of Yugoslavia, which should clearly express that it is one Yugoslav nation. The position of Muslims in the country was difficult. The official royal ideology did not recognize the distinctiveness of Muslims living in Bosnia and Herzegovina, instead they were often regarded as Islamized Serbs, or on the contrary, opposition circles in Zagreb claimed that Muslims were actually Croats of Islamic faith.⁵

In 1939, the disputes between Serbs and Croats were temporarily ended thanks to the Cvetković-Maček agreement, according to which the two hostile parties divided the territory of Bosnia and Herzegovina. Bosnian districts in which more Serbs lived were annexed to Serbian territories, and vice versa, districts in which more Croats lived became part of Croatian territory. Bosnian Muslims were deliberately ignored during the division of districts.⁶

³ KRESLO, M. (2016): *Bosna a Hercegovina. Průvodce nejen po horách*, p. 9.

⁴ HLADKÝ, L. (1996): *Bosna a Hercegovina. Historie nešťastné země*, p. 47.

⁵ HLADKÝ, L. (1996): *Bosna a Hercegovina. Historie nešťastné země*, p. 67.

⁶ PELIKÁN, J. et al. (2005): *Dejiny Srbska*, pp. 373-376.

During World War II., Yugoslavia was initially German ally. However, after the wave of riots and protests that started in the country after the pact with Germany was concluded. Yugoslavia found itself on the opposite side and had to face an attack from Germany. In April 1941 it capitulated, and its territory was occupied by the Axis powers. The German and Italian occupation forces subsequently supported the establishment of the collaborationist Independent State of Croatia (Nezavisna Država Hrvatska - NDH) led by the leader of the Ustasha movement, Ante Pavelić. The territory of Bosnia and Herzegovina was also part of the NDH. The policy of the ruling class in this newly created puppet state was strongly directed against Jews and Serbs.⁷ The immediate reaction of the Serbs to the persecution by the NDH was the creation of the Chetnik movement, whose goal was to restore the Yugoslav monarchy and oppose the Nazi occupation.

In this tense situation, where there were many inter-ethnic combat clashes, the communist partisan movement under the leadership of Josip Broz, called Tito, began to come to the fore more and more. Tito was able to gain support among the population with his policy of "brotherhood and unity" of the Yugoslav peoples, in which, however, he recognized the uniqueness of individual ethnic groups. Josip Broz distinguished himself from his Ustasha and Chetnik rivals precisely by rejecting inter-ethnic hatred, while they built their ideologies on xenophobic and mono-ethnic ideas. After the World War II., the communists managed to win the first, largely manipulated, elections, thereby establishing a communist regime throughout Yugoslavia.⁸ During this period, Bosnia and Herzegovina became one of the federal republics of Yugoslavia and at the same time represented an imaginary barrier between Croatia and Serbia.

The status of individual nations within the former Yugoslavia cannot be called equal. At first, Serbs in particular were privileged because Croats were distrusted by Belgrade and Bosnian Muslims were expected to claim Serbian or Croatian nationality within a few years. In the 1960s, the emancipation process of Bosnian Muslims, who refused to apply for Serbian or Croatian nationality, intensified considerably. Finally, the Union of Communists of Yugoslavia decided to recognize the national identity of the Yugoslav Muslims. This led to a very unusual situation, because a nation was created that was not bound to a geographical territory, but to a religious affiliation. Thus, the nation of Muslims (spelled with a capital "M", as opposed to a small "m", which denotes religious persons) was recognized.⁹

In 1974, a new Yugoslav constitution was adopted, which not only significantly strengthened the powers of the individual federal republics, but a sixth nation - the Muslims - was added to the five Yugoslav nations (Serbs, Croats, Slovenes, Macedonians and Montenegrins). The coexistence of Bosnian-Herzegovinian ethnic groups during the communist rule can be described as peaceful, and this is also confirmed by the fact that during this period the number of so-called mixed marriages. However, the peaceful situation persisted only thanks to preserved ethnic disputes, which could only last at this stage under the assumption of a firm authoritarian government of Josip Broz Tito and the Union of Communists of Yugoslavia.

Multi-ethnic state forms, which are made up of a heterogeneous population, will always face a number of problems arising precisely from different ethnicity. The existence of religious differences increases the probability of occurrence and also the intensity of conflicts. As more as the religiously diverse in the country is, the more violent religious conflicts tend to be. If religious issues also play a role in ethnic conflicts, the danger of political, economic or cultural

⁷ KRESLO, M. (2016): Bosna a Hercegovina. Průvodce nejen po horách, p. 12.

⁸ HLADKÝ, L. (1996): Bosna a Hercegovina. Historie nešťastné země, p. 90.

⁹ HLADKÝ, L. (1996): Bosna a Hercegovina. Historie nešťastné země, pp. 98-101.

discrimination increases.¹⁰ When more international actors are involved in conflict resolution, the situation is even more complex.¹¹

If we would like to talk about a real chance for the survival of such a state form, we need either the existence of positive motivation of individual ethnic groups to maintain unity, or, on the contrary, the existence of an external threat. An external threat already played a significant role in the creation of the first royal Yugoslavia - the individual nations in the Western Balkans were too small to be able to create capable independent state entities. The increasing influence of Italy and Germany in the period between the First and Second World Wars strengthened this threat even more and caused the Slovenes and Croats to exist in a unitary state together with the Serbs. During the period of Josip Broz Tito's rule, there was a sufficiently strong motivation, when the inhabitants of Yugoslavia realized that inter-ethnic hatred would not bring them anything good, and the policy of "brotherhood and unity" promoted by Tito showed that prosperity can only be achieved through cooperation. The fact that Tito was able to win over the people of Yugoslavia with his personality contributed significantly to maintaining cohesion. However, positive motivation was exhausted at the turn of the eighties and nineties, and highlighting ethnicity came to the fore again.

Around 1990, a process of democratization takes place throughout Yugoslavia. Similar to what happened in the period of Austria-Hungary or the Kingdom of Yugoslavia, parties were formed on the basis of the ethnic principle in this period as well. First, the Muslim Party of Democratic Action (Stranka demokratske akcije - SDA) was founded, headed by Alija Izetbegović, who was a respected politician in Muslim entity. Serbs and Croats also followed the Muslim example by forming the Serbian Democratic Party (Srpska demokratska stranka - SDS) led by Radovan Karadžić, and the Bosnian Croats organized themselves within the Croatian Democratic Community (Hrvatska demokratska zajednica - HDZ). All these political parties won the first democratic elections, which were held in November 1990. In the parliament, the SDA won 35.85% of the votes, the SDS 30% and the HDZ 18.35% of the votes. According to the population census of Bosnia and Herzegovina from 1991, there were 4,377,033 inhabitants in the country, of which 43.38% were Muslims, 31.32% were Serbs, 17.38% were Croats and 7.92% were others.¹² A comparison of the election results and the population census made it clear that the majority of Bosnia and Herzegovina's population voted in the elections on the basis of ethnicity. Society began to divide again and ideas of nationalism came to the fore.

After the elections, all three elected parties surprisingly agreed to form a government coalition. However, the parliamentary negotiations were already taking place in a tense atmosphere and the ruling coalition lacked programmatic unity. When the Serbo-Croatian conflict broke out in 1991, it caused a polarization of the situation in Bosnia and Herzegovina as well. Despite the fact that Serbia and Croatia were de facto at war, their presidents Slobodan Milošević and Franjo Tuđman were able to agree on the future of Bosnia and Herzegovina. During a secret meeting in the Serbian town of Karadžorđevo, the two presidents agreed to divide Bosnia and Herzegovina, similar to the 1939 Cvetković-Maček agreement, creating "Greater Serbia" and "Greater Croatia". In the end, however, the agreement was not implemented, as Milošević and Tuđman could not agree on the future of the Serbian minority in Croatia.¹³ After Slovenia and then Croatia embarked on the path of independence, Bosnia and Herzegovina also declared sovereignty.

In December 1991, representatives of Bosnia and Herzegovina asked the international community for recognition of independence through the Badinter Commission, but they failed.

¹⁰ HUNTINGTON, S. P. (2001): *Střet civilizací*.

¹¹ VARECHA, J. (2019): *Konfliktné prvky v medzinárodných systémoch*.

¹² HLADKÝ, L. (1996): *Bosna a Hercegovina. Historie nešťastné země*, pp. 134-135.

¹³ HLADKÝ, L. (1996): *Bosna a Hercegovina. Historie nešťastné země*, p. 137.

The international community emphasized that in order to recognize the independence of Bosnia and Herzegovina, a referendum on independence must be called, in which the majority of the population will say yes. The referendum, in which the inhabitants of Bosnia and Herzegovina were to say whether they wanted a sovereign and independent Bosnia and Herzegovina, i.e. a state of equal citizens - Muslims, Serbs, Croats and members of other nations living there, was held at the turn of February and March 1992. Referendum 64.31% of eligible voters took part, mainly Muslims and Croats, on the contrary, the majority of Serbs boycotted this referendum. 99.44% of the participating voters voted for the independence of Bosnia and Herzegovina.¹⁴

In Bosnia and Herzegovina, at the beginning of April 1992, the situation began to deteriorate rapidly, and a de facto war conflict began to break out. During this period, the European Union recognized the independence of Bosnia and Herzegovina, followed by the United States of America. As it turned out later, Bosnia and Herzegovina was not ready for independence. The subsequent three-and-a-half-year-long ethnic conflict marked this country for a very long time, and we still observe the consequences of the war tragedies that took place here in the country today.

The Bosnian conflict gained in intensity very quickly, and the biggest atrocities connected with the ethnic cleansing of the population took place in the very first months of the war. At the end of 1992, fighting was already taking place throughout the territory of Bosnia and Herzegovina. The number of those killed was estimated in the thousands, and foreign journalists reported on the existence of many internment camps, established by all warring parties. Tens of thousands of local residents were detained in these camps in difficult conditions. The borderless inter-population violence was accompanied by various criminal activities, and the worst events that took place during the war include the genocide in Srebrenica, mass killings during the siege of Sarajevo, ethnic cleansing and the rape of Muslim women by Serbian police forces (militia).¹⁵

In 1992, approximately 4.3 million people lived in the territory of Bosnia and Herzegovina. The civil war caused a great demographic decrease in this region. The conflict claimed from 100 thousand to 250 thousand victims, which represents 3-6% of the total pre-war population. Of these victims, 50-70% were ethnic Bosniaks, 25-35% ethnic Serbs and 7-10% ethnic Croats.¹⁶ Another huge problem was the massive wave of refugees who were forced to leave their homes because of the conflict. During the war, 2.2 million indigenous people left their homes, of which only about 990,000 people returned to their homes after the war. Thousands of refugees were mainly deterred from returning by fear and uncertainty about what awaits them in their original place of residence. Other complications were bureaucratic delays, disproportionate extension of the final permit to return or ubiquitous bribes.¹⁷

Since the fall of 1992, negotiations were taking place on the international scene with the aim of stopping the bloody conflict, but the efforts made did not bring the desired result. Moreover, foreign diplomats were not aware of the main motivation of the leaders involved in the armed conflict. While the mediators considered the war as an irrational solution and tried to convince the parties involved, the representatives of the individual ethnic groups saw the war as the only rational solution to achieve their goals.¹⁸

Finding a peaceful solution is a very difficult task in an ethnic conflict. In the case of Bosnia and Herzegovina, it was all the more difficult because three different ethnic groups with different views on the country's future were fighting each other. The biggest problem in the peace negotiations turned out to be the question of how much of the territory of Bosnia and

¹⁴ KRESLO, M. (2016): *Bosna a Hercegovina. Průvodce nejen po horách*, p. 14.

¹⁵ SEARLE-WHITE, J. (2001): *The Psychology of Nationalism*, p. 26.

¹⁶ TESAŘ, F. (1999): *Ozbrojený konflikt na území Bosny a Hercegoviny*, pp. 318-327.

¹⁷ ŽÍLA, O. (2014): *(Ne)úspěšnost repatriačního procesu v postdaytonské Bosně a Hercegovině*, p. 84.

¹⁸ SILBER, L. – LITTLE, A. (1996): *The Death of Yugoslavia*, pp. 285-292.

Herzegovina would go to the individual parties involved. Bosnians tried to preserve the territorial integrity of Bosnia and Herzegovina, mainly because of the low viability of a possible Muslim state that would arise from the breakup of Bosnia and Herzegovina. If the disintegration were to happen, territories with a majority of the Serbian population would probably join Serbia, and conversely, territories with a majority Croatian population would join Croatia. This would create the aforementioned "Greater Serbia" and "Greater Croatia", between which a small Muslim state would find itself with slim chances of survival. This also caused an enormous increase in the activities of local Muslims as well as the unprecedented import of radical Islamist ideas to the Balkans.¹⁹

Several elaborated peace plans, which the international community tried to enforce on the territory of the former Yugoslavia during the bloody battles, failed. After endless negotiations, the Dayton Peace Agreement was finally adopted, which definitively ended the civil war in Bosnia and Herzegovina and at the same time created the current form of organization of Bosnia and Herzegovina into the Republika Srpska and the Federation of Bosnia and Herzegovina.²⁰

However, despite its undeniable success, the Dayton Peace Agreement has been the target of criticism from Bosnians, Croats, Serbs, many foreign analysts and representatives of the international community from its signing until today. Bosnians blamed the international community for its passivity in overlooking ethnic cleansing, and the Dayton Peace Agreement, they say, unfairly divided Bosnia and Herzegovina into two entities, setting up a dysfunctional political model in the country that has seen Republika Srpska's political leaders boycott reforms and prevent the country's reunification. Bosnian Serbs perceive the Dayton Peace Agreement mostly positively, mainly thanks to the preservation of the autonomous Republika Srpska, although they still consider the territorial division in the ratio of 51:49% to be unfair. Bosnian Croats, on the other hand, feel deprived of the uniqueness of their own entity and generally feel that their own national rights are insufficiently guaranteed, since Bosnians are in the majority in the Federation. Foreign analysts often blame the Dayton Peace Agreement for inefficiency in the functioning of the state administration and extremely complicated constitutional and institutional set-up.²¹

However, it is necessary to realize that foreign diplomats and negotiators have been trying to achieve peace in Bosnia and Herzegovina for almost four years, have presented many forms of peace plans, and yet they have not been able to succeed. Thus, it turned out that ending the ethnic conflict in Bosnia and Herzegovina was an extremely difficult task, and it was therefore necessary to develop a peace plan that all three parties would be really willing to accept. A large number of compromise solutions was the only option. Although these solutions could not fully satisfy either party, they were still acceptable enough that the plan was not rejected in its entirety. There were only two alternatives - a compromise peace plan full of problematic places, or the continuation of the exhausting conflict.

2 The extent of the European Union's involvement in Bosnia and Herzegovina

International organizations were involved militarily in the effort to create peace in the Balkans really early. The European Community - The predecessor of today's EU started its activities already in 1991 through The European Community Monitor Mission – ECMM. A year later UN created military units with a strength of almost 39,000 soldiers called The United Nations Protection Force – UNPROFOR which were formed by Resolution of the UN Security Council (UNSC) No. 743. They were initially supposed to operate only in Croatia and their task

¹⁹ STOJAR, R. (2016): Islamic Radicalism and its Violent Exhibition in the Context of Balkan Region, p. 64.

²⁰ HLADKÝ, L. (1996): Bosna a Hercegovina. Historie nešťastné země, pp. 191-192.

²¹ KOLEV, K. K. (2013): The role of the EU in the Conflict Resolution in the Western Balkans, pp. 51-55.

was to ensure the demilitarization of the designated area.²² Two operations of the North Atlantic Alliance later operated in the region of the Western Balkans. Implementation Force – IFOR operated in the area for one year, and Stabilization Force – SFOR ensured NATO's military presence in the country for 8 years.

The last operation, which has been operating in Bosnia and Herzegovina since December 2004, is the EUFOR Althea, which is the longest-lasting EU military intervention. Already at the signing of the Dayton Peace Agreement, the deployment of military forces of international organizations on the territory of Bosnia and Herzegovina was envisaged in order to supervise the fragile established peace. Although the number of forces deployed in the country has been reduced over time, the security situation does not allow the EU to withdraw military units from this territory even today.

Currently, the EU's presence in Bosnia and Herzegovina is most visible through the military operation EUFOR Althea, in which 600 soldiers are active. In March 2022, the number of soldiers was temporarily increased by more than 500 members from Slovakia, Bulgaria, Romania and Austria, who strengthened the EU's military presence in Bosnia and Herzegovina. The operation of these reserve forces (Immediate Response Force - IRF) was a preventive measure to strengthen stability in the country, as during this period there was a deterioration of the security situation at the international level and there was a potential threat of disrupting the stability of Bosnia and Herzegovina.²³

Operation EUFOR Althea in Bosnia and Herzegovina is part of a wider, comprehensive EU policy towards the Western Balkans region and is also a tool that can help Bosnia and Herzegovina move closer to eventual EU membership. Several official EU documents state that the EU's medium-term goal is to support Bosnia and Herzegovina's progress towards the above-mentioned membership through the EUFOR Althea operation, especially by the fact that members of the operation will contribute to a safe environment in the country.²⁴

The EU operates in the country also by next tools. In 1996 there was established Delegation of the European Commission. In 2009, its name was changed to the EU Delegation in Bosnia and Herzegovina, and two years later, the powers of the head of the EU Delegation were merged with those of European Union Special Representative in Bosnia and Herzegovina (EUSR). So, since September 2011, the tasks of both offices have been performed by one person. Among the most important tasks performed by this combined office is the implementation of EU policy, analysis and reporting on political developments in the country with an emphasis on contributing to the further development of respect for human rights and freedoms. This office is also responsible for the management of EU financial aid to Bosnia and Herzegovina and also ensures the coordination of aid from EU member states.²⁵

Another tool of the EU in Bosnia and Herzegovina is the Office of the High Representative (OHR), which has been operating in the country since 1995. The goal of establishing this office was the civilian implementation of the Dayton Peace Agreement. Initially, the high representative did not have significant powers, as the representatives of the international community expected that the political leaders of the three opposing parties would comply with their commitments from Dayton.

Already in 1997, a conference of the Council for the Implementation of Peace was held in the German city of Bonn, which decided on a significant strengthening of the powers of the high representative. The new powers (so-called Bonn Powers) allow the High Representative to remove any Bosnia and Herzegovina politicians from office, regardless of the position they hold. They also allow him to freeze the accounts of political entities that sabotage the

²² UN (1996): United Nations Protection Force.

²³ VAŠŠOVÁ, T. (2022): Operácia EUFOR Althea v Bosne a Hercegovine, p. 21.

²⁴ EU (2017): Athena Operating Manual, p. 1.

²⁵ European Commission. 2021. Bosnia and Herzegovina 2021 Report, p. 5.

implementation of peace agreements. The most controversial authority is the legislative competence of the High Representative, which essentially allows him to bypass the entire "democratic" legislative process in Bosnia and Herzegovina.²⁶

The first significant use of the powers of the OHR occurred in 1998, when Nikola Poplašen from the Serbian Radical Party was elected president of Republika Srpska. Poplašen, in the first months after his election, ignored the national institutions of Bosnia and Herzegovina and refused to cooperate with the international community. Then-high representative Carlos Westendorp decided to ignore the will of the Republika Srpska voters and removed Poplašen from office.²⁷

A controversial element within the OHR can be considered the fact that its existence is not enshrined in the Constitution of Bosnia and Herzegovina, but only in the Dayton Peace Agreement, which actually gives the impression that the peace treaty has more importance than the constitution of an independent country. In recent years, the existence of this office has become the main topic of the annual negotiations on the extension of the EUFOR Althea mandate. Already in 2020, at a session of the UN Security Council, a representative of the Russian Federation expressed the opinion that the time had come to start thinking about abolishing this office. However, other countries did not support this view, so the OHR remained part of the EU's comprehensive approach in Bosnia and Herzegovina.²⁸

In 2020, Germany, in particular, did not identify with the idea of ending the OHR's activities, which fully supported its preservation. On the other hand, however, it recognized that it is necessary for the OHR not only to inform the UNSC about what is happening in the country, as it has been for the past few years, but to become the guardian of the constitutional order and to have a greater influence on the political events in Bosnia and Herzegovina and once again be a driving force in fulfilling reforms towards the rule of law.²⁹

In November 2021, during negotiations to extend the mandate of EUFOR Althea, the Russian Federation threatened to veto the appointment of German politician Christian Schmidt as OHR and demanded that all references to the office be deleted from the text of the Dayton Peace Agreement. The Russian Federation argued that this office was no longer needed in the country. Finally, the absence of OHR at the UN Security Council meeting became a compromise solution. The mandate of the EUFOR Althea operation was extended for another 12 months by Resolution no. 2604. However, it is questionable how the situation will develop in the future. Since April 2022 the Russian Federation suspended the financing of the OHR, thus making clear its disapproval of the continuation of this office in the country.

The PIC includes 55 countries and agencies that support the peace keeping process in Bosnia and Herzegovina in various ways - by providing financial assistance or providing troops for EUFOR. The American ambassador to Bosnia and Herzegovina, Michael Murphy, informed that since June 2021 the Russian Federation no longer participates in the meetings of ambassadors and the PIC, and in addition stopped paying the OHR membership fee. He considers it uninteresting to continue to remain in the PIC.³⁰

It was expected that due to the current security situation in Europe, the events in Ukraine and the related deterioration of relations between the Russian Federation and the West, there would again be problems with extending the mandate of the operation at the UN Security

²⁶ PIC (1997): PIC Bonn Conclusions.

²⁷ CBS NEWS (1999): Bosnia Serbs Reject Rulings.

²⁸ Security Council (2020): Security Council Extends European-Led Stabilization Force in Bosnia and Herzegovina for 12 months, Unanimously Adopting Resolution 2549.

²⁹ RUGE, M. (2021): Great power politics in Bosnia: How Berlin can stabilise a dysfunctional state.

³⁰ OHR (2015): Peace Implementation Council.

Council meeting in November 2022.³¹ However, it did not happen. whether this will happen in the future is unclear.

3 Operation EUFOR Althea

The current security situation in Bosnia and Herzegovina is more worrying than ever, which is also confirmed by the fact that EUFOR Althea operation has temporarily increased its numbers by more than 500 personnel to support the permanent units of the operation and contribute to ensuring that the stability and integrity of this country will not be endangered. Recently, separatist tendencies have increasingly appeared on the part of the Serbian member of the Presidency, Milorad Dodik, who openly talks about the separation of the institutions of the Republika Srpska from the rest of the country, which can be considered the first step towards the separation of the entire Republika Srpska. It therefore appears that the EU's military presence is currently more necessary in Bosnia and Herzegovina than ever before.

3.1 The legal basis of the operation and its financing

International operations, which are a form of interference in the internal affairs of the state, must be preceded by obtaining a mandate from the UNSC. Operation EUFOR Althea received this mandate on November 22, 2004, when the UN Security Council Resolution no. 1575 officially approved the EU's position and granted its multinational forces a 12-month mandate. The EU thus acquired the status of "stabilizer" of the situation in Bosnia and Herzegovina.

The EU's basic document, which defines its action in Bosnia and Herzegovina within the EUFOR Althea operation, is "Council Joint Action 2004/570/CFSP of 12 July 2004. On the basis of this document, the mandate was also granted to the EU's overall political coordination in Bosnia and Herzegovina. The document further states that the operation should strengthen the EU's comprehensive approach to Bosnia and Herzegovina while supporting its progress towards EU integration through its own efforts to sign the Stabilization and Association Agreement as a medium-term objective.

The Stabilization and Association Agreement is the framework for relations between the EU and Bosnia and Herzegovina, gradually establishing a free trade area between the EU and Bosnia and Herzegovina, as well as defining common political and economic objectives to promote regional cooperation. In the context of accession to the EU, the agreement serves as a basis for the implementation of the accession process. Bosnia and Herzegovina signed its Stabilization and Association Agreement in June 2008 in Luxembourg.

Council Joint Action 2004/570/CFSP also established that the Political and Security Committee - PSC, under the direction of the EU Council, is responsible for the political control and strategic direction of the operation. The commander of the operation is fully responsible for the military part of the EUFOR Althea operation, who is obliged to send reports to the EU Military Committee (EUMC) at regular intervals. EUMC, on the basis of this, continuously monitors the proper course of the military operation.

Among other things, relations with NATO are also defined in the document. The representatives of the mentioned organizations agreed that the military operation EUFOR Althea falls under the political control and strategic leadership of the EU. Within this framework, the commander of the EU operation submits reports on the implementation of the operation only to the EU authorities. NATO is informed about the development of the situation by the competent authorities of the EU.³²

³¹ Faktor (2022): Rusi suspendovali finansiranje OHR-a, ostaju članica PIC-a.

³² EU (2004): Council Joint Action 2004/570/CFSP of 12 July 2004 on the European Union military operation in Bosnia and Herzegovina, p. 1-4.

However, cooperation with NATO takes place mainly through the Berlin Plus agreement, thanks to which the deployment of military units under the banner of the EU was made possible, and thanks to which the EU also uses NATO resources and capacities when planning the operation.³³

Negotiations with NATO on the terms of the handover of the SFOR operation and on the EU's own planning process for the operation lasted for two years, due to complicated negotiations with both the United States and NATO. EU member states wanted a clear and specific division of tasks between EUFOR forces and the remaining NATO elements in Bosnia and Herzegovina after the EU takes over the SFOR operation. At their summit in June 2004, the heads of state and prime ministers of NATO member states decided that some supporting tasks (fighting terrorism and tracking war criminals) in Bosnia and Herzegovina would remain under NATO's authority even after the end of SFOR.³⁴

In Article 12 of the Council Joint Action 2004/570/CFSP, the financing method of the EUFOR Althea operation was established, according to which all common operational expenses are paid through the Athena mechanism. The Council of the EU established the Athena mechanism on March 1, 2004, while the most important premise of this mechanism is the financing of all costs from the EU budget, to which the EU member states are obliged to make annual contributions depending on their gross domestic product (GDP). All EU member states participate in the financing of EU military operations, with the exception of Denmark, which has decided not to participate in the Common Security and Defense Policy (CSDP) in military matters. Through the Athena mechanism, the common costs of EU military operations can be financed, as well as the costs borne by the states that send their troops to the operation - the establishment and operation of the headquarters, military infrastructure; health care; using satellites to collect information; costs associated with the operation of other international organizations.³⁵

Despite the negative changes and trends in the security environment in Eastern Europe, it is not possible to rule out a lower level of willingness and preparedness of several European countries to respect their obligations at ensuring collective defense.³⁶ How this will affect the EUFOR Althea operation cannot be said today.

3.2 Goals of the operation and its mandate

Operation EUFOR Althea began when the future of Bosnia and Herzegovina was not only important from the point of view of maintaining peace and security in the EU's neighborhood, but also because of the very perception of the EU as a foreign policy actor and guarantor of security. At the time of the operation's inception, its main goal was to ensure continuous compliance with the Dayton Peace Agreement, to create a safe environment in the country and, last but not least, to support the gradual Euro-Atlantic integration of Bosnia and Herzegovina. 7,000 soldiers were deployed.³⁷

Stabilization is an approach that aims to mitigate the effects of the crisis, support legitimate political authorities and create the conditions for long-term stability and peace. Stabilization requires the comprehensive deployment of both civilian and military capabilities in order to reduce acts of violence, restore security and resolve social, economic and political disagreements and disputes. Along with stabilization, reconstruction should be carried out, aimed at rebuilding the physical infrastructure and government institutions that have been adversely affected by the consequences of the crisis. In any case, all activities should be aimed

³³ EU (2015): EU military operation in Bosnia and Herzegovina (Operation EUFOR ALTHEA), p. 2.

³⁴ BOŠTJANČIĆ PULKO, I. (2017): (In)effective Planning Capacity of CSDP Missions, p. 39.

³⁵ EU (2017): Athena Operating Manual, pp. 9-11.

³⁶ IVANČÍK, R. (2019): Quo vadis európska obrana a bezpečnosť, p. 59.

³⁷ EU (2015): EU military operation in Bosnia and Herzegovina (Operation EUFOR ALTHEA), p. 1.

at influencing the primary sources of instability, i.e., those that are the reasons of the crisis and their elimination will create the conditions for long-term sustainable stability. However, the process itself should necessarily be synchronized, because only by interconnecting the impacts of civilian and military structures, it is possible to achieve synergies in achieving the projected outcome.³⁸

Currently, the goals pursued by the EU in Bosnia and Herzegovina are primarily political. Already in 2001, in his speech, Javier Solana described all EU activities in the Balkans as a test of the Common Foreign and Security Policy – CFSP. Even today, several authors agree that the EUFOR Althea operation is designed to "test" EU mechanisms in connection with crisis management, and thus that the tasks are more focused on the EU itself than on Bosnia and Herzegovina. Opinions are emerging that the operation should test the EU's ability to reform and adapt third countries for admission into its structures.³⁹

One of the ways of assessing the objectives pursued by the EU in Bosnia and Herzegovina is to divide them according to the time required to achieve them. In that case, the short-term goals represent an effort to prevent a re-destabilization of the internal situation in the country after the SFOR operation takes over. Among other things, the medium-term goals can be considered the gradual transfer of responsibility for maintaining security in the state from EU capacities to the authorities of Bosnia and Herzegovina, as well as the above-mentioned signing of the Stabilization and Association Agreement. The last goal, which requires the most time, is ensuring permanent stability in the country along with ensuring peaceful cooperation of Bosnia and Herzegovina with neighboring states.⁴⁰

Another way of dividing goals focuses on the nature of the performed tasks. Disarmament, which took place in the initial phase of the operation, the control of arms and ammunition trade or the support of collective and combined training of the Armed Forces of Bosnia and Herzegovina – AFBiH can be identified as the goals that are achieved by fulfilling military tasks. Among the goals that the EU achieves by fulfilling support tasks are the provision of expert advice to authorities in the field of defense reform, supervision of the application of human rights agreements in the country, and a transparent judiciary.

As mentioned above, the mandate of the EUFOR Althea operation is extended on an annual basis following the decision of the UNSC. Based on the development of the security situation, the mandate was also changed several times. The last time it happened in 2012. After the last reconfiguration of the mandate, the key tasks of the EUFOR Althea operation were defined as follows:⁴¹

- to support the collective and combined professional training of the AFBiH, which is essential in their progress towards NATO standards,
- ensure the fulfilment of the tasks specified in the Dayton Peace Agreement (application of human rights agreements in the country, transparent judiciary and many others),
- to contribute to a safe environment in Bosnia and Herzegovina in accordance with its mandate.

The mandate of the EUFOR Althea operation consists of an executive and a support part. The executive mandate is given by the UN Security Council - support of the authorities of Bosnia and Herzegovina in maintaining a safe environment. It consists of tasks such as military and civilian control of the movement of weapons, ammunition and explosive substances, as well as the activities of the Liaison and Observation Teams – LOTs, which mostly consist of

³⁸ KOMPAN, J. – HRNČIAR, M. (2021): The Security Sector Reform of the Fragile State, p. 88.

³⁹ OJANEN, H. (2005): Operation Althea: healing, testing or testing the healing?, pp. 12-13.

⁴⁰ KNEZOVIĆ, S. (2005): Scanning EUFOR – Operation ALTHEA and a possible Croatia's role in it, p. 127.

⁴¹ EU (2015): EU military operation in Bosnia and Herzegovina (Operation EUFOR ALTHEA), p. 2.

units from Austria, Hungary, Turkey and Slovakia. Since 2010, the mandate was extended by the so-called supporting part - support of collective and combined professional training of the AFBiH. This support mandate was extremely important for the further development of the AFBiH, because even though they appear united on the outside, inside there are polarizing elements that are basically a reflection of the whole society. In command structures that are multi-ethnic, positions are filled on an ethnic basis, not on a professional basis.⁴²

It is very important to mention that there is no time frame or final benchmarks that an operation should reach before the gradual transfer of power to the national government can be considered complete. The end of the EU's involvement in Bosnia and Herzegovina is defined in the strategic documents as a state when the state authorities will be able to create functional structures, especially in the area of security and defense, which we can call a relatively general definition. The government of Bosnia and Herzegovina is primarily responsible for this goal, which is assisted in its fulfilment by EU civil actors.

3.3 Structure of the operation

Operation EUFOR Althea is conducted under the leadership of the European Council, with political control and strategic management exercised by the PSC. The appropriateness of the measures taken and the overall performance of tasks is monitored by the EUMC, and its chairman is the primary point of contact for the operation commander, who is fully responsible for the military part of the operation. The commander of the operation is also the representative of the supreme commander of the allied forces in Europe in the NATO structure.⁴³ The Operation Commander performs his function together with the EU Operations Headquarters – EU OHQ from the Supreme Headquarters Allied Powers in Europe – SHAPE.

The original structure of the military forces operating under the flag of the EU consisted of three task groups that operated in various areas of the country:

- multinational task force in the north of the country (Tuzla) – 1,300 soldiers,
- multinational task group in the northwest of the country (Banja Luka) – 1,000 soldiers,
- multinational task force in the south-east of the country (Mostar) – 1,400 soldiers.

The EUFOR headquarters was based in the Butmir camp in Sarajevo together with an integrated police force (Operation EUPM) of 500 police officers from 30 countries.⁴⁴

In February 2007, troops were reduced to 2,500 and currently approximately 600 troops from 19 different countries are deployed in the operation. This reduction is compensated by the provision of advances - IRF, which are the core of the executive part of the operation. This continual reduction in the number of troops deployed in the operation was primarily due to the lack of political will on the part of the member countries, which gradually withdrew their troops from this territory. Another important reason was more urgent international priorities, for example the launch of the Resolute Support military operation in Afghanistan, where the main contributors of the EUFOR Althea operation - Great Britain and the Netherlands - were involved.⁴⁵

After the first significant troops reduction in 2007, it was also decided to merge the three task groups into the Multinational Battalion (MNBN), which was stationed in the Butmir camp in Sarajevo. It consisted of Austrian, Hungarian and the most numerous Turkish forces. The battalion currently conducts independent operations in the country and provides support to the Bosnian authorities.⁴⁶

⁴² STOJAROVÁ, V. (2019): Unifying the Armed Forces of Bosnia and Herzegovina – mission completed?, p. 78.

⁴³ BOŠTJANČIĆ PULKO, I. (2017): (In)effective Planning Capacity of CSDP Missions, p. 139.

⁴⁴ EUFOR BiH (2021): About EUFOR.

⁴⁵ BASSUENER, K. (2015): EUFOR: The West's Potemkin Deterrent in Bosnia and Herzegovina, p. 2.

⁴⁶ EUFOR BiH (2021): About EUFOR.

Due to the continually changing objectives of the operation and also due to the changing security situation in Bosnia and Herzegovina, there was a need to change strictly military activities to other tasks - gathering information, cooperation with local authorities or presenting the presence of the EU in the country. To fulfil these tasks, LOT teams are deployed, which operate within the whole area of Bosnia and Herzegovina. These teams are allocated in the so-called LOT houses, of which there are currently 19 in the country. The activities of the LOT teams are supervised by the LOT Coordination Centre – LCC, located in the Butmir camp, in which Slovakia has been the leading country since September 1, 2012. An important task of the LCC is, among other things, monitoring the situation in the entire territory of Bosnia and Herzegovina. In cooperation with the LOT teams, the so-called The Mines Information Coordination Cell – MICC, which is based in the Butmir camp, indispensable tasks fulfil. Under its supervision, instructors from all LOT houses are trained. They can subsequently pass on information through Mine Risk Education - MRE in schools, various associations and clubs in order to reduce the risk of further mine incidents.⁴⁷

European countries membering the NATO could join the operation from the very beginning. Canada (on request), EU candidate states (on invitation) and other third countries (on invitation) could also participate in it. It is important to mention that after the decision to participate in the operation, all participants (members and non-EU members) had the same rights and obligations. The military contingent of the EUFOR Althea operation initially consisted of 7,000 soldiers from 22 EU countries and 11 non-EU countries. Malta, Cyprus and Denmark did not participate in the operation. The largest contingents from third countries were sent by: Turkey, Albania, Macedonia and Switzerland.⁴⁸ The majority of the deployed forces from EU countries were soldiers from Germany (1,100 soldiers) and Great Britain (950 soldiers). In general, the largest part of the military units of the multinational contingent (up to 80%) were soldiers who had previously served in the framework of the SFOR operation. In the case of these soldiers, it was practically just a change of designation.⁴⁹

4 Impact on operation EUFOR Althea

The EU Council, following a strategic review of the operation, recognized that the presence of the operation remains crucial for stability and security in the country as part of the EU's overall strategy for Bosnia and Herzegovina. As already mentioned above, the (so far last) extension of the mandate of the EUFOR Althea operation took place in November 2022. UNSC Resolution no. 2658 (2022) [officially designated as document S/RES/2658 (2022)] thus represents the official confirmation of the continuation of the operation for the next 12 months.

Although relations between Republika Srpska and the Federation of Bosnia and Herzegovina are officially described as relatively positive and the risk of conflict is low, it cannot be denied that there is still some tension between the mentioned parts of country involved. The Council of the EU has long been urging all political leaders to desist from provocative and divisive rhetoric and actions, including questioning the country's territorial integrity. It warns them to work together to fulfil the 14 key priorities that the Commission identified in its opinion on Bosnia and Herzegovina's application for EU membership, which the Council approved in 2019. It encourages them to progress towards the EU in accordance with the interests of all citizens.

Recently, however, divisive rhetoric and a real effort to divide the country have again prevailed in the country on the part of the Serbian member of the Presidency, Milorad Dodik. He is trying to do this by ratification of legislation that would separate Republika Srpska from

⁴⁷ EUFOR BiH (2021): About EUFOR.

⁴⁸ JUHÁSZ, K. (2013): The European Union's Crisis Management Activity in Bosnia and Herzegovina, p. 70.

⁴⁹ KNAUER, J. (2011): EUFOR Althea: Appraisal and Future Perspectives of the EU's Former Flagship Operation in Bosnia and Herzegovina, p. 13.

central state institutions such as the armed forces and the judiciary. If such legislation enters into force, according to the OHR, it will be a de facto secession of Republika Srpska from the rest of the country without an official announcement. Ismail Cidic, president of the independent non-governmental organization Bosnian Advocacy Center, described the current situation in the country as the most dangerous crisis since 1995, which could lead to another war.⁵⁰

In July 2021, the situation between the country's political leaders became a bit more tense again, when Valentin Inzko – in that time the representative of the OHR, used his powers and banned the denial of the genocide. This step was taken mainly in connection with the events of Srebrenica in 1995, which were also called genocide in several verdicts by the International Court of Justice - ICJ or the International Criminal Tribunal for the former Yugoslavia - ICTY. Milorad Dodik expressly disagreed with this step and declared that no genocide took place in Srebrenica. Such situations are a clear indicator that the subjective sense of historical wrongs and the inability to recognize that the victims of the war thirty years ago were on both sides of the conflict persist to this day. However, unless the political leaders are able to recognize that the war has deeply affected all the inhabitants of Bosnia and Herzegovina, regardless of ethnicity or religion, and continue to indirectly support nationalist ideas, this country will find it very difficult to take a step towards Euro-Atlantic integration.

Although the official statements of the three members of the Presidency regarding the extension of the operation's mandate in November 2021 were positive, the Serbian member Milorad Dodik changed his statements at the last minute. Former Bosnian member of the presidency, Mladen Ivanić, criticized the entire process of negotiating the extension, calling it a "battle of the big players". According to him, it is necessary for domestic politicians to be able to sit down and negotiate, and not just rely on "help from outside". However, currently such an effort does not come from either side.⁵¹

After the events that took place at the end of February 2022 in Ukraine, the overall security situation in Europe worsened. During this period, a tense situation also reigned in Bosnia and Herzegovina, which is why the EUFOR Althea operation headquarters decided to preliminarily react by deploying the IRF and thus strengthen the EU's military presence in the Balkans by more than 500 soldiers. One of the main reasons was to continue to maintain a stable and safe environment and clearly present the EU's interest in this region. Another reason was the real concern that, in connection with the war in Ukraine, Milorad Dodik could declare the independence of Republika Srpska when the first laws on the dissolution of state institutions come into force. There are fears that Milorad Dodik could then call on the Serbian members of the Constitutional Court to resign, rendering the Constitutional Court ineffective.

Given the current security situation in Europe, it is therefore understandable that the commander of operation EUFOR Althea has decided to increase the EU military presence in Bosnia and Herzegovina, sending a clear signal of its continued commitment to maintain a stable and secure situation in that country. Moreover, if the Russian Federation openly talks about its reaction in the case of Bosnia and Herzegovina joining NATO, the EU cannot remain inactive. At the end of March 2022, during an interview on the public television of the Federation of Bosnia and Herzegovina, the Russian ambassador to Bosnia and Herzegovina, Igor Kalabukhov, stated that the Russian Federation does accept the sovereignty and territorial integrity of Bosnia and Herzegovina, but in the case of its accession to NATO, it will have to react. Trying to clarify this statement, he defined it as a "warning", not a "direct threat".

It cannot be denied that the deteriorating international security situation has also had a significant impact on the Western Balkans region. For this reason, the commander of the EUFOR Althea operation also accepted France's voluntary national contribution to carry out

⁵⁰ MCGEE, L. (2021): A dangerous crisis is brewing in the Balkans.

⁵¹ Klix (2021): Ivanić iz Azerbejdžana: Vjerovatno postoji dogovor o BiH, bit će vidljivo za najviše mjesec dana.

training flights of fast jet aircraft over Bosnia and Herzegovina in March 2022 for several weeks. This decision was a clear signal to supporters of the idea of partitioning the country that, at a time when the security balance in Europe is shaken, the Union continues to demonstrate its continued commitment and determination to support a secure environment both in Bosnia and Herzegovina and throughout the Western Balkans.

Conclusion

Based on the evaluation of the current security situation not only in Bosnia and Herzegovina, but also in Central and Eastern Europe, we can assume that the EU will definitely continue to be involved in the Western Balkans region. It is possible to formulate several scenarios that are alternatives for the possible future development of EU military involvement in Bosnia and Herzegovina. Due to the dynamic evolution of the security situation, the wide range of contexts and the difficulty of estimating the development tendency, the formulated scenarios are not strict or immutable predictions of the future, but only possible alternatives that will be able to be modified over time through the influence of certain factors.

The evolution of EU military involvement in Bosnia and Herzegovina will be influenced by several factors:

- the security situation in the country (threat of separation of the Republika Srpska from the rest of the country, the reaction of the Russian Federation when Bosnia and Herzegovina joined NATO),
- the internal situation in the country (reform processes, political situation, level of corruption, organized crime, etc.),
- achieved level of professional readiness of the AFBiH.

The first scenario assumes an increase in the number of deployed military units within the EUFOR Althea operation. When formulating it, it is necessary to specify the factors that would lead to the realization of such a scenario. It is also necessary to consider under what circumstances the EU would be able to increase the number of deployed units.

The second scenario assumes the opposite situation, i.e. a reduction in the number of units, or a complete withdrawal of the deployed military forces of the EUFOR Althea operation. In this case too, it is necessary to define which specific factors would lead to the realization of the second scenario.

The third scenario assumes an unchanged number of deployed military units and at the same time defining a situation that would lead to such an evolution of the EU's military involvement in Bosnia and Herzegovina.

The following factors will have a decisive influence:

- the separatist tendencies of the Serbian member of the Presidency, Milorad Dodik, who announced the dissolution of state institutions in Republika Srpska,
- cooperation between Milorad Dodik and Vladimir Putin in the context of Russian support for the secession of Republika Srpska from the rest of the country,
- the evolution of the political situation, especially after the general elections in October 2022,
- reform processes in the field of public administration, judiciary, prevention and fight against corruption and organized crime,
- the achieved level of professional readiness of the AFBiH and the upcoming and ongoing joint exercises of members of the EUFOR Althea operation and the AFBiH.

All the factors mentioned above have a direct impact on the evolution of the EU's military involvement in Bosnia and Herzegovina. Although there is no time frame or final reference values for the end of the operation, the strategic documents refer to the state when the

state authorities of Bosnia and Herzegovina will be able to create functional structures, especially in the field of security and defense. Even from this very general definition of the end state of the EUFOR Althea operation, it is clear that Bosnia and Herzegovina still has a very long way to go to achieve functional, professional and especially depoliticized state bodies and structures.

What the future of Bosnia and Herzegovina will look like should matter primarily to its inhabitants and top representatives of the political scene. The tension between the three most numerous ethnicities of Bosnia and Herzegovina still disrupts the integrity of this country, which is necessary for the creation of a stable security situation inside the state as well as the achievement of the proclaimed effort for Euro-Atlantic integration. This tension is often used by political leaders to incite nationalistic tendencies in the population. The majority of the population in Bosnia and Herzegovina remembers the last war mainly from their own experience. It is very easy to rekindle the conflict by supporting nationalist ideas. In order to preserve stability and peace in the current situation, it is necessary for the political elites to realize that if they do not want to lead to aggravation of mutual relations again, it is necessary to strengthen the cohesion between members of individual ethnic groups, but especially to cooperate with each other in order to strengthen the established system in the country.

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TWITTER DIPLOMACY AFTER ELON MUSK: IMPACT ON PUBLIC DIPLOMACY IN THE ERA OF DIGITAL DISRUPTION¹

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Abstract: The article treats changes in public diplomacy, in particular, in the context of its accommodation to the digital environment. It specifically analyses the impact of Twitter diplomacy in light of changes after the acquisition of the platform by Elon Musk. In a broader context, it draws attention to the role of social media in foreign policy. Controversial statements and intentions of Elon Musk to change the dynamics of Twitter add a new dimension to the analysed topic due to their impact on diplomatic communication. The subject-matter of the discussion consists of controversial tweets on geopolitical matters. Space is dedicated to the challenges and opportunities in the developing diplomacy landscape of social media. As a result, the change in ownership of the Twitter platform, marked by controversial statements by its owner and algorithm changes, poses ethical challenges to Twitter's diplomacy, yet the platform's resilience as a major tool of public diplomacy persists due to the lack of a viable alternative and regulatory hurdles for potential competitors. Content Analysis, Social Network Analysis, Historical Analysis and Comparative Analysis were used in the conception of this text.

Keywords: Twitter, Diplomacy, Elon Musk, Social Media, Public Diplomacy, International Relations

JEL: F50, N40, O38

Introduction

Even though public diplomacy is not a new instrument in any state's foreign policy, the onset of new information-communication technologies (ICT) provided it with a different scope and strength. Digitalization of society and the majority of social activities, including politics and diplomacy, introduces extraordinary dynamics to traditional processes. Diplomacy, as such, is forced to respond to and reflect new trends. One example is the so-called Twitter diplomacy, which has already become a respected and established term. Even though this expression is broader and not limited only to Twitter, it bears its name anyway. In fact, not anymore, as the majority owner of Twitter has renamed it to X. And it was the ownership shifts as well as controversial steps and statements made by the new owner – Elon Musk – that have raised several questions related to international politics. The purpose of this article is to analyse and review the possible impact of one strong communication channel and changes in its ownership structure on foreign policy. The applied methods involve a comprehensive analysis of the evolution of public diplomacy, the emergence of digital diplomacy, and the specific dynamics of Twitter diplomacy.

The initial indications of public diplomacy, as referred to by Peterková, can be dated back to ancient times, however, the actual accent on it can be traced to the beginning of the past century, with a growing influence of public opinion and its impact on the reputation of the state

¹ This article was elaborated within the research project VEGA no. 1/0836/21 "Creating an appropriate model of the behavior for ethics and integrity of institutions in the area of scientific-research activities based on international comparison and setting a system of determining attributes for its effective implementation and functioning".

abroad that has been growing especially since the 1920s and 1930s.² Even despite the lack of definition consistency, it is possible to define public diplomacy as a purposeful activity leading towards the creation and modelling of positive images of the state, its values and activities with the foreign public.³

Over subsequent decades, public diplomacy has been continuously redefined by scholars collectively attempting to establish a new academic field, ever adjusting to shifting political, social, and technological changes such as the end of the Cold War, the rise of globalization, the diffusion of the Internet along with social media, and the emergence of nongovernmental organizations as global players; the very definition of public diplomacy is continuously challenged. The definition presented by O'Boyle can be referred to as a consensual definition, as it says that public diplomacy includes public relations communications and cultural exchanges to help build positive and even personal relationships with people in other countries.⁴ That leads to a key difference, as claimed by Golan – Manor – Arceneaux, while traditional diplomacy is focused on foreign diplomats, public diplomacy aims to influence foreign governments through influencing both ordinary citizens along with foreign elites.⁵ The importance of public diplomacy, according to Surowiec – Miles, has been growing in the preceding years, turning public diplomacy into a vital strategic function in advancing a state's diplomatic goals.⁶ Public diplomacy, as claimed by Mazumdar, is an important tool to project a country's soft power towards the international community.⁷

It is important to note that public diplomacy stakeholders are not necessarily only state officials but also private companies and NGOs. Equally, sometimes there are fluid borderlines between public and cultural diplomacy, whereas Kavan – Matějka – Ort point out at the example of music festival “Pražské jaro / Prague Spring” in 1946, which set a platform for post-war meetings of artists and cultures across looming bipolar division of the world and growing polarisation of powers.⁸ In this context, Veselý also refers to media diplomacy,⁹ where government use media to support their decisions and media-broker diplomacy, where journalists take over the role of diplomats.¹⁰

The change of the media ecosystem brought about by the onset of digital media and massive internet penetration to the general public in the preceding decades resulted in new challenges in almost all aspects of human lives, including foreign policy and diplomacy. As mentioned by Mogensen, during the last decade it has become common practice for national leaders to communicate directly to the public in other countries in order to gain trust.¹¹ Enhancing

² PETERKOVÁ, J. (2008): Veřejná diplomacie, p. 9.

³ PETERKOVÁ, J. (2018): Péče o dobré jméno země, p. 32.

⁴ O'BOYLE, J. (2019): Twitter diplomacy between India and the United States: Agenda-building analysis of tweets during presidential state visits, p. 122.

⁵ GOLAN, G. J. – MANOR, I. – ARCENEUX, P. (2019): Mediated Public Diplomacy Redefined: Foreign Stakeholder Engagement via Paid, Earned, Shared, and Owned Media, p. 1675.

⁶ SUROWIEC, P. – MILES, C. (2021): The populist style and public diplomacy: kayfabe as performative agonism in Trump's Twitter posts, p. 2.

⁷ MAZUMDAR, A. (2020): India's Public Diplomacy in the Twenty-First Century: Components, Objectives and Challenges, p. 24.

⁸ KAVAN, J. – MATĚJKA, Z – ORT, A. (2008): Diplomacie, p. 51.

⁹ Due to the focus of this article, it is necessary to add to the Veselý's theory of media diplomacy that, at present, a considerable part of media consumption has shifted from traditional media to social media and the role of journalists is gradually decreasing in the competition of user generated content. Simultaneously, it is necessary to add that we can see, in this environment, rise of global media, unlike traditional national media that have always been distributed predominantly in a geographically limited area. Thus, the onset of the internet made it possible to disseminate information in unlimited scope in the free world as well as enables the origin and success of globally operating platforms (with the exception of mostly authoritative countries where they are blocked by governments).

¹⁰ VESELÝ, Z. (2014): Diplomacie : (teorie – praxe – dějiny), p. 63.

¹¹ MOGENSEN, K. (2015): International trust and public diplomacy, p. 316.

international visibility has become, according to Ociepka, a relevant goal of external political communication.¹² As warned by Inghoff – Calamai – Sevin, the increased use of web 2.0—and later, of social media—has made it simultaneously easier and more complex for governments and other official bodies to communicate with foreign publics.¹³

A new term occurred in parallel to public diplomacy – digital diplomacy. The most useful approach to digital diplomacy is to view it as an instrument of diplomacy, based on ICTs and serving both traditional and new foreign policy goals of states and non-state actors.¹⁴ Wright – Guerrina even claim that digital diplomacy is now a salient part of public diplomacy, increasingly prioritised over ‘traditional’ approaches.¹⁵

Spry states that digital media tools and techniques that facilitate public engagement have become a key means to facilitate active engagement by the publics.¹⁶ While public diplomacy has always been designated as a supporting form to traditional diplomatic channels, today’s diplomacy per se is hardly conducted behind closed doors. Thanks to almost unlimited and unfiltered access to information and numerous communication media, most of the previously clandestine diplomatic efforts are put in the public arena, intentionally or otherwise. That means modern diplomacy has, according to Lam, come under the spotlight.¹⁷

Even though modern ICT include a broad range of tools, this article primarily focuses on the phenomenon of the so-called social media that have appeared and attracted attention, in particular, in the first decades of this millennium. In particular, it holds true about Facebook (launched in 2004), Twitter (2006) and Instagram (2010). Facebook itself has almost 3 billion monthly users worldwide and, in the USA, as mentioned by, around on-third of the adult population finds it a relevant source of information,¹⁸ which, of course, is utilised by politicians who use social networks, primarily Facebook a Twitter as unregulated instrument for communication with the public.

1 Twitter diplomacy

The advantage of social networks is, on the one hand, their speed – any content can be published without the intervention of third parties and immediately. That is the differentiator of social media from traditional media with their editorial role. Of course, the disadvantage is an unregulated and continuous flow of uncensored content. It is possible to assume that messages of official and unofficial foreign policy stakeholders are, by means of various tools for instant following, immediately delivered to key recipients and, subsequently, thanks to their virality enabled by social media algorithms, they are massively forwarded to the general public. Messages shared over social media are followed and further quoted also by traditional media as well as other foreign policy stakeholders. The other advantage of social media is their global nature. It is important to note that certain online services and social media are blocked and thus unavailable in certain authoritative regimes. Based on experience from Russia, even after interventions of the government concerning censorship on the internet after the military attack on Ukraine, more experienced users are able to bypass it using VPN; however, it does not hold true to the general public as such, with various levels of digital literacy.

¹² OCIEPKA, B. (2018): Public diplomacy as political communication: Lessons from case studies, p. 392.

¹³ INGENHOFF, D. – CALAMAI, G. – SEVIN, E. (2021): Key Influencers in Public Diplomacy 2.0: A Country-Based Social Network Analysis, p. 1.

¹⁴ See: GILBOA, E. (2016): Digital Diplomacy, p. 543.

¹⁵ WRIGHT, K. A. – GUERRINA, R. (2020): Imagining the European Union: Gender and Digital Diplomacy in European External Relations, p. 393.

¹⁶ SPRY, D. (2018): Facebook diplomacy: a data-driven, user-focused approach to Facebook use by diplomatic missions, p. 64.

¹⁷ LAM, V. (2022): Information and Communications Technologies, Online Activism, and Implications for Vietnam’s Public Diplomacy, p. 4.

¹⁸ GRAMLICH, J. (2021): 10 Facts about Americans and Facebook.

Even though social networks did not originate primarily with the objective of spreading political and news content, it has been demonstrated relatively short after their origin that they are platforms that can also influence political life. Social networks, as referred to by Gerbaudo,¹⁹ have played a crucial role in organising opposition movements during the Arab Spring in 2011, as well as in the political campaign of Barack Obama in 2008, which was marked as the first one when these platforms managed to influence the outcome of elections as referred to by Crigler – Just et al.²⁰

It is natural that the growing popularity of social media has also attracted state stakeholders and that these information and communication technologies started to be actively used also in public diplomacy. While 'media diplomacy' revolutionized the means and methods of diplomacy, social media could add an important real-time dimension which made diplomatic communication ultra-fast and often less precise. As mentioned by Abdullakkutty, most of the governments and their diplomatic missions across the world have integrated their diplomacy with social media to make the mission more target-oriented and reach a wider audience.²¹

The term twitter diplomacy has been coined for diplomacy using social media or, in short, twiplomacy (see also Ifran – Prihatini – Mursitama, 2023; Gurkas, 2016). This expression is based on the name of the social network – Twitter – which was originally intended, as stated by Sofko – Brake, to enable friends, families and co-workers communicate with each other by means of fast questions and short responses.²² In this respect, Collins – DeWitt - LeFebvre state that the coining of the term twitter diplomacy is clearly the result of the fact that Twitter is actively used for its communication by the government of the USA.²³ Twitter is, in the USA, regarded as a key platform of public diplomacy. The past two U.S. presidents—Barack Obama and Donald Trump—, as stated by Collins – DeWitt, have eagerly embraced its power and reach as an effective, indeed a fundamental, tool to communicate with vast audiences.²⁴

The social network itself is much more popular in the US (used by 14.91% of the population) and in the UK (13,19%) than in Europe (4.25%).²⁵ There are many examples of how Twitter is used in public diplomacy. Let us mention one example. After the Russian Federation took over Crimea, the German MFA used Twitter to announce that Russia had been expelled from the G8 group of nations using the hashtag #G7. MFAs throughout the world soon had to take to Twitter to comment on this policy decision either supporting or attacking it. For example, as noted by Manor – Segev, Russia's foreign minister, Sergey Lavrov, responded to the tweet by stating that the G8 was an informal club, and thus, Russia could not be expelled from such a club.²⁶ However, Twitter diplomacy has also another dimension in parallel to its exposure to the general public. As further pointed out, there is also an international network of Ministries of

¹⁹ GERBAUDO, P. (2012): *Tweets abd the Streets: Social Media and Contemporary Activism*, p. 158.

²⁰ CRIGLER, A. – JUST, M. – HUME, L. – MILLS, J. – HEVRON, P. (2012): *YouTube and TV Advertising Campaigns: Obama versus McCain in 2008*, p. 104.

²¹ ABDULLAKKUTTY, K. P. (2018): *Internationalizing social media: The case of 'twiplomacy' in India and Russia*, p. 10.

²² SOFKO, L. – BRAKE, D. K. (2009): *The Social Media Bible: Tactics, Tools & Strategies for Business Success*, p. 409.

²³ COLLINS, S. D. – DeWITT, J. R. – LeFEBVRE, R. K. (2019): *Hashtag diplomacy: Twitter as a tool for engaging in public diplomacy and promoting US foreign policy*, p. 92.

²⁴ COLLINS, S. – DeWITT, J. (2023): *WORDS MATTER: Presidents Obama and Trump, Twitter, and U.S. Soft Power*.

²⁵ The most popular social network in the long run in Europe has been Facebook, used by 79.44% of the population. The second most popular one is Instagram with 9.12 per cent, which is still twice as much as Twitter with 4.25%. In USA, Facebook is used by less than one half of the population (49.64%) and Twitter, even after a significant decline in the summer of 2023 is still used by 14.91% of the population. Source: <https://gs.statcounter.com/social-media-stats/all/europe> [Available on 8 October 2023].

²⁶ MANOR, I. – SEGEV, E. (2020): *Social Media Mobility: Leveraging Twitter Networks in Online Diplomacy*, p. 240.

Foreign Affairs (MFAs), where some MFAs follow or are followed by their peers. Of course, it is not only about sharing messages with each other, a similar gesture (mutual follow) or interaction (sharing or commenting content) also indicates relation of the countries or their MFAs.

If Barack Obama is referred to as the first politician to effectively use social media in his battle for the presidential mandate, his successor Donald Trump has become well known for his frequent harsh and controversial statements on Twitter, that were even, as mentioned by Khan at al., often even hateful and, above all, Islamophobic.²⁷ Therefore, certain researchers use, in connection to activities of former president Donald Trump on Twitter, the expression “undiplomacy” (Cortnut – Harris – Choi).²⁸ One example is the notorious tweet of D. Trump where he referred to North Korean leader Kim Jong Un as “Little Rocket Man”. As noted by Choi – Nichols, after the speech of North Korean Foreign Minister at the United Nations General Assembly, he put to his twitter account: “Just heard Foreign Minister of North Korea speak at U.N. If he echoes thoughts of Little Rocket Man, they won’t be around much longer!”²⁹

Based on Šimunjak – Caliandro, if Trump’s diplomatic communications on social media are indeed consistently at odds with traditional conventions of diplomatic language, there are two possibilities. One, his style of social media diplomacy might disrupt traditional diplomatic practices and potentially cause conflicts in international relations. Two, it may lead to the construction of new conventions in (digital) diplomacy.³⁰

Social media represent an open platform for free communication, sharing and exchange of information. When discussing the influence of Twitter Diplomacy on international politics, we find it important to emphasize the ethical aspect of this communication format. Twitter, as a platform for making public statements, offers an unprecedented speed and reach, which however, goes hand in hand with ethical challenges. Using Twitter in a diplomatic context raises concerns about transparency, authenticity and responsibility.

2 Twitter after Elon Musk

Social network Twitter, which gave the name to the part of the public diplomacy carried out at social networks, i.e., Twitter Diplomacy, has undergone significant changes in the past two years. In April 2022, the minority share of 9.2% in Twitter was acquired by billionaire Elon Musk, well known as the founder and CEO of SpaceX and Tesla. At the same time, he made it clear that his intention was to take over the social network in full. In October 2022, after months of hard negotiations and lawsuits, Musk acquired the whole company for USD 44 billion, as stated by Congen – Hirsch.³¹ Even prior to the acquisition, Musk, who claimed to be a “free speech absolutist”, indicated certain planned changes, such as, he wants to prevent the platform from becoming an echo chamber for hate and division.³² However, at the same time, as mentioned by Clayton – Hoskins,³³ he has been critical of Twitter’s management and its moderation policies. He has also said, he would reverse bans on suspended users, which could include former US President Donald Trump, who was excluded following the Capitol riot in January 2021.

²⁷ KHAN, M. H. – QAZALBASH, F. – ADNAN, H. M. – YAQIN, L. N. – KHUHRO, R. A. (2021): Trump and Muslims: A Critical Discourse Analysis of Islamophobic Rhetoric in Donald Trump’s Selected Tweets, p. 2.

²⁸ CORNUT, J. – HARRIS RIMMER, S. G. - CHOI, I. (2022): The liquidification of international politics and Trump’s (un)diplomacy on twitter, p. 370.

²⁹ See: CHOI, H. – NICHOLS, M. (2017): Trump cranks up N.Korea threats as Pyongyang holds anti-U.S. rally.

³⁰ ŠIMUNJAK, M. – CALIANDRO, A. (2019): Twiplomacy in the age of Donald Trump: Is the diplomatic code changing?, p. 15.

³¹ CONGEN, K. – HIRSCH, L. (2022): Elon Musk Completes \$44 Billion Deal to Own Twitter.

³² See: DANG, S. – ROUMELIOTIS, G. (2022): Musk begins his Twitter ownership with firingm declares the „bird is freed“.

³³ See: CLAYTON, J. – HOSKINS, P. (2022): Elon Musk takes control of Twitter in \$44bn deal.

Social media, equally to majority of traditional ones in the Western world, are held in private hands. The arrival of Elon Musk as the owner and CEO of Twitter, who has renamed the social network to X in between, is an innovation, especially with regard to his statements and open political opinions. Unlike Facebook founder Mark Zuckerberg, or preceding owners and management of Twitter, Musk openly communicates his opinions that have caused enragements and responses of state stakeholders several times. “My recommendation . . . would be to figure out a special administrative zone for Taiwan that is reasonably palatable, probably won't make everyone happy,” Musk said in an interview for Financial Times only shortly before the final acquisition of Twitter, whereby the statement caused resentment of Taiwan.³⁴

It was not the first excess of this kind. In the long run, Elon Musk, who provided Ukraine with his system of satellite internet SpaceX Starlink for free, was perceived as a supporter of Ukraine. Therefore, his tweet, where he proposed U.N.-supervised elections in four occupied regions, based on which the territory would become part of Ukraine or Russia, caused strong indignation. Moreover, Musk suggested that Crimea, which Moscow seized in 2014, be formally recognized as Russia, that water supply to Crimea be assured and that Ukraine remain neutral. He asked Twitter users to vote 'yes' or 'no' on the plan.³⁵ Musk's plan caused ferocious responses of both, Ukrainian as well as European politicians and diplomats. At the same time, US administration representatives say that they make clear to allies and close partners that high-profile executive's comments are those of a private citizen and don't reflect the Biden administration's thinking.³⁶ Musk, currently the richest man in the world, has not discontinued his controversial statements in the course of time. Recently, Israel responded to his words about George Soros, who, allegedly, “hates humanity.”³⁷

In response to Musk's takeover of Twitter and the changes introduced there, the social network has lost some of its users as well as advertising clients, even though Musk claims the latter eventually returned. The image of the social network was strongly damaged by its new owner, not only by his controversial statements and opinions but, moreover, he admitted changes in algorithms that enable easier dissemination of various toxic content and reduction of the content reviewing. From the viewpoint of the subject-matter of this article, it is difficult to say now whether and how it will influence use of Twitter as a public diplomacy tool. For the time being, there has been no record of any significant outflow of state or political stakeholders from the social network. On the contrary, they use it to counter Musk by means of it, such as Ukrainian President Zelensky at the aforementioned case of Musk's proposal for solution of the Russian aggression. Obviously, the reason is that there is no other platform today that could compete Twitter and replace it effectively. Its competitor, Meta company, operator of Facebook social network, announced the launch of a similar service Threads, however, it is not accessible in Europe. The reason is the regulatory policy of the European Union that prevents from the collection and subsequent provision of information to third parties, including data on health, finance, religious or political affiliation or sexual orientation of users.

Recently, many politicians and diplomats have become increasingly active also on LinkedIn. As mentioned by Rapanta – Cantoni, in contrast to other social media, such as Facebook or Twitter, which focus on the social relations aspects of networking such as “keep in contact,” LinkedIn is the most influential Web tool in terms of professional use.³⁸ The problem is that LinkedIn is still perceived as a social network with a very narrow profile. As concluded

³⁴ See: SINGH, K. – JIN, H. (2022): Musk offers proposal on China – Taiwan tensions, after Russia – Ukraine plan.

³⁵ See: NICHOLS, M. (2022): Musk and Zelenskiy in Twitter showdown over billionaire's Ukraine peace plan.

³⁶ See: MARLOW, I. (2022): Musk Tweets Complicate US Diplomacy From Ukraine to Taiwan.

³⁷ See: GERKEN, T. – SARDARIZADEH, S. (2023): Elon Musk: I will say what I want even if it costs me.

³⁸ RAPANTA, C. – CANTONI, L. (2017): The LinkedIn Endorsement Game: Why and How Professionals Attribute Skills to Others, p. 450.

by Blank – Lutz,³⁹ highly educated and high-income individuals are most likely to adopt LinkedIn. Overall Facebook adoption is not stratified along socioeconomic lines. Thus, LinkedIn can be a good tool for communication with an elite group of users, above all, from the business and politics segments, however, it is hard to refer to it as a replacement for Twitter in the field of public diplomacy.

Conclusion

Twitter diplomacy, in a broader sense of public and digital diplomacy uncovers the significant influence of social media, in particular of Twitter, on shaping international relations. The monitored development underlines the dynamics digitalization brings into traditional processes and stresses the need for diplomatic entities to adapt to new trends. Recent acquisition of Twitter by Elon Musk forms a new dimension due to Musk's open political opinions. Controversies accompanying Musk's statements raise increasingly frequent questions about the role of the platform in public diplomacy and its potential influence on the global perception. While certain approaches focus on the global reach and immediate nature of social media, others also point out at challenges posed by unregulated spread of the content and potential changes in the dynamics of platforms resulting from the new ownership structure. Whereas diplomatic communication is gradually shifting towards the public sphere, it is important to pay increased attention to the role of social media platforms in shaping foreign policy. Even this article is evidence of the fact that it is necessary to analyse, in detail, their potential influence on diplomatic communication in the fast evolving digital environment.

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³⁹ BLANK, G. – LUTZ, C. (2017): Representativeness of Social Media in Great Britain: Investigating Facebook, LinkedIn, Twitter, Pinterest, Google+, and Instagram, p. 752.

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NAVIGATING INDUSTRY 4.0 IN GEORGIA: CHALLENGES AND OPPORTUNITIES ON THE PATH TO TECHNOLOGICAL TRANSFORMATION¹

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Abstract: The aim of this paper is to analyze the adoption and impact of Industry 4.0 in Georgia, focusing on its economic context and effects on local businesses. The methodology includes documentary and statistical analysis using open-access sources and enterprise surveys. Key findings highlight challenges in infrastructure, workforce skills, and regulatory frameworks, as well as cybersecurity concerns, while also identifying opportunities in developing an innovation ecosystem and digital transformation in various sectors. The study employs advanced time series analysis to test how enhanced digital connectivity within enterprises influences business turnover growth. The conclusions underline the importance of collaboration among industry, academia, and government in leveraging Industry 4.0's potential in Georgia, promoting economic growth and societal development.

Keywords: Industry 4.0, Georgia, Technological Transformation

JEL: O14, O25, O33

Introduction

In the 21st century, the global industrial landscape has undergone a significant shift towards Industry 4.0, marked by the integration of advanced digital technologies in production and logistics. Georgia, strategically positioned at the crossroads of Europe and Asia, is adapting to these changes under the influence of the "Fourth Industrial Revolution," a term coined by Klaus Schwab, the founder of the World Economic Forum. This revolution is characterized by the fusion of virtual and physical manufacturing systems, evidenced by innovations like autonomous vehicles and advanced robotics.²

Andrew McAfee highlights the era's widespread technological impact, emphasizing the importance of combining human intellect and machine capabilities.³ This perspective is echoed by some researchers who foresee a future where humans and robots collaborate closely.⁴ Key elements of this revolution, such as Artificial Intelligence, machine learning, and the Internet of Things, are reshaping manufacturing efficiency and business models.

This paper explores the impact of Industry 4.0 within Georgia's economic landscape, aiming to provide insights for policymakers, business leaders, and researchers. It will analyze Georgia's industrial environment in the context of global trends, identify challenges in adopting these technologies, and offer recommendations for integrating Industry 4.0 effectively into Georgia's industrial sector.

¹ This paper was supported by the National Research Agency of Slovakia [VEGA 1/0614/23 titled Preparedness of companies for the challenges associated with Industry 4.0 in terms of business processes and business process management].

² SCHWAB, K. (2016): The Fourth Industrial Revolution, p. 12.

³ MCAFEE, A. - BRYNJOLFSSON, E. (2017): Machine, Platform, Crowd: Harnessing the Digital Revolution, p. 26.

⁴ GILCHRIST, A. (2016): Industry 4.0: The Industrial Internet of Things, p. 11.

1 Research questions and methodology

Despite its global significance, Industry 4.0 has received limited attention in Georgian literature, with most resources offering only a basic historical perspective on the Fourth Industrial Revolution and lacking in-depth analysis of Georgia's preparedness for this technological transition. This scarcity of comprehensive research underscores the necessity for more focused exploration in this area. Given the limited research available on this topic in the Georgian context, our aim is to contribute to this field by offering a preliminary analysis that enhances understanding of the country's current engagement with and response to these emerging technological trends.

To achieve this goal, we have developed specific research questions that will direct our investigation:

- Q1: What is the current state of Industry 4.0 in Georgia, and why is it important to study?
- Q2: What is the economic context in which Industry 4.0 is being discussed in Georgia?
- Q3: What types of businesses are prevalent in Georgia, and how might they be impacted by Industry 4.0?
- Q4: To what extent are Georgian enterprises adopting ICT, and how might this affect their readiness for Industry 4.0?
- Q5: What are the potential economic and societal impacts of successful Industry 4.0 adoption in Georgia, and what initiatives are in place to support this transformation?
- Q6: What are the key challenges and opportunities that Industry 4.0 presents to Georgia, and how can they be addressed?

To further enrich our comprehensive investigation into Industry 4.0 within the Georgian context, this study incorporates a critical empirical component. Central to our empirical analysis is the testing of a pivotal hypothesis: *"Enhanced digital connectivity within enterprises, exemplified by increased internet access, significantly contributes to an improvement in business turnover growth."* This hypothesis aligns with our fourth research question, which examines the extent of ICT adoption in Georgian enterprises and its potential impact on readiness for Industry 4.0.

To test our hypothesis effectively, we will use advanced time series analysis, a method well-suited for evaluating trends and forecasting. This technique will enable us to analyze the impact of digital connectivity on business growth in Georgia, providing a detailed perspective on how digital infrastructure affects business performance.

The research in this paper utilizes a combination of general and specific research methods, including documentary analysis, synthesis, scientific abstraction, comparative analysis, and statistical analysis. The study draws upon an array of open-access materials, encompassing academic papers, corporate documents, scientific articles, policy papers, expert websites, and various public sources. Additionally, data from the National Statistics Office regarding enterprise surveys, along with accessible materials like blog posts and electronic articles in Georgian, contribute to our research efforts.

2 Industry 4.0 in Georgian context

For Georgia to successfully adopt Industry 4.0, developing robust digital infrastructure and fostering innovation are crucial.⁵ The country has already initiated several projects to strengthen its digital ecosystem. In 2010, Georgia implemented the Law on Information Technology Zones, and in 2011, it established the first IT-focused business incubators at

⁵ TURMANIDZE, R. – DAŠIĆ, P. – POPKHADZE, G. (2020): Digital infrastructure in Georgia as a condition for successful application. In: *Industry 4.0*. 2020, Vol. 5, N. 1, pp. 3-6

Georgian Technical University.⁶ Additionally, the formation of the Georgian Innovations and Technologies Agency (GITA) in 2014 was a significant step towards supporting start-ups and advancing technology.⁷ These efforts have positively impacted Georgia's Information Technology and Communications Technology Development Index and Internet Infrastructure, indicating progress in its technological development.⁸

In addition to these developments, it's important to consider Georgia's position in the global context. The Global Innovation Index (2022)⁹ ranks the country 74th out of 132 countries, and the AI readiness index (2022)¹⁰ 88 out of 181 countries. These rankings highlight areas for improvement and provide a perspective on Georgia's progress in the global innovation and AI landscape.

To further understand Georgia's overall business environment, which underpins these global rankings, we present essential economic data. Table 1 provides a detailed summary of crucial economic indicators, highlighting Georgia's position as a developing free-market economy.

Table 1: Overview of Georgia’s economic indicators.

GDP Per Capita (\$)	6 671,9 (By 2022, preliminary)
Real GDP Growth Rate (%)	10,1 (By 2022, preliminary)
Unemployment rate (%)	17,3 (By 2022)
Inflation (%)	0,9 (Annual, August 2023)

Source: Data obtained from the National Statistics office of Georgia - <https://www.geostat.ge/en>

While the World Bank acknowledges Georgia's significant progress over the past decade, it is important to recognize that certain obstacles persist, impeding further economic growth.¹¹ Notably, a substantial portion of the workforce remains engaged in low-productivity agriculture. In 2022, a total of 1,283,700 people were employed in the country. Among these, 229,200 were employed in the agricultural sector. Other major sectors included 192,700 employees in wholesale and retail, 152,400 in industry, 149,900 in education, and 108,600 in construction. Interestingly, the information and communications sector employed only 15,300 people.

According to the National Statistics Office of Georgia, as of July 1, 2023, a total of 949,779 enterprises were registered in the country, out of which 233,864 were active entities. The Business Register provides comprehensive information about the economic activities of these registered entities. It's worth highlighting that the largest segment of registered enterprises operates in various sectors, with the most significant proportions being in Wholesale and Retail Trade (31.35%), Manufacturing (6.48%), Transportation and Storage (6.42%), Construction (5.50%), Information and Communication (2.78%), and more (for detailed data, please see Table 2 below).

⁶ Fourth industrial Revolution: Danger or Opportunity

⁷ ITU 2021. Georgia: Digital development country profile.

⁸ TURMANIDZE, R. – Dašić, P. – POPKHADZE, G. (2020): Digital infrastructure in Georgia as a condition for successful application Industry 4.0. *Industry 4.0*. 5(1):3-6.

⁹ Global innovation index.

¹⁰ AI readiness index.

¹¹ The world bank in Georgia: country overview.

Table 2: Active registered entities in Georgia by economic activities (1 July 2023)

Kind of activity	Active entities	
	Total	
	Number	%
	233 864	100,00%
Wholesale and retail trade; repair of motor vehicles and motorcycles	73323	31,35%
Activity unknown	64380	27,53%
Manufacturing	15162	6,48%
Transportation and storage	15006	6,42%
Construction	12874	5,50%
Accommodation and food service activities	7906	3,38%
Professional, scientific and technical activities	7632	3,26%
Information and communication	6492	2,78%
Real estate activities	6128	2,62%
Other service activities	5103	2,18%
Education	4875	2,08%
Administrative and support service activities	4718	2,02%
Human health and social work activities	3139	1,34%
Agriculture, forestry and fishing	2657	1,14%
Arts, entertainment and recreation	1773	0,76%
Financial and insurance activities	1375	0,59%
Mining and quarrying	666	0,28%
Public administration and defence; compulsory social security	275	0,12%
Water supply; sewerage, waste management and remediation activities	216	0,09%
Electricity, gas, steam and air conditioning supply	158	0,07%
Activities of extraterritorial organisations and bodies	6	0,00%

Source: Data obtained from the National Statistics office of Georgia - <https://www.geostat.ge/en>

The Business Register indeed offers valuable insights into the sectors that play a pivotal role in Georgia's economy. By analysing this data, we can make speculations about how further advancements in Industry 4.0 could significantly bolster Georgia's economic growth.

Of particular interest is the evaluation of Information and Communication Technologies (ICT) usage among enterprises. The National Statistical Office has provided survey results on this subject. It's essential to note that the methodology employed for this survey specifically targeted active enterprises, ensuring that the findings are reflective of the current landscape.¹²

In this study, we define 'Readiness for Industry 4.0' in Georgian businesses by looking at their use of specific technologies, as highlighted in the National Statistics Office's enterprise survey. We chose these technologies — ERP (Enterprise Resource Planning), IoT (Internet of

¹² Size of enterprise determined in methodology: (Small 1-49 employees, Medium 50-249 employees, Large 250+ employees).

Things), and AI (Artificial Intelligence) — because they are key to Industry 4.0. ERP systems show how well businesses can integrate their processes, a vital part of going digital. IoT measures how businesses use interconnected data for decision-making, which is at the heart of Industry 4.0. And AI is crucial for automating and improving efficiency. By focusing on these technologies, our study connects the concept of Industry 4.0 readiness with concrete measures of technological adoption, showing how ready Georgian businesses are for the digital changes Industry 4.0 brings.

Table 3 presents an overview of the percentage of Georgian enterprises that utilize Enterprise Resource Planning (ERP) software. It's crucial to highlight that the current usage remains relatively low, with only 10.4% of enterprises incorporating this type of software into their operations.

Table 3: The share of enterprises that used ERP type software.¹³

		2016	2017	2018	2019	2020	2021	2022	2023
Using Enterprise Resource Planning (ERP) program package in enterprises	Total	9,2%	16,1%	16,2%	9,8%	8,7%	7,9%	6,9%	10,4%
	Of which:								
	Small	X	X	X	8,9%	7,6%	7,3%	5,8%	9,5%
	Medium	X	X	X	24,9%	24,7%	20,7%	32,3%	35,3%
	Large	X	X	X	54,4%	51,5%	42,8%	57,5%	56,3%

Source: Data obtained from the National Statistics office of Georgia - <https://www.geostat.ge/en>

Enterprise resource planning (ERP) systems are the backbone for the industry 4.0.¹⁴ A successful implementation of an enterprise resource planning system can bring significant strategic, operational and information benefits to the relevant enterprises.¹⁵ Recognizing this, it becomes evident that further enhancement and promotion of ERP adoption are essential steps for Georgia. Expanding the adoption of ERP systems within Georgia's business landscape would not only foster Industry 4.0 integration but also empower enterprises to thrive in an increasingly data-driven and interconnected world.

Another vital feature of Industry 4.0 is the Internet of Things (IoT). IoT collects large amounts of data and shares them in meaningful ways, increasing the level of automation of Industry 4.0. Improve overall manufacturing efficiency by reducing human errors.¹⁶

As per the data presented in Table 4, the adoption of Internet of Things (IoT) technology among Georgian enterprises stands at a relatively modest 10 percent, signifying a notable gap in Industry 4.0 technology adoption within the region. Interestingly, the highest proportion of IoT usage is observed in the domain of premises' security. Examples include the implementation of "smart" alarm systems, smoke detectors, door locks, and security cameras.

¹³ A software package used to manage resources by sharing information among different functional areas (e.g. accounting, planning, production, marketing, etc).

¹⁴ HADDARA, M. – ELRAGAL, A. (2015): The Readiness of ERP Systems for the Factory of the Future. *Procedia computer science*. Jan 1;64:721-8.

¹⁵ CHOPRA, R. – SAWANT, L. – KODI, D. – TERKAR, R. (2022): Utilization of ERP systems in manufacturing industry for productivity improvement. *Materials today: proceedings*. Jan 1;62:1238-45.

¹⁶ KHAN, IH. – JAVAID, M. (2022): Role of Internet of Things (IoT) in adoption of Industry 4.0. *Journal of Industrial Integration and Management*. Dec 18;7(04):515-33.

Table 4: The use of “smart” devices (IoT - Internet of Things), %

	2020	2021	2022
The total share of enterprises that used interconnected devices or systems that can be monitored or remotely controlled via the internet (Internet of Things)	6,7%	9,3%	10,0%
Of which:			
for energy consumption management (e.g. "smart"-meters, -thermostats, -lamps (lights))	10,4%	13,8%	11,2%
for premises' security (e.g. "smart" -alarm systems, -smoke detectors, -door locks, -security cameras)	41,1%	42,3%	48,9%
for production processes (e.g. sensors or RFID tags that are monitored/controlled via the internet and used to monitor or automate the process)	10,7%	7,5%	7,4%
for logistics management (e.g. sensors monitored/controlled via the internet for tracking products or vehicles in warehouse management)	8,0%	6,9%	8,2%
for condition-based maintenance (e.g. sensors monitored/controlled via the internet to monitor maintenance needs of machines or vehicles)	5,9%	7,3%	4,1%
for customer service (e.g. “smart” cameras or sensors monitored/controlled via the internet to monitor customers’ activities or offer them a personalised shopping experience)	14,6%	14,5%	12,4%
for other purposes	9,1%	7,6%	7,9%

Source: Data obtained from the National Statistics office of Georgia - <https://www.geostat.ge/en>

Those findings also emphasize the need for concerted efforts in promoting broader Industry 4.0 adoption across various sectors of the Georgian economy. The potential benefits of such adoption, including enhanced efficiency, competitiveness, and innovation, underscore the importance of further investment and initiatives aimed at advancing the country's technological landscape.

Canals states that “Artificial Intelligence refers to the simulation of human intelligence by machines, especially computer systems”.¹⁷ The application of artificial intelligence technology (AI) greatly improves the capabilities of the manufacturing industry, with different business lines and levels working to maximize performance, product quality and employee satisfaction, from staff planning to product design.¹⁸

The utilization of Artificial Intelligence (AI) paints a contrasting picture, with a notably lower adoption rate, accounting for just 1.5% of the total number of companies. It's intriguing to observe that within the AI domain, the highest percentage, 23.4%, is dedicated to text mining, followed closely by 21.4% for image processing, and 17.4% for machine learning (please refer to Table 5 below for detailed insights).

¹⁷ CANALS, J. – HEUKAMP, F. (2019): The Future of Management in an AI World: Redefining Purpose and Strategy in the Fourth Industrial Revolution, p. 23.

¹⁸ JAVAID, M. – HALEEM, A. – SINGH, RP. – SUMAN, R. (2022): Artificial intelligence applications for industry 4.0: A literature-based study. *Journal of Industrial Integration and Management*. Mar 21;7(01):83-111.

Table 5: The use of Artificial Intelligence (AI), %

The share of enterprises that used artificial intelligence	2020	2021	2022
Total	5,4%	3,7%	1,5%
Of which:			
Technologies performing analysis of written language (text mining)	17,5%	23,7%	23,4%
Technologies converting spoken language into machine-readable format (speech recognition)	16,1%	8,7%	8,3%
Technologies generating written or spoken language (natural language generation)	11,0%	8,4%	8,1%
Technologies identifying objects or persons based on images (image recognition, image processing)	12,6%	24,6%	21,4%
Machine learning (e.g. deep learning) for data analysis	17,2%	11,7%	17,4%
Technologies automating different workflows or assisting in decision making (Artificial Intelligence based software robotic process automation)	14,1%	11,6%	14,5%
Technologies enabling physical movement of machines via autonomous decisions based on observation of surroundings (autonomous robots, selfdriving vehicles, autonomous drones)	11,6%	11,3%	6,8%

Source: Data obtained from the National Statistics office of Georgia - <https://www.geostat.ge/en>

These statistics underscore the variance in the adoption of specific AI applications within Georgian enterprises. While some areas like text mining and image processing have gained a relatively stronger foothold, there is a substantial scope for expanding the incorporation of AI across various sectors. The potential benefits of AI, including data-driven decision-making¹⁹, automation, and predictive analytics, make it an area ripe for further exploration and integration within Georgia's evolving technological landscape.

The survey findings are essential for gaining a comprehensive understanding of Industry 4.0 adoption in Georgia, enabling us to analyze the current technological landscape and identify potential challenges and future needs. We have successfully addressed the first four research questions, with a particular focus on the fourth question about the readiness of Georgian enterprises for Industry 4.0. Insights from the National Statistics Office of Georgia's surveys provide a detailed view of the country's technological environment, revealing challenges such as the low adoption of ERP, IoT and AI technologies. In the following chapter, we will continue to address the fourth question, using time series analysis to examine the impact of these technologies on business performance over time, offering a more dynamic perspective on Industry 4.0's development in Georgia.

2.1 Analyzing the Impact of ICT Adoption on Business Growth in Georgia: A Time Series Analysis from 2016 to 2022

In this chapter, we focus on the impact of business growth, internet access, and ERP software adoption using statistical methods. Our dataset, sourced from Georgia's national statistics office, includes annual data from 2016 to 2022 on Business Total Turnover (BUS),

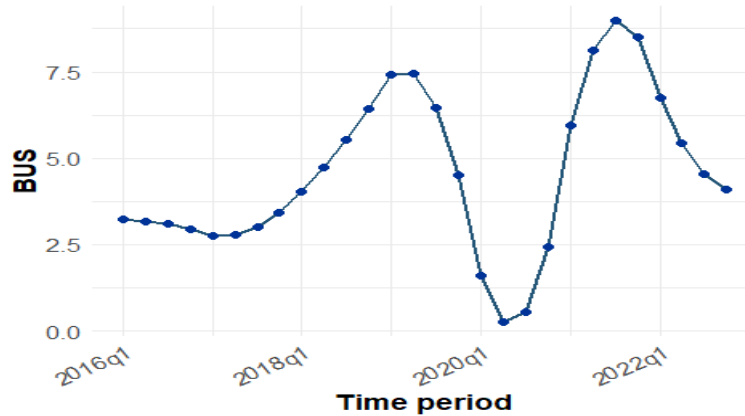
¹⁹ BOUSDEKIS, A. – LEPENIOTI, K. – APOSTOLOU, D. – MENTZAS, G. (2021): A review of data-driven decision-making methods for industry 4.0 maintenance applications. In: *Electronics*, Vol: 10, N. 7, p. 828.

Internet Access in Enterprises (INT), and Enterprise Resource Planning Software Usage (ERP). We converted the annual data to quarterly figures using the Denton-Cholette method and analyzed it with the R programming language, chosen for its statistical capabilities.²⁰

The analysis proceeded with time series analysis and forecasting for each variable, allowing the study to predict future values based on historical trends.

$$BUS_t = \beta_0 + \beta_1 INT_t + \beta_3 ERP_t + u_t$$

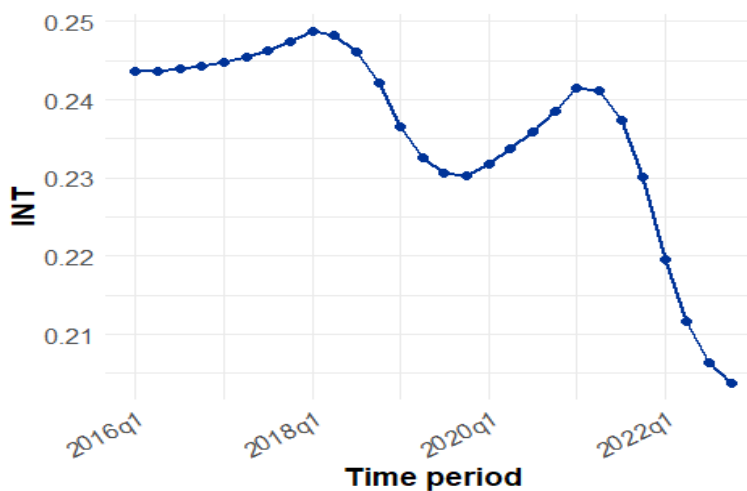
Graph 1: Total business turnover growth



Source: Analysis and Calculations by Authors Using R Software

Graph 1 depicts the cyclical nature of total business turnover growth, marked by two major peaks and troughs. The first peak occurs in early 2018, followed by a sharp decline. A higher second peak appears in early 2020, indicating a growth surpassing previous levels, but this is soon followed by a dramatic fall, suggesting a significant downturn. By the end of the period observed, there is a recovery in turnover growth, but it still falls short of the heights reached in the previous peaks.

Graph 2: Share of enterprises that had access to the internet.

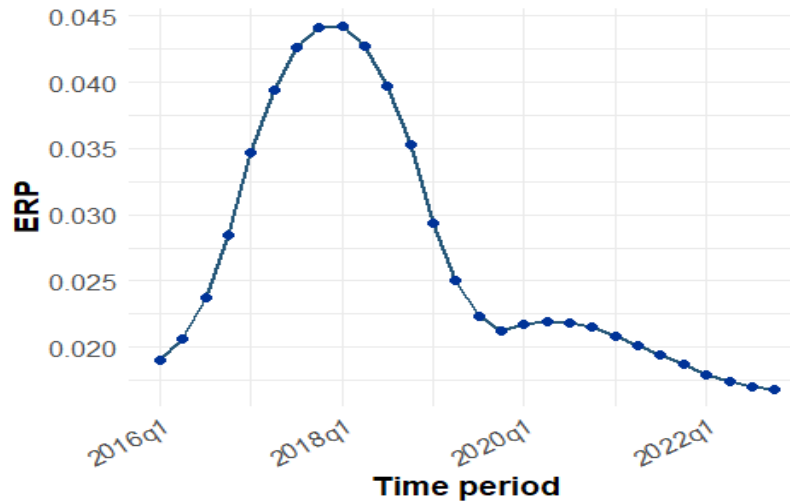


Source: Analysis and Calculations by Authors Using R Software

²⁰ SAX, C., & STEINER, P. (2013). Temporal Disaggregation of Time Series. *The R Journal*, 5(2), 80-87. <https://doi.org/10.32614/RJ-2013-028>.

Graph 2 illustrates the fluctuating share of enterprises with internet access over time. It starts with a stable level until the end of 2018, followed by a minor dip and then a gradual increase, reaching its peak in early 2020. Post-2020, there's a sharp decline continuing until 2022, potentially influenced by external factors like economic downturns or changes in business practices. The trend indicates that by the end of the period, a notably smaller proportion of enterprises had internet access compared to the beginning.

Graph 3: Share of enterprises that used ERP type software.



Source: Analysis and Calculations by Authors Using R Software

Graph 3 displays a distinct peak in ERP software adoption around 2019, marked by a sharp increase leading up to this point, indicative of a rapid adoption phase. After reaching its peak, the graph shows a steep decline, pointing to a significant reduction in the proportion of enterprises using ERP software. Following this peak, the adoption rate not only decreases but also falls to levels lower than those at the start of the observed period.

Before addressing autocorrelation, we ensured that our time series data was free from trend and seasonality issues. The Breusch-Godfrey tests are used here to examine the presence of serial correlation in the residuals, ensuring the reliability of the time series analysis results.

Table 6: Results of Breusch-Godfrey Serial Correlation Tests for Order 1

Breusch-Godfrey test for serial correlation of order up to 1
LM test = 20.8, p-value = 0,00001

Source: Analysis and Calculations by Authors Using R Software

Above test shows highly significant p-values (much lower than the common threshold of 0.05), indicating strong evidence against the null hypothesis, which is that there is no serial correlation. The presence of serial correlation suggests that the residuals from the ordinary list square (OLS) regression are not independent of each other. In other words, the value of a residual in the time series could be predicted from the values of previous residuals.

Conducting this test on models with economic indicators like ERP software usage, internet access, and business turnover growth, we'd see that serial correlation suggests past values of these indicators are influencing their current ones. For example, if enterprises have been using ERP software previously, they're likely to continue, or their past turnover growth could impact the next quarter's growth. This serial correlation is typical in economic time series, reflecting inertia in economic processes and business decision-making.

Table 7: Regression Analysis: Evaluating the Influence of Internet Access and ERP Software on Business Performance

	Estimate	Std. Error	t value	Pr(> t)
(Intercept)	-22.6	14.3	-1.57	0.128
INT	142.5	68.6	2.08	0.049 *
ERP	-174.5	97.6	-1.79	0.086 .

R-squared: 0.1703 , Adjusted R-squared: 0.1011
F-statistic: 2.5, p-value: < 1.064e-01

Source: Analysis and Calculations by Authors Using R Software

The Cochrane-Orcutt procedure, a method used to address serial correlation in the error terms of a regression model, plays a key role in enhancing the reliability of this analysis. By iteratively adjusting regression coefficients based on estimated autocorrelation, it helps refine the model's accuracy. Although the model demonstrates some predictive power, with interest rates emerging as a significant predictor of business activity, its overall explanatory capacity remains limited, as indicated by the low R-squared value. This limitation, coupled with persistent serial correlation, suggests the need for exploring alternative models or incorporating additional variables for a more comprehensive explanation of business activity variability. Caution is advised in interpreting these findings, particularly for predictions or inferences, due to the potential unreliability of regression coefficients in the presence of serial correlation.

The analysis of Internet Access (INT) and ERP Software Usage (ERP) in relation to business total turnover growth reveals distinct trends. INT has a positive coefficient (142.487), indicating a statistically significant relationship at the 5% level, where increased internet access in enterprises correlates with higher business turnover growth. In contrast, ERP shows a negative coefficient (-174.503), suggesting that greater ERP software usage might be linked to reduced turnover growth; however, this finding is not statistically significant at the conventional 5% level. The model's overall fit is limited, with an adjusted R-squared of 0.1011, explaining only about 10.11% of the variance in turnover growth. Additionally, the model's F-statistic p-value exceeds 0.05, indicating that the independent variables collectively may not significantly predict the dependent variable. This suggests the presence of other influential factors not included in the model.

The analysis indicates that internet access among enterprises has a positive impact on business turnover growth, which aligns with expectations. Internet access can improve business processes, customer reach, and operational efficiency, potentially leading to increased turnover.

In contrast, the negative coefficient for ERP software usage is surprising, as ERP systems are generally implemented to streamline business processes and improve efficiency. However, since the p-value is not below the standard significance level, this result might not be reliable and should be interpreted with caution. It's possible that the implementation of ERP systems might have short-term negative impacts due to costs, disruption, and learning curves before any long-term benefits are realized.

The analysis suggests that increased internet access among enterprises is associated with higher business turnover growth, which reflects the importance of digital connectivity in modern business practices. Therefore, the hypothesis, which aligns with our investigation into the extent of ICT adoption in Georgian enterprises and its impact on Industry 4.0 readiness, has been proven through our empirical analysis.

However, the suggested negative association between ERP software usage and business turnover growth is not statistically significant and thus does not warrant firm conclusions.

We used the Cochrane-Orcutt method to correct autocorrelation in our model. This approach assumes a simple AR(1) structure, which might not suffice for more complex error correlations. It also discards the first data point, which can be problematic for small datasets. While it deals with autocorrelation, it doesn't fix issues like outliers affecting the autocorrelation coefficient, potential endogeneity, or varying autocorrelation over time. Despite these limitations, it has improved our model, but further analysis could be necessary for more accurate results.

3 Industry 4.0 in Georgia: Overcoming Challenges, Embracing Opportunities

This chapter explores the synthesis of existing knowledge to discover the potential challenges and opportunities that Industry 4.0 presents to Georgia. Through extensive review of open access material and academic publications, we identified some critical factors and are now seeking to answer the last two research questions.

Table 8: Possible challenges and opportunities of Industry 4.0

<i>Challenges</i>	<i>Opportunities</i>
Infrastructure and Connectivity	Innovation Ecosystem
Regulatory Framework	Foreign Direct Investment (FDI)
Workforce Skills and Training	Digital Transformation in Agriculture
Cybersecurity concerns	Industry-Academia Collaboration

Source: Authors' own estimations

A major challenge in Georgia's adoption of Industry 4.0 is the need to strengthen its digital infrastructure and connectivity, especially in rural areas where connectivity is often inadequate. This issue is critical to ensure that all regions are included in the technological transformation. Our hypothesis testing supports this, as it demonstrated that better digital connectivity leads to increased business turnover growth. Therefore, enhancing digital infrastructure is not just about adopting Industry 4.0 technologies; it's also vital for boosting the growth and efficiency of businesses across Georgia.

Creating a conducive regulatory environment is crucial for Industry 4.0 adoption. Georgia must adapt its legal and regulatory framework to accommodate new technologies, data privacy requirements, and intellectual property considerations. The most relevant legal instrument in the field of Artificial Intelligence is the Georgian Personal Data Protection Act, which sets the standards for the collection and possession of data.²¹ In Georgia, intellectual property rights are regulated by a government agency, Sakpatenti.²² Streamlining regulatory processes and ensuring compliance with international standards will facilitate innovation and investment.

To fully realize the benefits of Industry 4.0, Georgia needs to focus on investing in workforce development and training programs. Scholars like Ling Li, among others, underline the critical importance of reskilling and upskilling employees within the context of Industry 4.0. Li specifically highlights the notion of a comprehensive system that encompasses technology, human capital, and organizational dynamics, emphasizing the need for innovative skill-upgrade

²¹ PARULAVA, G. (2021): Georgia - Fit for the Age of Artificial Intelligence?

²² Law of Georgia on Border Measures Related to Intellectual Property.

initiatives.²³ Initiatives focused on upskilling and reskilling are, therefore, pivotal in furnishing Georgian workers with the knowledge and expertise essential to thrive in the digital age.

With increased connectivity and data sharing comes the heightened risk of cyberattacks.²⁴ Georgia must address cybersecurity concerns to protect sensitive data and critical infrastructure. Developing strong cybersecurity measures and fostering a culture of cybersecurity awareness is imperative to ensure the safety and security of Industry 4.0 technologies.

Amidst the challenges posed by Industry 4.0, there also emerges a realm of substantial opportunities for technological transformation.

Georgia has a well-developed innovation ecosystem, comprising research institutions, startups, and technology hubs. Collaboration between academia, industry, and government can foster innovation and support the development of cutting-edge technologies.

Georgia's strategic location and pro-business policies make it an attractive destination for foreign investors looking to participate in Industry 4.0 initiatives. Industry 4.0 presents Georgia with the chance to diversify its economic base. Encouraging FDI in technology-intensive sectors can bring in capital, expertise, and access to global markets.

In addition to the long-term prospects for tech industry development, digital technologies also offer opportunities to enhance productivity and sustainability in agriculture. Innovations such as smart farming,²⁵ precision agriculture,²⁶ and blockchain-based supply chains can modernize the sector, boost exports, and improve overall efficiency.

The adoption of smart manufacturing processes,²⁷ enabled by IoT and automation, can significantly improve efficiency and reduce production costs. Georgia's manufacturing sector can benefit from increased productivity, shorter lead times, and better-quality control. The concept of smart cities, driven by IoT and data analytics, can enhance urban planning and infrastructure management.²⁸ Georgia's cities can become more efficient, sustainable, and livable by embracing smart city initiatives.

In summary, it is evident that the successful implementation of Industry 4.0 strategies holds the potential to significantly bolster economic growth. Embracing advanced technologies can not only contribute to GDP expansion but also reduce dependency on traditional industries. Moreover, strategic investments in research, innovation hubs, and startup incubators have the capacity to stimulate innovation throughout the Georgian business landscape.

Conclusions, recommendations and limitations

Finally, we have observed that the management of Georgia's industry 4.0 is a complex and dynamic process characterized by many challenges and opportunities. As this article has explored, the challenges span technological, organizational, and societal dimensions. From infrastructure and skills gaps to resistance to change and regulatory considerations, the road to technological transformation is not without its obstacles.

However, Georgia is poised to capitalize on the opportunities that Industry 4.0 presents. The state can achieve substantial economic growth and diversification, nurture a thriving

²³ LI, L. (2022): Reskilling and Upskilling the Future-ready Workforce for Industry 4.0 and beyond. In: *Information Systems Frontiers*, 2022 Jul 13:1-6. pp. 1-16

²⁴ USTUNDAG, A. – CEVIKCAN, E. – ERVURAL, B, C. – ERVURAL, B. (2018): Overview of cyber security in the industry 4.0 era. *Industry 4.0: managing the digital transformation*, pp. 267-284.

²⁵ IDOJE, G. – DAGIUKLAS, T. – IQBAL, M. (2021): Survey for smart farming technologies: Challenges and issues. *Computers & Electrical Engineering*, 92, p. 107104.

²⁶ PURI, V. – NAYYAR, A. – RAJA, L. (2017): Agriculture drones: A modern breakthrough in precision agriculture. *Journal of Statistics and Management Systems*, 20(4), pp. 507-518.

²⁷ KUSIAK, A, (2023): Smart manufacturing. In *Springer Handbook of Automation* (pp. 973-985). Cham: Springer International Publishing.

²⁸ LOM, M. – PRIBYL, O. – SVITEK, M. (2016): Industry 4.0 as a part of smart cities. In *2016 Smart Cities Symposium Prague (SCSP)* (pp. 1-6). IEEE.

ecosystem of innovation and entrepreneurship, and enhance productivity and efficiency across various industries. Collaboration between industry, academia and government are essential to overcoming challenges and maximizing opportunities.

This article effectively addressed the research questions: by providing insights into the current state of Industry 4.0 in Georgia through surveys; by offering economic context with GDP data and employment sectors; by identifying prevalent business types and their potential impact; by analyzing the extent of ICT adoption; by outlining key challenges (digital infrastructure, regulatory adaptation, workforce skills, cybersecurity) and opportunities (innovation ecosystem, FDI, sector diversification); and by briefly touching on potential economic and societal impacts and initiatives. Furthermore, the article utilized time series analysis to rigorously test and subsequently confirm the hypothesis that enhanced digital connectivity within enterprises positively impacts business turnover growth, thus providing empirical support to our understanding of Industry 4.0 in Georgia.

This article has several limitations as well. First, the research relies primarily on existing open-access materials and data, which may not encompass the entirety of Georgia's Industry 4.0 landscape. Second, the study predominantly employs descriptive analysis, and while it serves as a foundational exploration, it may benefit from more extensive primary research and interviews with industry experts and policymakers to provide a richer understanding. Lastly, the article focuses on the current state of Industry 4.0, and a longitudinal study would be required to assess how Georgia's Industry 4.0 landscape evolves over time.

Moreover, the use of time series analysis in the study revealed limitations in our model, such as the low adjusted R-squared value and significant serial correlation in the residuals. This suggests that further investigation with additional variables and factors is needed to fully grasp the dynamics affecting business turnover growth.

Despite these limitations, this article stands as a vital initial scientific resource on Industry 4.0 in Georgia, establishing a baseline understanding of the current landscape and offering insights that can steer future research in this field.

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THE MIDDLE CORRIDOR OF THE IRON SILK ROAD¹

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Abstract: The goal of the article is to present the railway routes known as the Middle Corridor of the Iron Silk Road within China's Belt and Road Initiative. Following a brief overview of the ISR in general, the text will focus on the definitions of the Middle Corridor and the reasons for its attractiveness for the partner countries involved in its development. It will then highlight some drawbacks of this corridor. The principal conclusion is that the Middle Corridor is a dynamic and promising trade route, due particularly to the efforts of Turkey, which to a certain extent has taken over stewardship of the western portion of the corridor from China. The main methods used were the study and analysis of internet sources, mainly online portals of professional journals and internet pages of relevant media pertaining to rail transport.

Keywords: Belt and Road Initiative, China, connectivity, Iron Silk Road, rail transport, transportation infrastructure

JEL: F15, R40

Introduction

With the rapid economic growth of the People's Republic of China over the previous decades, it has started to develop partnerships ever further afield. During the past decade, these partnerships have been consolidated under the umbrella of the Belt and Road Initiative, (BRI). Within this broad initiative, special focus has been given to projects aiming to develop railway infrastructure, collectively termed as the Iron Silk Road (ISR). Railways are seen as the most promising tool to develop the stagnating economy of Western China, as well as the economies of the Central Asian countries which until now have been on the margins of global or even transcontinental transport corridors. Their ability to cut down on travel time compared to maritime transport, currently the dominant form of cargo transport on the planet, have also been emphasized.^{2,3} And last but not least, there is also a strategic component to the development of the ISR, as China is worried that the maritime shipping routes are too vulnerable to being controlled or disrupted by potential enemies such as the Quad countries (the USA, Japan, India and Australia), while the inland railroad lines are comparatively out of reach of these powers.⁴

The ISR is divided into three corridors: northern, middle and southern. The Northern Corridor goes from China to Europe through Russia via routes traversing Manchuria, Mongolia or Kazakhstan. This has long been the dominant corridor of the ISR and rail travel between both corners of Eurasia in general, thanks to previously available rail infrastructure in the form of the Trans-Siberian Railway, which could be utilized by the developers and clients of the ISR.⁵ By contrast, the Southern corridor, running from China through Kazakhstan, Uzbekistan, Turkmenistan, Iran and Turkey, is poorly developed, suffering from a comparatively

¹ This text was created as part of the project of the Scientific Grant Agency of the Ministry of Education, Science, Research and Sport of the Slovak Republic: VEGA # 1/0732/21 "The 'New Normal' and the Changing Position of the PRC in the World Economy"

² HARTRODT (2022): New offer: Iron Silk Road through Turkey.

³ VISSER-MEIJER, S. (2023): New Silk Road – to and from China by train.

⁴ VIEHE, A. – GUNASEKARAN, A. – DOWNING, H. (2015): Understanding China's Belt and Road Initiative

⁵ KENDERDINE, T. – BUCSKY, P. (2020): Rail Freight Use on China's Iron Silk Road Underdelivers.

underdeveloped railway network, fragmented transportation regimes and long delays at borders.⁶ In between these two corridors lies the Middle Corridor, going from China through the Central Asian countries, the countries of the Southern Caucasus and Turkey, as specified in the following chapter. The goal of this article is to introduce this corridor, the reasons for its attractiveness for the participating countries, as well as the problems it has to deal with in the course of its further development. The main methods used were the study and analysis of internet sources, mainly online portals of professional journals and internet pages of relevant media pertaining to rail transport.

1 Definition of the Middle Corridor

The Middle Corridor itself is composed of two main routes. Both of them start (from the Chinese point of view) in Western China, with the city of Xi'an serving as the informal eastern terminus of the corridor. The routes then cross into Kazakhstan at the border crossing of Khorgas (or Khorgos) where the trains must switch from the Chinese standard gauge to the Soviet broad gauge rail tracks at the Altynkol railway station. Once in Kazakhstan, the two routes split up. The primary route traverses Kazakhstan until it reaches the port city of Aktau on the shores of the Caspian Sea. From here, a ferry connects the route to the new Azerbaijani port of Alyat in the capital, Baku, where the railway resumes.^{7,8} The route continues through Azerbaijan and Georgia to the Georgian border town of Akhalkalaki, where another change of gauge is necessary, from the Soviet gauge to the standard gauge used by Turkey. After that, the railroad passes into Turkey and crosses the country to Istanbul, which is considered as the informal western terminus of the corridor. From here, the railroad connects to the rest of the European rail network.

The second route of the Middle Corridor copies the journey to Kazakhstan but then turns south and passes through Uzbekistan and Turkmenistan, where it turns west to the port city of Turkmenbashi.⁹ Here, it once again crosses the Caspian Sea to Alyat, from where it continues along the same railroad as the primary route. This secondary route is not as well established as the primary one, as it is longer and must deal with the inefficiencies and delays due to fragmented political control of the old Soviet railroad between the various countries of the region. The reason for its development was to involve the other Central Asian countries in the corridor, by giving their leaderships a stake in the ISR. As such, it is more of a political project than an economic one, even though it could serve to strengthen the case for the further development of the Southern Corridor of the ISR in the future.

The attractiveness of the Middle Corridor (and the ISR in general) comes from the time saved by transporting cargo over its constituent routes compared to transport by sea, which is the dominant form of cargo transport between eastern and western Eurasia today. To compare, the Turkish transport and infrastructure minister Adil Karaismailoglu claimed that the journey from China to Turkey by train took only 12 days.¹⁰ This is comparable to the Northern Corridor, where the estimated travel time is 10-18 days, depending on the starting and ending points. It should be stated that the Middle corridor is slightly longer than the northern one,¹¹ because of the more winding routes that need to be taken over the north-south oriented (i.e. towards Moscow) Central Asian railroads compared to the more direct east-west orientation of the Northern Corridor. The distance between the two termini of the Middle Corridor is approximately 8 700 km,¹² with

⁶ FINANCIAL TRIBUNE (2016): Iran, Turkey Address Border Transit Issues.

⁷ RAIL CARGO GROUP (2020): First Silk Road train from Turkey to China.

⁸ VISSER-MEIJER, S. (2023): New Silk Road – to and from China by train.

⁹ TAVSAN, S. (2017): 'Iron silk road' threatens to sidetrack Russia.

¹⁰ IŞIK, A. F. (2020): Iron Silk Road: Turkey-China ties grow stronger.

¹¹ VISSER-MEIJER, S. (2023): New Silk Road – to and from China by train.

¹² IŞIK, A. F. (2020): Iron Silk Road: Turkey-China ties grow stronger.

several hundred more kilometers along the European railroads towards the main logistics hubs of the EU. In comparison to these rail corridors, the maritime route takes between 30 to 45 days, once again depending on the starting and ending points.¹³ For another perspective, according to the Tran-Caspian International Transport Route association (TITR), in 2021 25 200 twenty-foot equivalent units of container cargo were transported over the Middle Corridor, a 20% increase over the previous year.¹⁴

In line with the above, it is the Middle Corridor which is seeing the most dynamic development within the ISR in recent years. This is despite the inefficiencies caused by the poor state of the railroads in the region, by the need to change railroad gauges and rely on ferries, and also despite the dominance of the Northern Corridor. The main reason for this is the current geopolitical situation in Eurasia, specifically the economic conflict between the EU and Russia as a consequence of the war in Ukraine. The various sanctions and countersanctions applied by the EU and Russia against each other have reduced the flow of goods between them, increased the waiting time at the external EU borders, and made related services such as insurance of cargo more difficult and risky – not to mention the actual physical risks due to fighting on the territory of Ukraine.^{15,16} In such an environment, alternative routes, whether by rail, road or ship are becoming more interesting from the standpoint of security and economic viability.

Another reason for the development of this corridor is the strong engagement of Turkey as a major stakeholder in its creation and operation. Turkey is an indispensable partner in this initiative, thanks to its central position in connecting the European railway network to the Central Asian countries and China by both routes of the Middle Corridor, which it seeks to exploit by becoming a major hub in the trade between East Asia and Europe.¹⁷ Its position has become all the more important following the breakdown of relations between the EU and Russia expressed by mutual economic sanctions and the consequent diminishing of the importance of the Northern Corridor as the link between eastern and western Eurasia. Indeed, Turkey has to a certain extent taken charge of the western part of the corridor which runs through the country and the states of the Southern Caucasus. But that is to be expected, since the main connectivity initiatives in the region predate the formulation of the ISR or the BRI in general.¹⁸ Furthermore, most of them are linked to the expansion of the railroad network in Turkey itself, making them a matter of internal infrastructure improvement. Yet the Turkish government and media often emphasize that these projects are part of the Middle Corridor, obviously in an effort to promote the country as an international railway transportation hub.¹⁹ Turkey also wants to use the corridor to improve its negative trade balance with China,²⁰ under the assumption that better connectivity will result in easier access for Turkish exports to China. One further reason for Turkey to take an active role in the formation of this corridor is to guide it to bypass Armenia,²¹ with which Turkey has several disputes, whether direct or indirect as a supporter of Armenia's rival Azerbaijan.

2 Drawbacks of the Middle Corridor

In spite of its growing potential and dynamism, the Middle Corridor has a number of drawbacks working against it. The most relevant among them is the poor state of connectivity in the Central Asian countries. As a result of their being part of Russia and the USSR in the past,

¹³ SEKHNIASHVILI, A. (2017): The Iron Silk Road's Centerpiece.

¹⁴ HARTRODT (2022): New offer: Iron Silk Road through Turkey.

¹⁵ TAVSAN, S. (2017): 'Iron silk road' threatens to sidetrack Russia.

¹⁶ SEKHNIASHVILI, A. (2017): The Iron Silk Road's Centerpiece.

¹⁷ IŞIK, A. F. (2020): Iron Silk Road: Turkey-China ties grow stronger.

¹⁸ AYDIN, M. (2017): The 'Iron Silk Road'.

¹⁹ ALABAY, S. (2022): Türkiye builds Iron Silk Road railway to connect China with Europe.

²⁰ IŞIK, A. F. (2020): Iron Silk Road: Turkey-China ties grow stronger.

²¹ AYDIN, M. (2017): The 'Iron Silk Road'.

the railroad network has been oriented towards Moscow in a north-south direction, rather than east-west as would benefit China and its BRI. Furthermore, the railroads themselves are in a poor state, having suffered from a lack on investment and maintenance.²² The fragmentation of the region into independent states has also worked against Chinese hopes of a smooth and efficient voyage along the routes. Compounding all this is the necessity to switch gauge at least twice along the corridor – from standard to Soviet gauge and then back again, not to mention having to make use of a ferry across the Caspian Sea. It is true that all these challenges could be seen as opportunities for China and its BRI partners, e.g. in building new railroads and updating old infrastructure, but the solutions are not always so straightforward. The issue of railway gauge has stalled the construction of a possible third route along this corridor, which would have run from China through Kyrgyzstan to Uzbekistan, thus bypassing Kazakhstan. However, while China would prefer to construct the railroad following its own standard gauge, the other two countries insist on Soviet broad gauge, to make it compatible with their own railways. Another problem holding up this project is whether to take the longer northern route through the Kyrgyz capital Bishkek, favored by Kyrgyzstan for political reasons, or the shorter and more direct southern route through the Kyrgyz city of Osh, preferred by China and Uzbekistan. An agreement on construction of the railroad was reached in June 2022, but these specific issues have yet to be resolved.²³

As well, the crucial position of Turkey in the corridor is a mixed blessing. On the one hand, Turkey is an enthusiastic partner willing to actively work on the development of the initiative (and, as we have seen, obtain EU funding for its construction), rather than just be a passive partner waiting for Chinese proposals and money. On the other hand, its geographic indispensability means that the entire corridor risks losing its relevance and its selling points should the relationship between Turkey on the one hand, and China or the EU on the other, turn sour. A similar case can be made for Kazakhstan. The example of the Northern Corridor and its reliance on Russia has shown what the consequences can be for an ISR corridor if such an important country has a deteriorating relationship with any of its major partners. In the case of Turkey, there is an alternative route whereby the railroad in Georgia does not turn to the Turkish border, but continues to the Georgian port of Poti, from where it switches once again to maritime transport to the Romanian port of Constanța. This is a minor route, however, and currently its viability is compromised by the war in Ukraine and the resulting military threat to shipping in the Black Sea.²⁴

Conclusion

The Middle Corridor is a promising megaproject in furthering the goal of greater transportation connectivity throughout the interior of Eurasia. In addition to cutting down the transport time between China and the Turkish border with the EU from a month or more to 12 days, it also aims to provide the benefits of railway connectivity to the countries of Central Asia and the Southern Caucasus which have so far been left out of major transportation infrastructure initiatives and the corresponding investment projects. Furthermore, the decade-long conflict in Ukraine and the resulting economic sanctions and counter-sanctions between the EU and Russia, limiting the importance of the hitherto dominant Northern Corridor, show the necessity and viability of an alternative set of rail routes linking China and the EU. Another reason for this corridor's dynamism is the significant role of Turkey in supporting the development of the western part of this initiative. This takes some of the strain of managing the entire corridor off China. On the Turkish side, active participation in the Middle corridor is seen as a crucial step

²² BULLOCK, B. (2022): The Silk Road Railway: Will It Ever Happen?

²³ Ibid.

²⁴ HARTRODT (2022): New offer: Iron Silk Road through Turkey.

in the country becoming a transportation node between eastern and western Eurasia, in reducing its substantial trade deficit with China, in expanding its own domestic railway network and in isolating its neighbor Armenia.

However, the corridor also has significant drawbacks which must be addressed in the future. First of all, the railway infrastructure in the Central Asian countries which host the bulk of the railway routes of the corridor is underdeveloped, antiquated and oriented in a north-south direction towards Moscow rather than in an east-west direction suitable for connecting Europe with East Asia. Second, what infrastructure has remained is fragmented between the various partner countries and their differing railway regimes. Adding on to this problem is the need to switch between standard rail track gauge and Soviet-style broad gauge when entering and exiting the post-Soviet railroad network, whether from China or Turkey. The need to rely on ferries to cross the Caspian Sea only compounds these drawbacks. A different kind of risk is posed by the key position of Turkey and Kazakhstan in the corridor. If for any reason either of these countries is destabilized or suffers a breakdown in relations with any of its partners along the routes, the entire corridor and the rationale for its existence would be in jeopardy. The example of Russia on the Northern Corridor demonstrates the consequences such a development could have on intra-Eurasian trade. While there are alternative routes to both countries in existence or in preparation, they do not diminish the critical importance of these countries to the initiative and their value as alternatives is debatable. However, the existence of three corridors within the ISR, as well as their various routes and alternatives should ensure that there is always a secure and economically viable passage between both corners of Eurasia. For its part, the problem of old or poorly developed infrastructure can be also perceived as an opportunity to invest in its development and renewal, to the benefit of the participating countries and Eurasian trade and connectivity as a whole.

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PRE-WAR ENERGY DEPENDENCY OF V4 ON RUSSIAN FEDERATION¹

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Abstract: As past few decades have shown, the importance for reassessment of energy production and way of its consumption is continuously increasing. Current manufacturing and household consumption practices give a good idea of energy usage, while sources of this energy remain to be limited. It is clear, that national dependency on a single source within any critical commodity could lead to instability in the event of crisis or its insufficient amount on global markets. Therefore, the gradual transformation of industry and energy sector which is now inevitable, provides the opportunity for countries and manufacturers to maximize the efficiency and sustainability. This paper analyses the pre-war dependency of V4 region on selected commodities. It defines energetical state of each member on national level before the war in Ukraine started. Comparison is made within the region in between four member states within the selected commodities. In results we find, that V4 was, at the beginning of the war in 2022, critically dependent on Russian imports of crude oil and natural gas which are two of the key energy commodities. Although some differences in dependency between members is observable, the levels of Russian imports at which countries operated pre-war clearly indicated a potential disruption during the time of supply threat.

Keywords: dependency, transformation, V4, russia-ukraine war, energy, natural gas, crude oil

JEL: Q34, Q31, F51

Introduction

The demand for all types of energy variations has been growing ever since the advanced electricity and heat production was adapted. Current century showed us, that it is now inevitable part of our daily lives, manufacturing processes and is a key element of modern survival. While energy consumption is in fact still growing and will continue to do so,² the sources of its creation are not adapting fast enough in order to follow up with the plan of carbon neutrality while covering the needs of the upcoming technology. Primary commodities, such as natural gas or oil (which recently proved to be even more concerning), are still overshadowing the promoted and self-sustainable renewable energy sources. With energy crisis which began in 2022 fueled by international conflict between Russia and Ukraine, large dependency of nations on a single source led to a situation development, which damaged not only regional economies, but also the global one.

Despite the fact, that the energy efficiency is among the important parts of modern technological development, the consumption of energy is increasing so rapidly, that not even energy-saving electrical devices can make up for the difference and keep it on a decline. Resulting current state from conflict eruption clearly implies, that it is now crucial more than ever, to optimize manufacturing processes, look for a more long-term and reliable energy sources, and prevent from further climate depriving.

¹ This article was elaborated within the VEGA project no. 1/0115/23 Applications of cooperative game theory models in economics and in international relations.

² Enerdata (2023): Total energy consumption.

The paper focus on V4 could be rationalized from several perspectives, while among the key ones would be the fact of geographical location, overall dependency on specific fossil fuel imports due to landlock position (exc. Poland) or the presence of a fossil fuels transport systems build during the past decades.

Due to historical development after second world war, the interconnection between V4 and Russian Federation is still observable in several areas. The development and construction of fossil fuel transportation system in between soviet countries partially tied the V4 countries to Russian products. Their production processes were set to the specific commodities obtained on Russian territory, relying on long-term and stable supply. One of such remnants of the Soviet era is the Druzhba oil pipeline, which to this day transfer millions of tons of crude oil yearly to Slovakia, Czechia, Hungary and until February 2023 to Poland also.^{3, 4} Additionally, last country connected to Druzhba pipeline is Germany, which reduced imports of Russian oil to almost 0% at the beginning of 2023, from 1,5 Mt (August 2022) to insignificant 14t (August 2023).⁵ With regard to natural gas, there is several pipelines stretching from Russia onto territory of European union connecting many member countries, which are still in use as the “full” embargo within the scope of sanctions only applied towards crude oil imports.⁶ Although some attempts to reduce the overall dependency and intake of Russian gas were made, and the total import was reduced,⁷ the dependency of European union and V4 specifically on Russia is still present.^{8,9,10}

Analysis of the pre-war dependency on Russian imports within V4 countries is proposed, as it is the neighboring region to the conflict area. A comparison will be made in between member countries while pointing out to the ones with highest and lowest dependency on natural gas and crude oil imports. The data will provide an estimate of problem-solving capability based on level of dependency as well as preparedness of countries to energy crisis. Potential further research in the future would be able to define the adaptability and effectiveness of energetical transformation in given region by comparison of actual dependency, import and energy consumption with pre-war levels.

Methodology

This paper uses a statistical analysis as well as statements and reports analysis of government authorities in order to retrospectively determine the V4 region (members) dependency on natural gas and crude oil imported from Russian Federation before the invasion of Ukraine in 2022 started. With that, it points out to the possible correlation between energy crisis level in given region, dependency and adaptability. Key source of data for given analysis is official European statistical database Eurostat, which provides vital information with regard to export and import of given countries. Obtained data is visualized in graphs and tables in order to clearly define the tendencies in their development. Overall dependency for two critical energy commodities for industrial as well as public sector is proposed, by which potential assumptions on adaptability and diversification period could be made. Additionally, international journals providing a simplified reproduction of representatives’ statements are processed, in order to compare the Eurostat data, with national expectations and commitments. The information obtained together with analyzed data is then synthesized and evaluation with conclusion is provided based on them.

³ NARDELLI, A. (2023): EU Proposes Formal Halt of Piped Russia Oil Flows To Germany, Poland. In: Bloomberg.

⁴ STRZELECKI, M. (2023): Russia halts pipeline oil to Poland says refiner PKN Orlen. In: Reuters.

⁵ Eurostat (2023): Imports of oil and petroleum products by partner country. Available online.

⁶ European Council (2023): EU restrictive measures against Russia over Ukraine (since 2014).

⁷ European Commission (2023): EU imports of energy products - latest developments.

⁸ ABNETT, K. (2022): EU asks countries to cut gas demand by 15% until spring. In: Reuters.

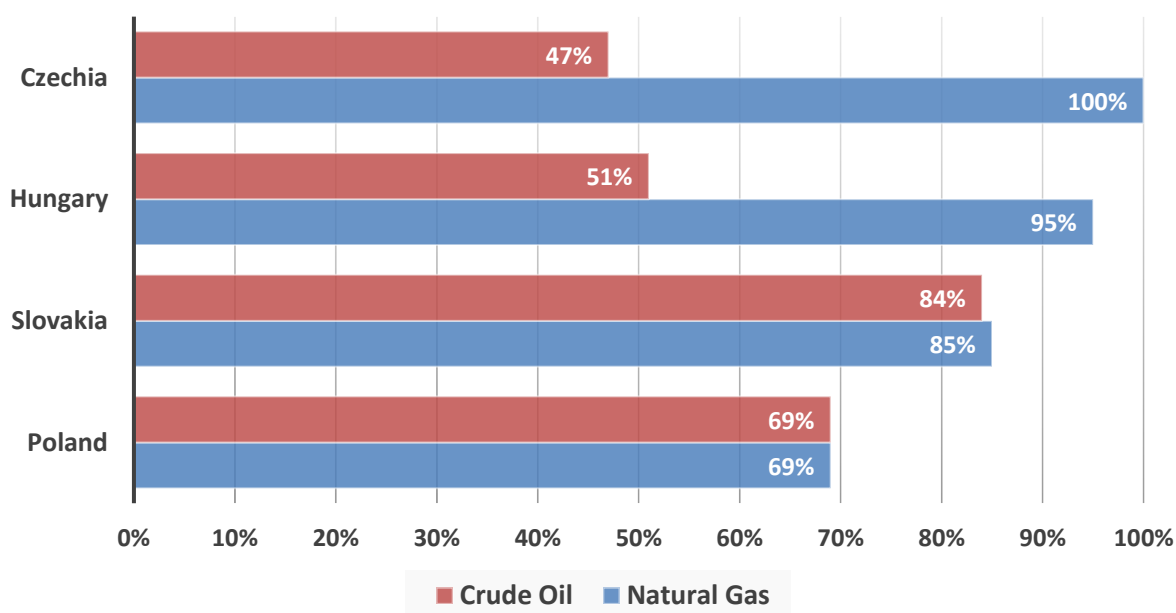
⁹ ABNETT, K. (2023): LNG imports from Russia rise, despite cuts in pipeline gas. In: Reuters.

¹⁰ COHEN, P. (2023): Why One Country Is Struggling to Break Away From Russian Gas. In: New York Times.

1 Pre-war dependency on critical energy commodities

Since 2014, after the annexation of Ukrainian Crimea by Russian Federation (RF), western countries applied several sanctions against the country, which were supposed to establish a deterrent effect and force the country to release the occupied territory.¹¹ Today it is clear, that the initial sanctions after 2014 were insufficient and, on the contrary, might have pointed out that actions taken against other nations in critical situations such as annexation contrary to international law, will not be severely punished. An assumption could be made, that applied “modern appeasement policy” might have created an impression that the same policy will be applied even in further occupational tendencies. Although the act of aggression was initially a surprise, the dependency on Russian commodities was known but never addressed in a proper way.¹² Given the information that the European nations had at their disposal after 2014 and at the beginning of 2022, it seems that they in fact should have been prepared for such circumstances, reconsider the dependency on Russian commodities, push for a transformation of the economy towards self-sufficiency and more importantly, diversify the energy suppliers. Among the four countries within V4, only country that was able to reduce the dependency by more significant amount for both key commodities was Poland. For natural gas imports, their dependency on RF reduced by approximately 13,5 % (from 83 % to 69,5 %) and by 9,5 % for oil and petroleum products imports respectively (from 79% to 69,5 %).^{13,14} Following figures analyze the last estimate data available for single year 2020, less than 2 years before the war began.

Figure 1: Natural gas and Crude oil dependency on Russian Imports by V4 Country (2020)



Source: Eurostat estimate, own adaptation
Note: in percentage (%)

¹¹ European Commission (2023): EU adopts 11th package of sanctions against Russia for its continued illegal war against Ukraine.

¹² NESLEN, A. (2014): Europe's dependency on Russian gas may be cut amid energy efficiency focus.

¹³ Eurostat (2023): Natural gas import dependency by country of origin.

¹⁴ Eurostat (2023): Oil and petroleum products import dependency by country of origin.

In the first figure (Fig. 1) we can observe that the dependency on natural gas imported from Russian Federation of the V4 region, as the closest geographical partner, was on average at the level of 87 %. Only 13% of natural gas consumed within V4 in 2020 was imported from supplier of other countries. Graph also shows that Poland (Blue) dependency was the lowest out of the four analyzed countries at the level of 69 %. However, even at this level, the “dependence threat” to the economy is still very much present. It is namely due to a fact, that in case of a complete and sudden delivery cut from given source, nearly 70% dependency could create a unprecedented drop in commodity reserves if not addressed immediately, as the consumption will likely stay unchanged. Czechia (Green) on the bottom of the fig 1., indicate the scenario of the full dependency on a single country within imports of natural gas. This additionally underlines the assumption, that the nations were not at all expecting the scenario, where Russian annexation after 2014 might develop even further. It then seems, that once again European countries were unable to utilize the experience from historical mistakes and V4, along with others, preferred to not escalate the tensions and sanctions as not to either provoke the Russian Federation or risk the security of commodities deliveries and energy crisis. The same principle of “dependency threat” applies to Hungary (Purple) with its 95% single country dependency on natural gas supply, as their economy is as endangered as Czechia’s, along with Slovakia (Orange) with its 85% dependency.

Although replacing Russian natural gas is more difficult than replacing oil (or coal), due to differences in supply infrastructure, transportation, and storage, the second commodity is a vital part of economic development of V4 as well.¹⁵ Therefore, on a second graph we follow the dependency level of V4 region on crude oil imports from Russian Federation.

Similarly, but relatively less alarming tendencies are observed in the oil dependency of V4 region imported from Russian Federation in 2020. On average, there was approximately 63% dependency on Russian oil imports in Visegrad Group countries. Czechia (Green) on the contrary to the natural gas dependency, was the least depended country on Russian oil imports leaving it at roughly 47%. Although this percentage is still quite high, the possibilities in case of delivery cuts are broader. On the other side, with 84% dependency, Slovakia (Orange) once again points out the unpreparedness to the case of delivery shortages. Although the dependency on natural gas of Poland (Blue) was the lowest of the 4 countries, in case of oil import Poland stands at the second most dependent country within V4, with imports from Russian Federation reaching the same 69 % of total number. Dependency of Hungary (Purple) then stands at 51%, which also provides some space for possible substitutions in case of delivery cuts.

Both of these figures point out already expected and critical reality of a huge dependency of V4 region on a single supplier whom previous acts might have hinted a possible reliability in the future. The dependence level for both commodities stood at the level of 75% (in 2020) for a V4 region, suggesting that functionality of energy sectors was directly derived from Russian import. Following figure defines the overall dependency of individual countries in order to define the country most depended on import from RF of these crucial energy commodities within V4 region.

¹⁵ European Parliament (2022): EU gas storage and LNG capacity as responses to the war in Ukraine.

Figure 2: Individual average dependency on Russian Imports for both commodities (2020)

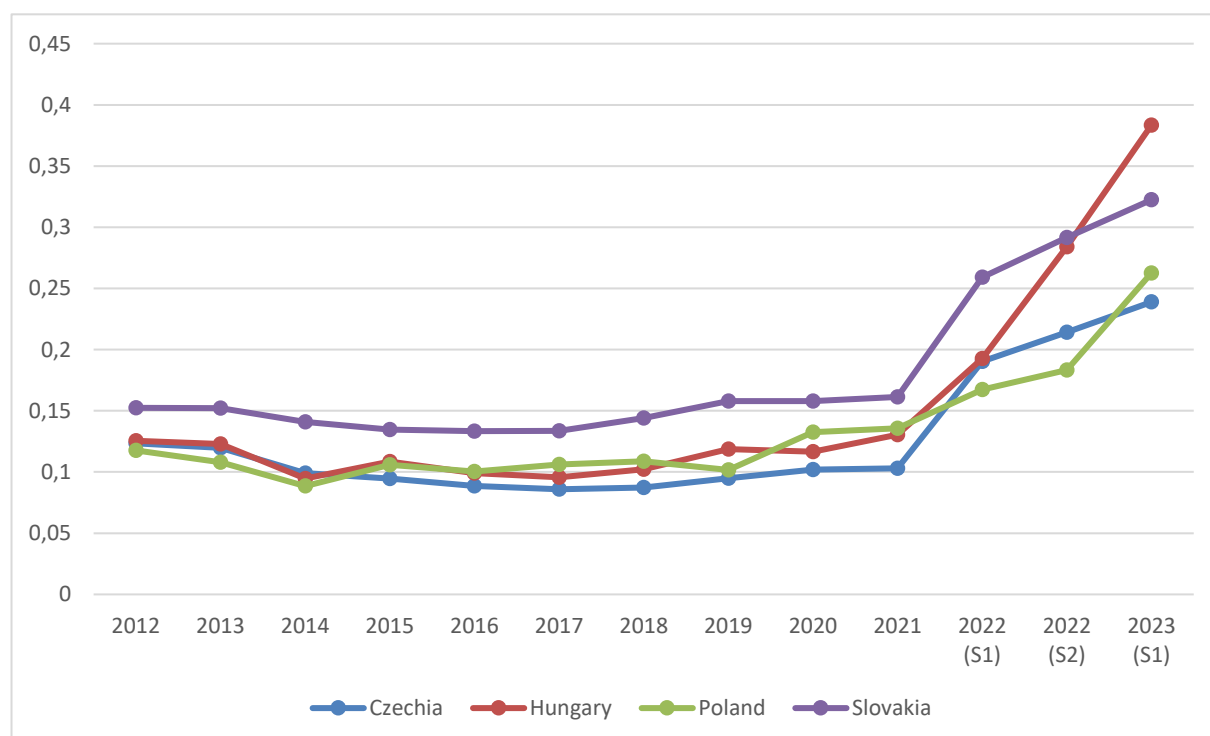
V4 Country	Natural Gas dep.	Crude Oil dep.	Overall dep.
Slovakia	85%	84%	84,5%
Czechia	100%	47%	73,5%
Hungary	95%	51%	73%
Poland	69%	69%	69%

Source: Eurostat, own adaptation

2 Development of energy crisis

Now that it is clear, that diversification of suppliers in critical energy commodities within V4 region (at least in a scale that would prepare it for circumstances currently observable) was insufficient, we observe the overall impact on electricity as well as natural gas prices. On following graph, we observe the results of crises caused by conflict emergence, as it shows the development of electricity prices for non-household consumers in the time span of 10 years, since 2012 up until first half of the 2023.

Graph 1: Electricity prices for non-household consumers (with tax) (from 2012 onwards)



Source: Eurostat, own adaptation
 Note: for kilowatt-hour (kWh), in Euro (€)

The Graphical analysis above shows the measured spike in electricity prices for non-household consumers such as manufacturers, big and small businesses, and other entities. The statistics available confirms that price spike began in the first half (S1) of 2022 while the increase of prices continued during the second half (S2 2022), as well as the first half (S1) of 2023. The most recent data suggest that the peak of the non-household consumers electricity prices is yet to be reached. For the past decade, the prices of electricity were relatively stable with a few minor - mostly positive (with regard to consumers preference) - deviations. Nevertheless, observable fact is also a slow but gradual increase of electricity prices since 2017 in V4 countries (with a single year exception of Poland in 2019) until the very beginning of 2022 and energy crisis. Graph 1. puts further into the spotlight the previously analyzed figures of dependency on a single supplier.

Regarding electricity prices for household consumers, the data analysis could prove to be deceiving, when trying to point out the increase in global commodity prices due to ongoing crises, as governmental intervention in most countries enforced the partially regulated electricity prices.^{16,17,18,19} Nevertheless, even after a serious governmental intervention, the prices of electricity for household consumers increased in observable scale.²⁰

Naturally, origin of the electricity price increase and after all, energy crises themselves, comes from the global markets that adjusted the price of crucial commodities according to the development of global situation. With fear, that deliveries from one of the largest exporters will be halt, financial markets immediately redefined the global prices. Although delivery did not reduce significantly immediately^{21,22}, overall fear and panic inflated the market price of natural gas and crude oil significantly in a very short time span. Drastic price increase was therefore at the beginning caused partially by the insecurity, fear, chaos and speculation on financial markets.

¹⁶ Ministerstvo průmyslu a obchodu ČR, odbor komunikace (2022): Vláda schválila zastropování cen energií. Pomůže jak domácnostem, tak firmám.

¹⁷ TASR (Tlačová agentúra Slovenskej republiky) (2023): Cena elektriny pre domácnosti nezdražie. Štát podpísal zmluvu so Slovenskými elektrárňami. In: RTVS.

¹⁸ Hungary Today (2022): Government Declares State of Energy Emergency. In: Hungary Today.

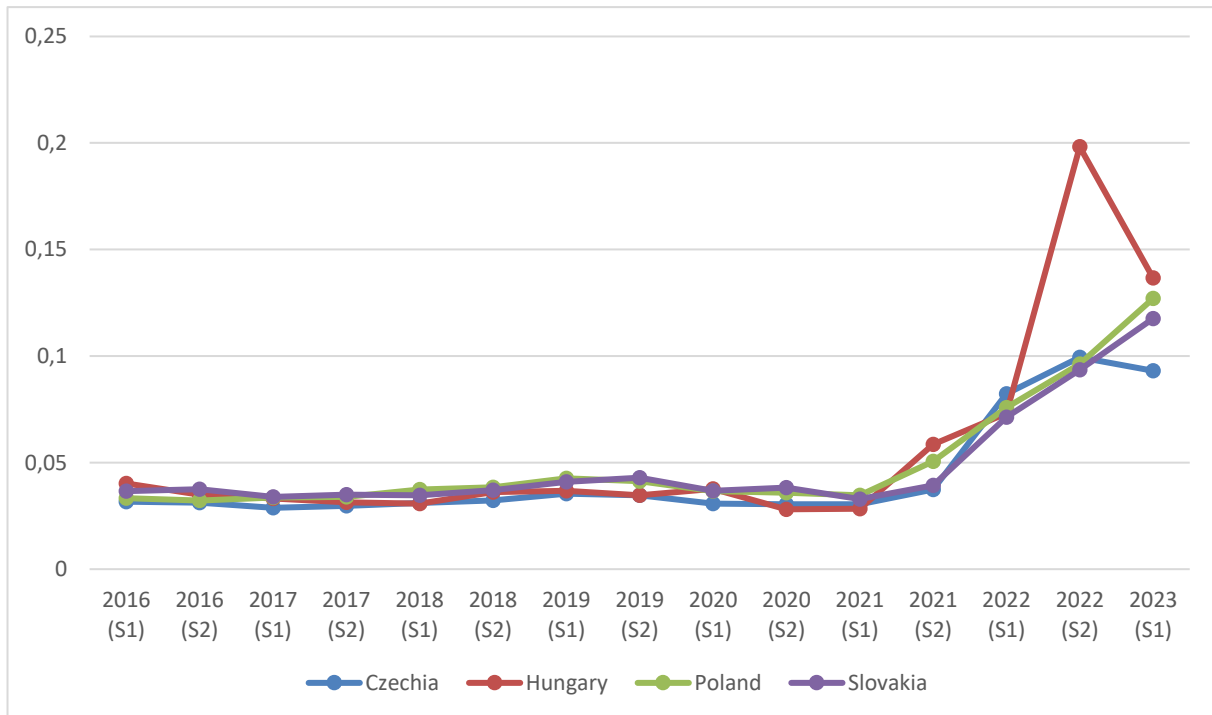
¹⁹ STRZELECKI, M., CHARLISH, A. – FLORKIEWICZ, P. (2022): Poland to cap power prices for households, small business. In: Reuters.

²⁰ Eurostat (2023): Electricity prices for household consumers.

²¹ GOLUBKOVA, K. – KOBZEVA, O. (2022): Russia's Putin pledges uninterrupted gas supplies as sanctions loom. In: Reuters.

²² INMAN, P. – DAVIES, R. – KOLLEWE, J. (2022): Ukraine crisis: commodities prices surge as stock markets slump. In: The Guardian.

**Graph 2: Gas prices for non-household consumers in V4 region (with tax)
(from 2016 onwards)**



Source: Eurostat, own adaptation
Note : for kilowatt-hour (kWh), in Euro (€)

Graph 2. underlines the correlation between electricity prices and market price of natural gas as a commodity, which could be followed throughout the beginning of the energy crisis in EU. Therefore, it was clear, that in order to fight the given energy crises effectively, one had to find an alternative supplier of energy producing commodity in question and secure a safe import. Based on obtained data, the largest semestral difference occurred in Hungary between first semester (S1) of 2022 and second semester (S2) of 2022 when the prices rose by 170 %.²³ All observed countries noticed rather significant increase in non-household natural gas prices. When we compare the prices, year before war outbreak, prices at Czechia, Hungary, Poland and Slovakia stood at the level of .0374, .0586, .0506, .0394 € per kWh respectively for S2 2021. Although these prices seem to be already partially deviated from “usual ones” by looking at longer development period of the past 5 years, they still provide the base point of latest data before the invasion in February 2022. Following, in the first semester of 2023 which can define the adaptability and true impact of the energy crises, prices for non-household consumers were redefined to the level of .0931, .1367, .1270, .1176 € per kWh respectively. When two prices are put into the perspective and we subtract the initial price from the “energy crises” price, we notice that the most significant increase to date was recorded in Slovakia (by .0782 €), followed by Poland (.0764 €), Hungary (.0684 €) and Czechia (by .0557 €) between the two analyzed time points.

Household prices for natural gas noticed a slight, less visible increase, as most countries took necessary measures similar to the ones made with regard to electricity prices, in order to prevent uncontrolled rise, and unaffordable deliveries. The biggest increase in natural gas prices for house-hold consumers is present in Czechia, with prices on the level of 0.1138€ per kWh

²³ The natural gas prices in 2022 (S1) stood at the level of 0,0732 € per kWh, while prices in 2022 (S2) reached 0,1982 € per kWh. That accounts for a 0,1250 € increase per kWh for a 6 month period, which is approximately 170% increase between the two ones.

which in comparison to pre-war prices of 0.0554 € per kWh equals to 105% increase. On the other hand, the smallest price increase recorded Hungary at the level of 10%.²⁴

Discussion and Conclusion

The data synthesized within this paper proved the strong dependence on a Russian imports of crucial energy commodities in Czechia, Poland, Slovakia and Hungary. Therefore, it concludes, that Visegrad four (V4), which these countries create, as a geographically first neighboring region to the Russian-Ukraine war within European Union (along with other countries not included within the scope of this paper) was systematically developing ever since the end of the second world war towards interconnection with the economy of soviet block and later Russian Federation. Although differences in the level of dependence in between the four countries is present, no country was able to effectively adapt or prepare for a necessity of adaptation in the event, that supply of these crucial commodities could be disrupted. Even after initial hint of imperialistic tendencies of Russian Federation from 2014, V4 countries (and indeed European union as a whole) were not able to take necessary measures that would lead to protection of energy sector by diversification of suppliers and promotion of self-sustainability. That is, to say, despite the fact that high dependence (with regard to oil and gas pipelines network) and its potential negative impacts were well known.

The initial energy crises that emerged and escalated after the beginning of the war in February 2022 could not then be referred as surprising by any means. It instead indicates a lack of preparedness due to overlooking the know problems, and diligent effort to maintain status quo (with regard to energy commodities import). Also, the solution proposition motivation appeared to be non-existent, as the substitution of given commodities at the time of peace and uninterrupted deliveries seemed to be irrelevant and counterproductive. Therefore, the policy of hope and trust was applied, that eventually lead to high uncertainty and special regime requests in form of exemptions within European union sanctions applied towards Russian Federation and imports of its products.

All four countries of V4 region were granted a “temporary” exemption from imports of Russian crude oil, while only Poland expected the deliveries to be halted latest by the end of the 2022. Although the deliveries were in fact stopped in February 2023 (which is 2 months late of expectations), it is mostly due to one sided act of Russian Federation, which refused to continue in cooperation. It is possible, that Poland would further continue to import Russian crude oil although following sanctions package of EU formally revoked the firstly granted exemption which applied to Germany as well. By the end of 2023, only five countries continued in import of Russian crude oil, while three of them were Czechia, Slovakia and Hungary which made use of the “pipeline exemption”. By that time, no formally binding date for termination of exemption was set, while all three countries agreed that the transition period required would consist of minimum 2 to 3 years since 2022. While REPowerEU plan attempts to implement more energy producing means within the territory of EU, it is unlikely, that the self-effort of member countries would be sufficient and therefore, if the true energy transition is to happen in short to mid-term period, more ambitious and binding EU regulations needs to be introduced.

On the other hand, apart from Poland, V4 countries are located in a landlock area, which makes direct deliveries by ships on their territory impossible. Therefore, a substitution to the previous deliveries by pipeline Druzhba (which transfers the crude oil directly from the reservoir to the refinery), would need to include a partial delivery by ship to the port of external country followed by pipeline (or in rare cases by train or truck) transportation to the final destination. Naturally, this would likely increase the overall cost of the imported oil. It could be assumed, that the fact of landlock position together with well-established network was also most likely

²⁴ Eurostat (2023): Gas prices for household consumers - bi-annual data.

behind the reluctance of the three countries towards the diversification after 2014 annexation of Crimea. Additionally, Poland's access to the sea than explains the overall lowest dependency on Russian imports of natural gas and crude oil.

This analysis further underlined the necessity of governmental push for national diversification of import of crucial commodities (for economic growth and stability) even in state safe and uninterrupted supply chain, as the unexpected events could prove to introduce a sudden and more radical challenge. However, the comparison between the states with low and high dependency on given example (Russian imports of natural gas and crude oil) is still required, in order to define the real importance of dependency on energy crises severity. Meaning, that this paper was not able to prove or disprove just yet, whether the high dependency of the V4 countries made in fact energy crises within them much more unbearable and severe. Although the data for short-term impact are available, in case analyzed by us, (as there is a strong network and tradition of fossil fuel imports from Russia to V4 countries developed), long-term impact would need to be observed and just after that, the reliable definition of correlation between dependency and severity of energy crisis could be defined.

Regarding the natural gas imports from Russian Federation to European union, no specific restriction was set within the sanctions applied up until the end of 2023, although a joint resolve was established, to terminate EU dependence on all Russian fossil fuels by 2027.

Although the possibility of partial renewal of imports from Russian Federation after the settlement of conflict and adaptation of peace treaty is still present, it is unlikely that after a several years of diversification and attempts to cut of the dependency on Russian energy commodities, countries will restore their trust into these resources and their exporter.

Based on that, we can on the other hand expect that after the events of 2022, along with rash diversification, countries would strive also for a higher level of self-sustainability. As the renewable energy sources (which could be installed globally and provide independent energy unlike the non-renewable natural resources) development advanced, the climate change policies are taking more significant place in national agendas, and financial support of EU within the REPowerEU program is present, gradual transformation of energy sector towards solar, wind and water energy capture among other alternatives, could be predicted for a long-term period perspective.

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THE CREDIBILITY OF SOCIAL MEDIA IN CRISIS COMMUNICATION¹

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Abstract: An integral part of PR is crisis management, which includes crisis communication. Social networks have a big impact on changes in crisis communication. It has become the most effective means of communication in the world in a short span of time due to the possibility of sharing, networking and the power and ability of mass posting. Social media like Facebook, Twitter, Instagram, Tiktok and more are creating a new era of crisis communication between the organization and its stakeholders. The aim of this paper was based on the quantitative survey to verify the credibility of social media in crisis communication and showcase the possibilities that social media are offering. Social media sites such as Facebook and Twitter have proven to be credible media, with Tiktok proving to be an untrustworthy medium to source information.

Keywords: crisis communication, crisis management, digital environment, PR, social media.

JEL: M15, M30,

Introduction

Crises in a company or society are never welcome. However, we have been encountering them more and more often lately. Today, more and more companies are standing on the dust of survival as a result of unmanaged crisis situations. Looking at the theoretical level of the meaning of crisis, we encounter authors who approach the definition of the meaning of the word from several perspectives. Despite several different definitions, there is currently no single, universally accepted definition of crisis, which may refer to, among other things, disaster and emergency.

Newstead and Riggio (2023) argues that there is no situation in which management is more important than in times of crisis. Crises put a great deal of strain on organisations and require quick decisions. Perhaps because crises are usually seen as sudden and unexpected events and because many crises are quickly resolved, research has paid relatively little attention to crisis management. Crises are largely viewed from a management perspective, which includes anticipating and preparing for various crisis scenarios and creating teams that will be activated in the event of an unexpected event (Newstead and Riggio, 2023).²

According to the experts, there is an important dimension of crisis communication in an organisation that extends to crisis communication through social media. When using social media, organizations can respond to stakeholder questions and concerns, which can lead to

¹ This article was written as an output of the project KEGA 029EU-4/2022 Innovative Approach of Creating Responsive Media Formats for Marketing Communication of Companies Aimed at the Internet Consumer in the Digital Media Environment.

² NEWSTEAD, T. – RIGGIO, R. (2023): Crisis Leadership.

improved organizational understanding of crisis needs, provide greater clarity, and preserve or enhance the organization's reputation (Roshan, 2016).³

Despite the importance of social media, it is still challenging for businesses to effectively use social media for crisis communication (Li, 2023).⁴

The article makes several important theoretical and practical contributions. It contributes to the body of knowledge regarding the use of social media in crisis as a new communication method by providing valuable insights in terms of companies' use of social media for crisis communication.

Crisis management differs from general management in several ways. It is characterised by the fact that the urgency, necessity and urgency of the issues is at a high level. Often they form a so-called chain, where the intractability of one problem causes another. The specificity of crisis management is built on dealing with an exceptional situation that is unexpected and requires a unique approach (Shanderaseharan, 2023).⁵ According to Ondrusek and Míka (2010),⁶ crisis management can be defined as a system of measures and principles that in the activities of the management elements of economic entities are aimed at solving problems that threaten economic stability and prosperity. It is the highest managerial skill because it is a system of managing a business entity in conditions of long-term financial equilibrium (Dodecký, 2011).⁷

Crisis management as an interdisciplinary scientific field is focused on management as a systematic human activity, where the creation of management methodology with an emphasis on the achievement of predefined goals. In the case of a crisis, it is about protection from its negative effects. The birth of crisis management is attributed to industrial accidents, business crises and overall ineffective decisions in corporate management (Shanderaseharan, 2023).⁸

Some of the reasons why crisis management is needed in a business include:

- Employees adapt more quickly to sudden changes
- preparing individuals to face unexpected developments and adverse conditions with courage and determination
- helping managers to devise strategies to get out of uncertain conditions and thus make more confident decisions about the future course of action
- helping managers to sense the first signs of a crisis, warn employees early of the consequences and take the necessary precautions (Munawar, 2022).⁹

Crisis management trends point to the need to deal with crisis situations in an "a priori" manner. It is not always possible to predict all possible threats and adjust the functioning of the system to achieve its safety (Hlasný, 2023).¹⁰ Based on the available sources, new trends in crisis communication are largely related to social media. One of these trends relates to the great potential of social media and that is monitoring public opinion. Thus, social media can serve as a tool for listening to the public and public debate in the media as part of risk and crisis management (Howell, 2015).¹¹ Organizations should scan social media, monitor their

³ ROSHAN, M. (2016): Understanding the use of social media by organisations for crisis communication.

⁴ LI, X. – XU, M. – ZENG, W. – TSE, Y. K. – CHAN, H. K. (2023): Exploring customer concerns on service quality under the COVID-19 crisis: A social media analytics study from the retail industry.

⁵ SHANDRASEHARAN, A. – KULATUNGA, (2023): Udayangani. Social media for disaster management: the Sri Lankan context.

⁶ ONDRUŠEK, M., – MÍKA, V. (2010): Niektoré problémy formulovania teórie krízového manažmentu. In: *Krízový manažment*, 2010. ISSN 1336-0019, 2010, roč. 9, č. 1.

⁷ DODECKÝ, J. (2011): *Krízový manažment*.

⁸ SHANDRASEHARAN, A. – KULATUNGA, (2023): Udayangani. Social media for disaster management: the Sri Lankan context.

⁹ MUNAWAR, H. S. et al. (2022): Disruptive technologies as a solution for disaster risk management.

¹⁰ HLÁSNY, M. (2023): *Vplyv digitalizácie na pracovný proces*.

¹¹ HOWELL, G. V. J. (2015): MH370 all lives lost: The 'Black Swan' disaster confirmed with a 26 Word Txt.

environment for emerging issues and also be proactive and timely to monitor online issues among the public (Krishna & Vibber, 2017).¹²

Social media such as Facebook, Instagram, Twitter, LinkedIn, YouTube provide a space to connect people and create online communities to share information and voice opinions on a wide range of topics that affect our lives. The growing importance of Instagram as a critical distribution channel is putting pressure on audience development for commercial entities (Kuchta, 2019).¹³

Organizations generally need to plan and anticipate a crisis and approach it by disclosing information in the media whenever such a situation arises (Kalagiannidis, 2018).¹⁴ In times of crisis, natural or man-made, the use of social networks increases many fold. Users of social networks try to communicate with their family in times of crisis to a greater extent than before the crisis, or they search and share information related to the crisis. In the context of corporate communication, a crisis can generate a lot of discussion on social media, and organizations need to be proactive and active participants in using a dialogic strategy to reinforce organizational ideas (Spence, Lachlan, Sellnow, Rice, & Seeger, 2017).¹⁵ For example, by engaging stakeholders through social media, a strategy of dialogue and discussion can help organizations find the best solutions to respond to a crisis (Romenti, Murtarelli, and Valentini, 2014).¹⁶

While many phone networks are unable to handle the sudden surge in calls as thousands of people try to make calls at the same time, social media has the ability to deal with high traffic when it serves as a medium of communication. They are able to overcome barriers related to one-way communication, such as with television and radio. Through social media, users can also communicate in the event of a power cut if they have a smartphone, for example, and also have the ability to share their location with friends and family. Thus, online social media can play a very important role during crisis and emergency situations (Saroj, Pal, 2020).¹⁷

In this section of the paper, we describe how users perceive the usefulness of social media in crisis situations and how they use these media.

Online social media has become an important channel in the context of crisis management as it has played an important role in helping people during crises. For example, Facebook provides an "I am safe" feature that allows individuals to inform their contacts that they are safe in a given critical situation. Security checks during a crisis resulted in an effective mechanism that allowed Facebook users to notify a list of contacts that they were safe (Abboodi, 2023).¹⁸

Results from previous research show that communication professionals value social media in crisis management for its ease and speed with which information can be accessed and shared towards the public (Eriksson, 2016). Various experimental studies show how user groups perceive media channels, whether traditional or new. Zhai (2023)¹⁹ compares traditional and new media types. According to him, the type of media through which a message is sent and received is more important than the message itself in terms of creating positive attitudes among the recipients. Although people still talk about newspaper articles, the social network Twitter has seen the most positive impact on the crisis situation. (Eriksson, 2016) The research team further

¹² KRISHNA, A. – VIBBER, K. S. (2017): Victims or conspirators?

¹³ KUCHTA, M. – STANKOVA, M. (2019): *Marketing communication strategy to develop an audience on instagram social network.*

¹⁴ KALOGIANNIDIS, S. (2018): *The role of the media in disaster and crisis management*

¹⁵ SPENCE, P. R. – LACHLAN, K. – SELLNOW, T. – RICE, R. G. – SEEGER, H. (2017): That is so gross and i have to post about it: Exemplification effects and user comments on a news story, pp. 27-37.

¹⁶ ROMENTI, S. – MURTARELLI, G. – VALENTINI, C. (2014): Organisations' conversations in social media: Applying dialogue strategies in times of crises, pp. 10–33.

¹⁷ SAROJ, A. – PAL, S. (2020): Use of social media in crisis management: A survey, p. 48.

¹⁸ ABBOODI, B. – PILEGGI, S. F. – BHARATHY, G. (2023): Social Networks in Crisis Management, pp. 1157-1177.

¹⁹ ZHAI, X. – LOU, Q. (2023): Rational or emotional?, p. 45.

analyzed the impact of Twitter in particular and concluded that communication through this social network led to less negative crisis reactions than blogs on websites or articles in newspapers. In another study, Eriksson, based on an online experiment, points to crisis communications on Facebook and Twitter and says that these social networks have more credibility and lead to milder crisis responses than communications through traditional news media (Erikson, 2016).²⁰

1 Methodology

The aim of this thesis was to verify the credibility of social media in crisis communication based on a pre-survey. The empirical part of the paper and the results are based on a quantitative pre-survey which consisted of a questionnaire. The population was defined as Slovak consumers of media content. Thus, respondents were filtered on the basis of two characteristics, belonging to Slovak nationality and access to the Internet. The reason for this specification is to investigate a certain group for which a certain consistency of behaviour is expected. The survey was conducted using an online pre-survey. To calculate the sample size, we used formula (1), where N is the population size. We calculated the population size as the difference of all inhabitants of the Slovak Republic and children under 15 years of age. The total population size was 4.424.283 inhabitants. The margin of error (e) is 10% and we chose a variance (p) of 50%. The confidence level (z) in this case is 95%. From the above formula after fitting the data, we found that we needed 98 respondents to conduct the pre-survey, which we were able to achieve.

$$n = \frac{(z^2 \times p \times (1-p)) + e^2}{e^2 + z^2 \times p \frac{(1-p)}{N}} \quad (1)$$

In this paper, the CAWI method was used, which means that the questionnaire was anonymous and made available electronically to the required sample. The results are processed using descriptive and inductive statistics. The aim of descriptive statistics is to describe the sample, but the ambition is to characterize the observed characteristics on the population. Respondents answered five questions that surveyed social media use and were processed using a pie chart. Similarly, respondents were asked four questions regarding the trustworthiness of social media, which they answered using a five-point scale.

2 The results of work

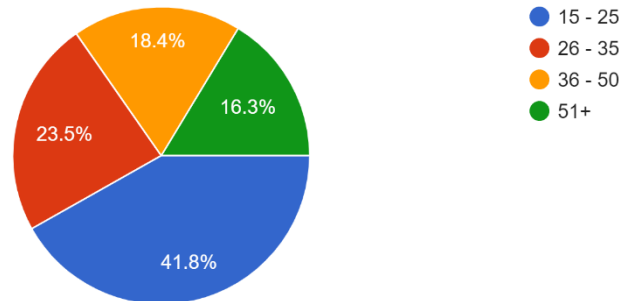
As theory has shown us, social networks are becoming an integral part of crisis communication. However, the growing interest in lists of recommendations for the use of social media during crises is not limited to the development of guidelines by different types of organizations for the use of social media during crises, disasters, and emergencies. Over the past decade, a number of scholarly studies have also offered practitioners of online and social media crisis communication practical implications and/or "best practices" in the fields of informatics, marketing, public relations, and strategic communications as well as disaster and crisis management research. The aim of this thesis was to test the credibility of social media in crisis communication based on prior research.

A total of 12 questions were formulated, 9 of which were used to fulfill the objective. The questionnaire was designed for both males and females aged between 15 and 60 years.

²⁰ ERIKSSON, M. - OLSSON, E-K. (2016): Facebook and Twitter in Crisis Communication: A Comparative Study of Crisis Communication Professionals and Citizens, pp. 198-208.

Chart 1: Age range of respondents

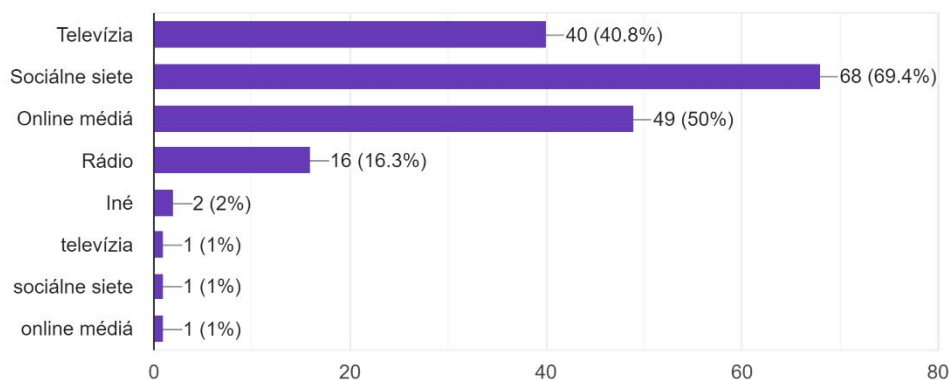
Aký je váš vek?
98 responses



In our quantitative survey, we had the following age distribution (Chart 1). The age range of 15 to 25 years had the largest representation, i.e. 41.8% of the respondents, which consisted mainly of students in universities. The second largest group of respondents (23.5%) was between the ages of 26 and 35 years, followed closely by the groups between 36 and 50 years (18.4%) and 51 years and above (16.3%).

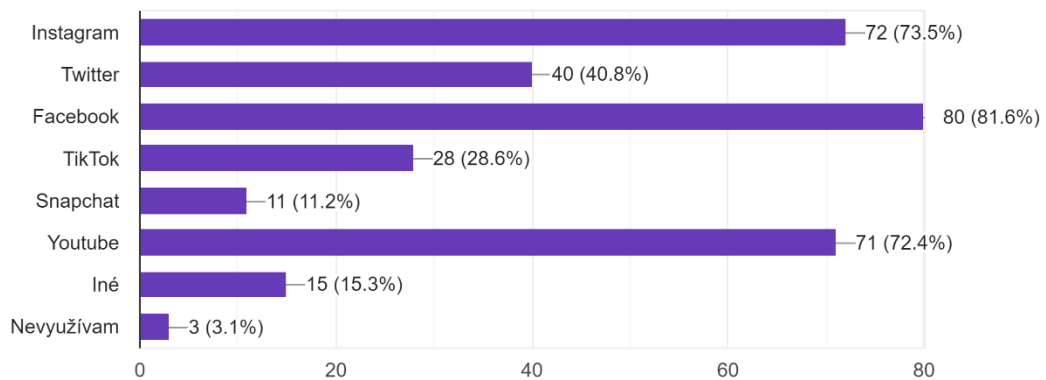
The next question dealt with the most consumed media. With this question, we wanted to find out what media is most consumed in a crisis. Figure 2 shows that by far the largest proportion of respondents pay attention to social networks, amounting to 69.4%. Later in the next question, we took a deeper look at specific social networks. Online media (online newspapers and magazines or websites) had the second largest representation (50%), followed by television (40%). The least represented medium was radio (16.3%).

Chart 2: Most frequently used media by respondents



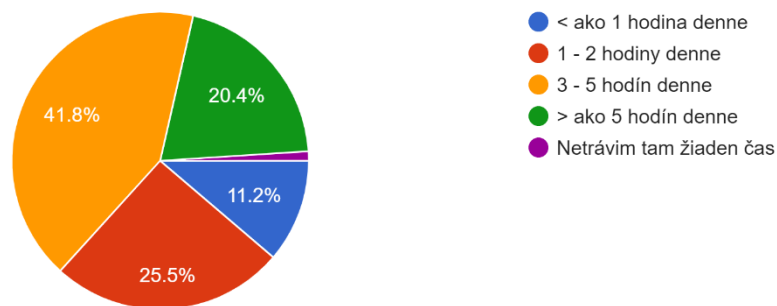
As mentioned above, the third question focused on which social networks respondents use the most (Chart 3). Facebook was the largest social network (81.6%), partly because it has a broad portfolio of consumers represented, from different age groups. With comparatively the same result, Instagram follows (73.5%), which is used by a relatively younger target group than Facebook. We can assume that the largest representation of respondents in our survey is Generation Z, and therefore the generation that is most present on the social network Instagram. In third place is YouTube (72.4%). Only 3.1% of respondents said they do not use social networks and 15.3% said they use social networks other than those mentioned in the survey.

Chart 3: Most used social networks



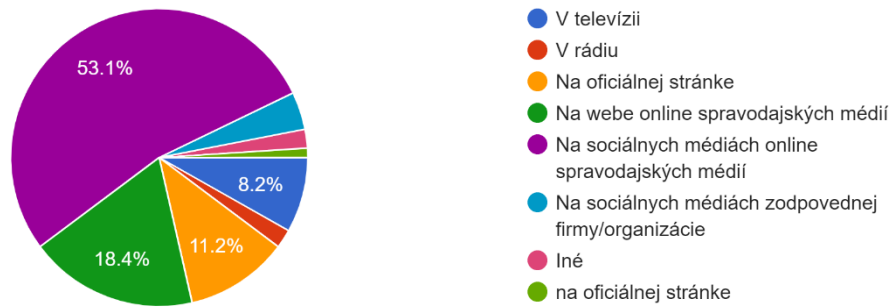
Based on the responses in Chart 4, we found that up to 41.8% of respondents spend 3-5 hours a day on social media. According to previous research, the average Slovak spends 3 hours on social networks. The threshold of how much the average Slovak spends on the Internet is shifting over time. 25.5% of respondents spend 1-2 hours on the Internet, which in this case means below the average of the results presented so far, and 20.4% spend more than 5 hours a day. We can assume that these respondents are working on social networks, and thus it is significant that the average time spent on social networks is more than 5 hours. Only 1% of respondents do not spend any time on social networks. In the case of the pre-survey conducted, this is specifically 1 person.

Chart 4: Time spent on social networks



The next question asked specifically about the source of information that respondents look for in times of crisis. From the results we can see that the most sought after source (53.1%) is social networks of online news media. This information can be used by companies to inform consumers about the crisis through online news media. In this way, information can reach consumers much faster than through the online news media's website, which accounts for 18.4%. Consequently, 11.2% of respondents indicated the answer official website as their primary source of information in times of crisis is social media online news media, and they use the company's official website to look up or verify information. Television is not the primary medium sought in times of crisis, and thus only 8.2% of respondents indicated television as the primary medium, as well as radio, which with 3% ranked one of the last.

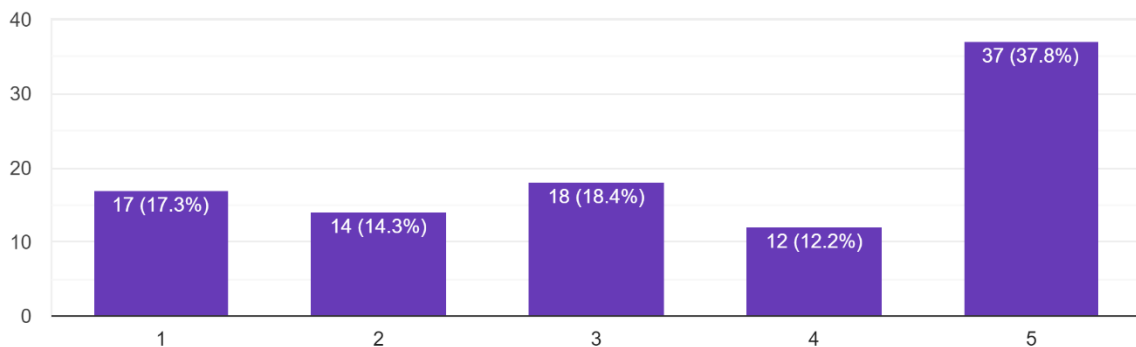
Chart 5: Primary medium of search in times of crisis



In other questions, we asked respondents about the credibility of each social media site. Respondents determined trustworthiness on a scale of 1 to 5, with 1 being the least trustworthy and 5 being the most trustworthy. In terms of relevance for Slovakia, we selected social media such as Facebook, Twitter, Instagram and TikTok.

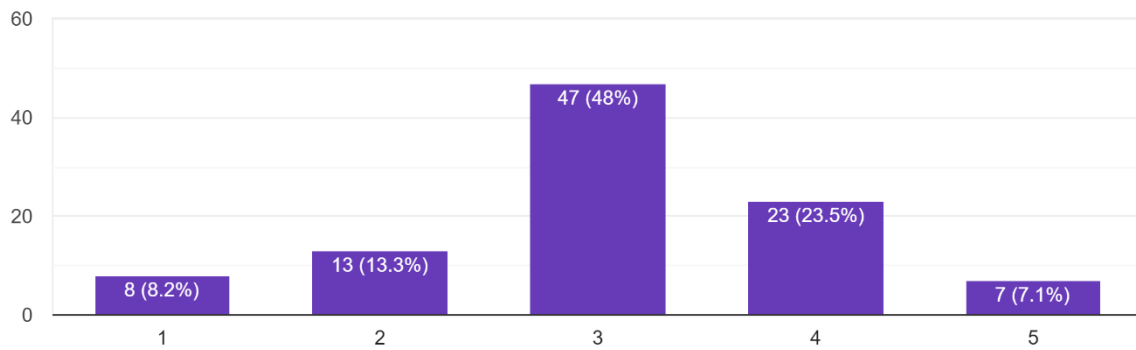
In the case of Facebook (Figure 6), 37.8% of respondents gave a score of 5, which means that respondents consider Facebook as one of the most trustworthy sources of information in case of a crisis. This information can be beneficial for social networking online news media, which, as mentioned in Chart 5, is one of the most sought-after media in times of crisis. These news media can share their content on Facebook and thus, as Figure 6 suggests, this social network is considered very trustworthy. Slightly fewer respondents (12.2%) gave Facebook a score of 4, which is also considered highly trustworthy.

Chart 6: Credibility of information on Facebook



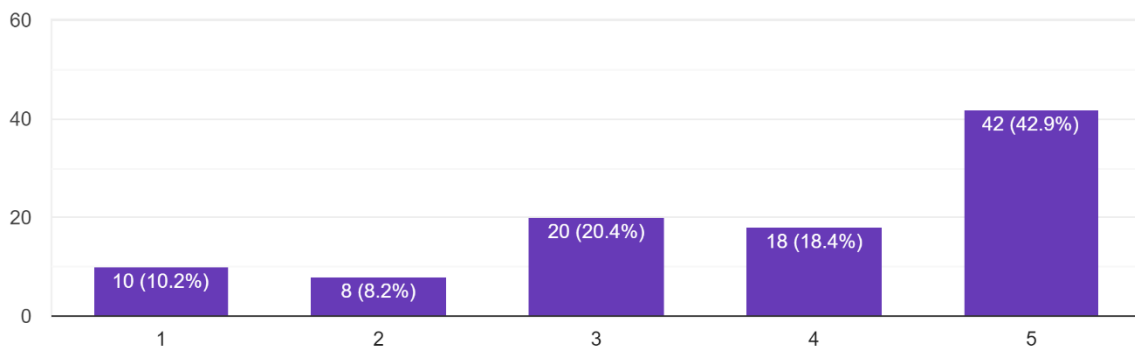
In the case of Instagram (Chart 7), 7.1% of respondents gave Instagram a score of 5, which is much lower trust compared to Facebook in the previous chart. As can be seen in the bar chart, 48% of respondents have medium trust towards the social network Instagram, and thus they usually verify the information they learn on this social network. Trustworthiness is at a much lower level compared to Facebook, which is not commendable for Instagram.

Chart 7: Credibility of information on Instagram



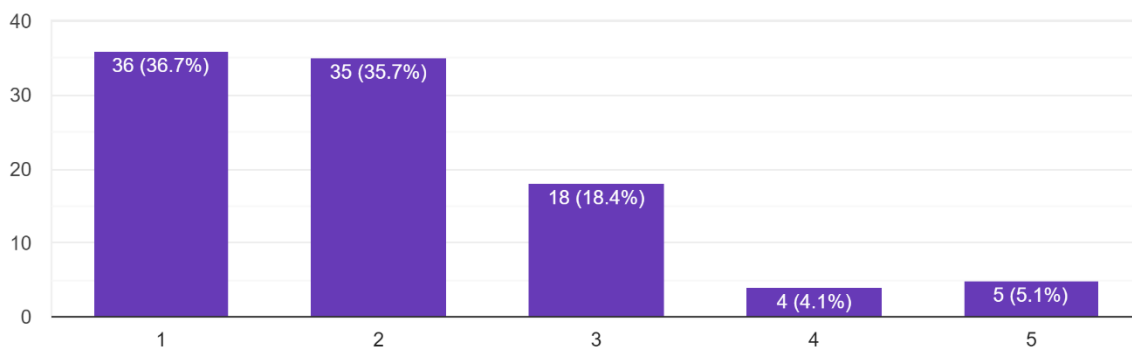
As in the case of Facebook, information on the social network Twitter is considered trustworthy. 42.9% of respondents indicated the highest possible trust in this social network, which is higher than in the case of Facebook., 4 points can also be considered as a strong trust, and thus 4 points were also awarded to the social network Twitter by 18.4% of respondents. Only 10.2% of respondents do not trust this social network at all.

Chart 8: Credibility of information on Twitter



In the case of TikTok (Chart 9), only 5.1% of respondents awarded 5 points. This is also because TikTok's primary message is not to inform about the crisis, but to entertain. TikTok's target group is also not interested in crises to the same extent as, for example, the target group of Facebook. For these reasons, the results are understandable and expected.

Chart 9: Trustworthiness of information on TikTok



Conclusion

Based on the results of the pre-research conducted, which emerged from the questionnaire survey, it can be deduced that social networks are a relevant channel during crisis communication. Up to 69.4% of respondents use social networks (Chart 2) and up to 48.5% reported (Chart 4) that they spend between 3 and 5 hours a day there, and a total of 87.7% spend more than 1 hour a day there. Based on this data, it is not surprising that up to 61.3% (Chart 5) look first to social networks for information in times of crisis, whether it is the news media or the organization responsible. Based on the data collected, we can assume that the potential and space for communication on social media is considerable and should be exploited on how many of the majority of respondents seek information first directly there. We then inquired about the trustworthiness of each social networking site, where Twitter emerged as the most trusted medium, with up to 42.9% of respondents giving the maximum score of 5 points. Similarly, Facebook came out where 37.8% of the respondents gave a maximum score of 5, confirming the theory that claims that Facebook and Twitter are the most trustworthy social media. Tiktok came out as the most untrustworthy medium, where a total of 72.4% of respondents gave 1 or 2 points. The aim of this paper was to find out the trustworthiness of social media in crisis communication. Based on the survey conducted, it can be concluded that social media like Facebook and Twitter are trustworthy sources of information and Tiktok can be identified as an untrustworthy social media. A neutrally trusted social network is Instagram. Therefore, companies should consider using social networks in crisis communication and focus on Facebook and Twitter as the main social network to disseminate this information, as people search for information on social networks and trust Facebook and Twitter. Conversely, a social network that is not trusted is Tiktok. We will follow up this research with further research that will expand the sample and cover a wider range of issues. The questionnaire equally revealed that a large majority of respondents search for information in online media, thus creating scope for further exploration of the link between media and social network relationships.

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THE PARTICIPATION/PARTNERSHIP DISCOURSE¹

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Abstract: This paper is concerned with the urgent need for the participation and partnership discourses. The paper argues that the idea of participation or partnership as such is not rejected by even the most radical critics of the practice of this idea. Furthermore the paper shows the early origins of both discourses which date back to colonial development. Most importantly the paper shows that the urgent need for the participation/partnership discourse was based on the need to respond to the unacceptable passivity of the Other in the SAPs, the need to respond to the critics of Eurocentrism and to the drastic images of humanitarian aid and the need to respond to the critics of aid conditionality.

Keywords: Participation, partnership, urgent, need, discourse, development

JEL: O20, O15, O17

Introduction

I will focus in this paper on the urgent need that led to the discourse of partnership and participation in „development“. There are several remarks to be made before I begin the chapter.

In general, none of the critical authors (such as Cooke, Kothari, White, Rahnema or Cleaver, etc.) has criticized the idea of participation. Despite the problems decipherable already at the level of discourse, in principle participation is what democracy should be about. Not only say the less radical critics that it is not their intention “to deny the usefulness of people-centered orientation in development;”² but even those who criticize participation in “development” for being “co-opted,”³ “conceived in an utilitarian fashion” and denying its “political character”⁴ consider the participatory action research to be “a radical challenge to the regime of knowledge and truth that has ruled discourse and life up to the present.”⁵ Indeed, according to Ziai: “If people were to decide themselves what ‘development’ means for them and how it should be reached, this would be a fundamental contradiction to some of the rules of formation (enunciative modalities, objects and concepts) and would constitute a clear break from the development discourse.”⁶ Thus Cooke and Kothari “resist being labeled anti-participation” because “[t]here are acts and processes of participation that [they] cannot oppose.”⁷

Something like a “true partnership” is also welcome by those who criticize it for becoming a mere buzzword. Roughly in the 1970s, 1980s and into the 1990s “something akin to partnership existed among the Northern and Southern institutions working to eliminate the

¹ This work was supported by the Slovak Research and Development Agency under the contract No. APVV-19-0314.

² CLEAVER, F. (2001): *Institutions, Agency and the Limitations of Participatory Approaches to Development*, p. 37.

³ ESCOBAR, A. (1984): *Discourse and Power in Development: Michel Foucault and the Relevance of his Work to the Third World*, p. 390.

⁴ *Ibid*, p. 391.

⁵ *Ibid*, p. 392.

⁶ ZIAI, (2006): *Zwischen Global Governance und Post-Development: Entwicklungspolitik aus diskursanalytischer Perspektive*, p. 48.

⁷ COOKE, B. – KOTHARI, U. (2001a): *The Case for Participation as Tyranny*. In: COOKE, B. – KOTHARI, U. (ed.), p. 13.

root causes, or structural reasons, behind the lack of opportunity that characterised the lives of most of the world's population."⁸ And according to Crewe and Harrison "[t]he ideal of partnership may be laudable in some ways."⁹

However, the topic of this paper is not the *idea* of participation or partnership, but the participation/partnership discourse and the urgent need that led to it. And this discourse encompasses more than just a utopian ideal, which we strive to achieve, but never succeed. There are many critiques of the practice of participation¹⁰ and partnership,¹¹ but this is not the topic of this paper either. Some of these critics have, however, analyzed important aspects of the participatory and partnership discourse that are worth reproducing to create a more complete image of the urgent need for one particular development discourse.

I have decided to put together the discourse of participation and the discourse of partnership (together with the discourse of ownership) as the key elements of both of them are the same. The recipient of aid is supposed to define "development" for him or herself. Even though Eriksson Baaz is correct to say that "[i]n contrast to 'participation', the concept of 'partnership' focuses on the relations between 'donors' and 'receivers' - development aid is now conducted between 'partners',¹² the idea of participation implies partnership between the donors and the recipients as well. According to Kapoor,¹³ more inclusive and bottom-up "development" politics takes two dominant institutional forms – Participatory Rural Appraisal and country ownership. Eriksson Baaz herself acknowledges similarity between participation and partnership as she is aware that "[t]he need to create a more equal relationship (...) has been articulated through various concepts such as 'participation', 'empowerment', 'ownership'..."¹⁴

Partnership simply seems to have replaced the thoroughly criticized participation only to be thoroughly criticized itself. Crewe and Harrison refer to both participation and partnership in their book from 2002,¹⁵ Gudrun Dahl notes that the term partnership came "into wider currency (...) since the 1980s together with ideas of participation,"¹⁶ It has been used for many

⁸ PICKARD, M. (2010): Reflections on relationships: the nature of partnership according to five NGOs in southern Mexico, p. 138.

⁹ CREWE, E. – HARRISON, E. (2002): Whose Development? An Ethnography of Aid, p. 77. However, neither Eriksson Baaz, nor Noxolo or Dahl make a statement similar to the one made by Crewe and Harrison.

¹⁰ CLEAVER, F. (1999): Paradoxes of participation: Questioning participatory approaches to development; COOKE, B. – KOTHARI, U. (2001b): Participation: The New Tyranny?; CREWE, E. – HARRISON, E. (2002): Whose Development? An Ethnography of Aid; HICKEY, S. – MOHAN, G. (2004a): Towards participation as transformation: critical themes and challenges; KAPOOR, I. (2002, 2008): The devil's in the theory: a critical assessment of Robert Chambers' work on participatory development s. 60-75; LEAL, P. A. (2010): Participation: the ascendancy of a buzzword in the neo-liberal era; MOHAN, G. – STOKKE, K. (2000): Participatory development and empowerment: the dangers of localism; MOSSE, D. (1994): Authority, Gender and Knowledge: Theoretical Reflections on the Practice of Participatory Rural Appraisal; RAHNEMA, M. (1992): The Development Dictionary. A Guide to Knowledge as Power; WHITE, S. (1996): Depoliticising development: the uses and abuses of participation.

¹¹ CREWE, E. – HARRISON, E. (2002): Whose Development? An Ethnography of Aid; DAHL, G. (2001): Responsibility and Partnership in Swedish Aid Discourse; ERIKSSON BAAZ, M. (2005): The Paternalism of Partnership: a Postcolonial Reading of Identity in Development Aid; HARRISON, E. (2002): Whose Development? An Ethnography of Aid; MERCER, C. (2003): Performing partnership: civil society and the illusions of good governance in Tanzania; NOXOLO, P. (2006): Claims: A Postcolonial Geographical Critique of "Partnership" in Britain's Development Discourse; PICKARD, M. (2010): Reflections on relationships: the nature of partnership according to five NGOs in southern Mexico.

¹² ERIKSSON BAAZ, M. (2005): The Paternalism of Partnership: a Postcolonial Reading of Identity in Development Aid, p. 6.

¹³ KAPOOR, I. (2008): The Postcolonial Politics of Development, p. 60.

¹⁴ ERIKSSON BAAZ, M. (2005): The Paternalism of Partnership: a Postcolonial Reading of Identity in Development Aid, p. 6.

¹⁵ CREWE, E. – HARRISON, E. (2002): Whose Development? An Ethnography of Aid, p. 73.

¹⁶ DAHL, G. (2001): Responsibility and Partnership in Swedish Aid Discourse, p. 73.

years “perhaps just as a non-committing phrase,”¹⁷ but nowadays it seems more important a buzzword than participation.

However, the main idea of accepting the perspective of the Other is not the only similarity between the two. Since the rules of formation of both of them are also very similar, I have decided to put both discourses together into one partnership/participation discourse.

This discourse also contains the concept of ownership, which is reserved for the state actor level and in my opinion is just a particular level in the discourse of partnership. Even though the wording seems to make a strong distinction from partnership, it is actually always connected to partnership. The term ownership was never supposed to mean that the donor-partner would be entirely voiceless and for example in the European Neighborhood Policy discourse the term “ownership” is replaced by “joint ownership” bringing it closer to partnership (Horký – Kratochvíl 2009).¹⁸

Thus, there is a clear distinction from the development discourse in that the radical critics support the basic idea of participation and partnership that people themselves should decide what “development” means. Yet, at the same time this basic idea is different from a discourse that has evolved around these two concepts and quite removed from the practice being carried out in their name.

I will now analyze the urgent need for the emergence of the participation/partnership discourse within the development apparatus.

1 The urgent need for the emergence of the participation/partnership discourse

Before I begin writing about the urgent need that preceded the emergence of the participatory/partnership discourse, it might be useful to mention its more far reaching history and genealogy. There are two different historical roots. The first one is religious. Participation emerged together with the Reformation movement and it meant “the participation of man in the infinite grace of God.”¹⁹ The aim of Reformation was not only to switch from Latin to German but also to decentralize the top-down Catholic church structure and introduce the subsidiarity principle. Thus, participation even though perceived as a secular concept has very religious origin and is culturally specific. And, according to Henkel and Stirrat, “participation is not only (...) a right, but also a duty.”²⁰ This is not some kind of a relict from the past but an important part of the concept for those engaged in participatory “development” today. That to participate might be a duty of the people can be visible in the participation orthodoxy.²¹ Furthermore, the religious roots of participation are also connected to the aim of participation, which is among other things the reversal of binary dichotomies. To attain development through reversals is “remarkably reminiscent of many religious movements that seek to find salvation in the imminent future.”²² This has depoliticizing effects, which I will explore in the last section.

In a different way, Hickey and Mohan²³ trace the genealogy of participation in the development thinking until the era of colonial development. Already in the 1935 *Memorandum on the Education of African Communities*, Joseph H. Oldham²⁴ argued “that the success of any rural reconstruction scheme would ultimately rest on the education and participation of the

¹⁷ Ibid.

¹⁸And, from the opposite side, in the Paris declaration the donors commit to “[r]espect partner country leadership and help strengthen their capacity to exercise it” (OECD 2008: 3).

¹⁹ HENKEL, H. – STIRRAT, R. (2001): Participation as Spiritual Duty; Empowerment as Secular Subjection, p. 173.

²⁰ Ibid, p. 175.

²¹ Ibid.

²² Ibid, p. 177.

²³ HICKEY, S. – MOHAN, G. (2004a): Towards participation as transformation: critical themes and challenges, p. 6.

²⁴ Important Scottish missionary.

whole community.”²⁵ During colonial times participation meant an obligation to community “development.”²⁶ To achieve “development”, participation and self-reliance was required. This “imminent development”²⁷ as opposed to the “immanent development”²⁸ “was led by the belief in the ‘makeability’ of society.”²⁹ Participation then gained more radical and politicized meaning with the Freireian and liberation theology approach in the 1960s and 1970s. A return to these transformational efforts is attempted by most of the contributors³⁰ to the anthology *Participation: From tyranny to transformation?* put together by Hickey and Mohan as a reply to the radically critical *Participation: The New Tyranny?* edited by Cooke and Kothari.

As is usually the case with the “new orthodoxies”³¹ in “development” they replace the previous ones and the urgent need for these orthodoxies that precedes them stems from the failure of the older concepts and practices based on them. This is also the case with participation. Already since the 1950s the failures of development projects have been attributed “to the fact that the populations concerned were kept out of all the processes related to their design, formulation and implementation.”³² This was first the case with social activists and field workers, but later became recognized by “the Development Establishment”³³ as billions spent failed to produce the expected results. A formerly radical notion has thus been co-opted by the mainstream international organizations and they responded in this way to the urgent need to do something about the undeniable growth of failures.

The discourse of partnership was not so much a response to failures of “development” projects and programs but to the way they have been conceived. For example, the Structural Adjustment Programs have been thoroughly criticized for the result of the policies they imposed. This led to the emergence of the good governance discourse.³⁴ But both good governance and SAPs kept and keep the clear distinction between the donors and the receivers. Gudrun Dahl thus notes that “[t]here has also been some mild dissatisfaction with the way Structural Adjustment Programmes have been imposed by the World Bank and IMF (...) The main target of the criticism has not been the substance of the SAP reform. These are seen as necessary. The problem (...) is rather the mode of delivering the message.”³⁵ In general, the terms such as “beneficiaries” or “counterparts” imply “unacceptable passivity.”³⁶ The passive Other therefore had to be replaced by an equal partner that could not be criticized by the critics of the representations within the discourse. This critique gained prominence especially after the Ethiopian famine and whereas the more drastic images of starving kids are less visible, the problem of representing the Other as a passive object of aid still persists.³⁷

Not only responded the discourse of partnership to this urgent need of a more equal relationship at least at the rhetorical level, the so-called partners were supposed to eliminate the

²⁵ HODGE, J. M. (2007): *Triumph of the Expert. Agrarian Doctrines of Development and the Legacies of British Colonialism*, p. 187.

²⁶ HICKEY, S. – MOHAN, G. (2004a): *Towards participation as transformation: critical themes and challenges*, p. 6.

²⁷ *Ibid.*, p. 10.

²⁸ *Ibid.*

²⁹ *Ibid.*

³⁰ With the exception of Cooke (2004) and Cleaver (2004).

³¹ HENKEL, H. – STIRRAT, R. (2001): *Participation as Spiritual Duty; Empowerment as Secular Subjection*, p. 170; KAPOOR, I. (2008): *The Postcolonial Politics of Development*, p. 60.

³² RAHNEMA, M. (1992): *The Development Dictionary. A Guide to Knowledge as Power*, p. 117.

³³ *Ibid.*

³⁴ ABRAHAMSEN, R. (2000): *Disciplining Democracy. Development Discourse and Good Governance in Africa*, p. 26.

³⁵ SCHORI in DAHL, G. (2001): *Responsibility and Partnership in Swedish Aid Discourse*, p. 6.

³⁶ CREWE, E. – HARRISON, E. (2002): *Whose Development? An Ethnography of Aid*, s. 70.

³⁷ KIESEL, T. – BENDIX, D. (2010): *White Charity: Eine postkoloniale rassismuskritische Analyse der entwicklungspolitischen Plakatwerbung in Deutschland*.

problem of aid conditionality that has also been criticized³⁸. Partners agree on their common aims and therefore no conditionality is necessary.

In general, the discourse of partnership has been an attempt to disavow paternalism and thus respond to the critique of Eurocentrism in “development” aid and cooperation³⁹. The urgent need here was similar to that of the critique of “development” failures. But whereas the critique of material problems is common in the development apparatus, the critique of the discourse is more novel. But just as much as the apparatus is capable of dealing with practical problems by finding a new lack that can be rectified and that was responsible for the failure before, it is capable of responding to the more radical postcolonial critique and adapts to it by simply adopting the term partners.

Conclusion

To sum up, there are three main needs for the emergence of the participation/partnership discourse – the need to respond to the unacceptable passivity of the Other in the SAPs, the need to respond to the critics of Eurocentrism and to the drastic images of humanitarian aid and the need to respond to the critics of aid conditionality. As these critics grew louder, a change towards the discourse of partnership seemed to be a suitable answer.

In the more particular case of the Swedish aid discourse, Dahl further mentions the end of the Cold War and the end of apartheid as the reasons for a need for a new policy. Apparently the end of the Cold War has been an important element for the emergence of any new development discourse after 1989.

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³⁸ CREWE, E. HARRISON, E. (2002): *Whose Development? An Ethnography of Aid*, s. 70.

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ON SELECTED ISSUES AND TENDENCIES IN WINE MAKING INDUSTRY OF THE REPUBLIC OF MOLDOVA

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Abstract: The agricultural sector is very important for the Republic of Moldova. One of the most distinct parts of the Moldovan agrarian production is viticulture and wine making industry. This industry has a rooted tradition in Moldova and is considered of a strategic sector. The main tendencies in the wine industry are focused on increasing margins and qualitative changes rather than quantitative. Protected geographical indications are of great importance for the future of the winemaking industry because increase the traceability of the wine origins which relates with higher margins. The wine making industry has an important indirect effect on the development of service sector and country. It has also labor absorptive capability mainly in rural parts which is viewed as stabilizing factor.

Keywords: Agriculture, Moldova, wine, grapes, exports

JEL: E23, L66

Introduction

The agricultural sector is a significant part of the Moldovan economy. According to data from the Ministry of Economy and Trade of the Republic of Moldova, the share of agriculture in GDP is 17.7%. The share of the agricultural processing industry represents 20.3% of GDP. The number of labor employed in agriculture represents 21.1% of the total labor force of the economically active population. Agriculture is a labor-intensive branch of the economy. The population of the Republic of Moldova was 2.6 million inhabitants and the dynamics are negative with a decrease of almost 10% in the last 8 years or that by 265 thousand inhabitants. According to the data of the statistical bureau, in 2009, the area of agricultural land amounted to 2506 thousand hectares or 74% of the total area. In 2023 this area declined to 1583 thousand hectares (122 thousand of which was used for grapes¹). Approximately 75% of agricultural land is chernozem.² This fertile land is the backbone of the most beautiful industry in the history of mankind – the making of wine from water, soil and sun.

The history of wine making in Moldova is centuries long when wine making came to regions of Dacians with Roman colonists, or the medieval Moldovan voivodes - Matei Basarab, Negru Voda, Mihai Viteazul or the canonized Stefan the Great with goodwill they indulged to the development of viticulture and winemaking. After Bessarabia became part of Russia this started a new intensive page in wine making history, in the second part of the 18-th century registered a migration of Germans, Gagauz and Bulgar population into Bessarabia.³ General-governor Vorontsov, M. positively influenced the development of vineyards in the surroundings of large cities of Bessarabia, he brought vines from Crimea and released vines free of charge for all. New schooling facilities were opened (in Akerman and Chisinau)⁴ (in 1853 the yield of

¹ Faostat (2023): Database.

² Statistical Office of the Republic of Moldova (2022): Statistical Bulletin 2022.

³ TARAN, N. (2010): Istoria, situația actuală și perspectivele ramurii viti – vinicole în Republica Moldova. pp. 16-36.

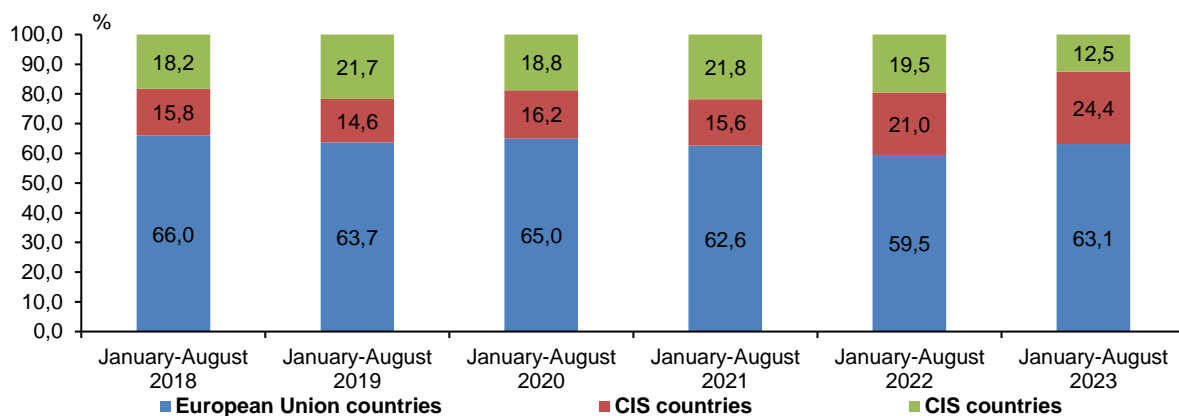
⁴ TARAN, N. (2010): Istoria, situația actuală și perspectivele ramurii viti – vinicole în Republica Moldova. pp. 16-36.

grapes was 4,5 mil. poods). The beginning of the 20-th century was in general a period of crises in the sector with political decisions that reduced the surfaces of vineyards and the world wars damaged or reduced to ruins the existing producing facilities. During the communist era the region of Bessarabia registered the highest levels of yields in its history, between 1976-1986 the wine producing sector was able to process 1-1,5 mil. tons of grapes.⁵ Moldovan wines received hundreds of medals on international contests and as of today this industry is considered strategic for The Republic of Moldova. After independence we can distinguish two periods: I. with a model focused on wine exports to CIS countries with its ups and downs (Russian embargo) and II. the turning point after DFTA with the EU since 2014 Moldova gained access to the biggest single market and shifted exports (90-95% of produced Moldovan wine is exported).

1 State of the studied issue and literature review

The agriculture of the Republic of Moldova has the following comparative advantages: (a) favorable weather conditions; (b) the Republic of Moldova has a very fertile land with sufficient water resources; (c) the population of the Republic of Moldova has experience in fruit, grape and tobacco production; (d) scientific research institutions have accumulated a wealth of experience and technology in the field of agricultural development.

Figure 1: Structure of exports of goods, in January-August 2018-2023, by groups of countries (%)



Source: Statistical Office of the Republic of Moldova. 2023. International trade of goods of the Republic of Moldova 2023, [online]. Available online: < https://statistica.gov.md/ro/comertul-international-cu-marfuri-al-republicii-moldova-in-luna-august-2023-si-i-9539_60748.html >.

The structure of agricultural production is divided as follows: 80% is represented by plant production and 20% by animal production. Moldova is a well-established wine producer with centuries of tradition of growing grapes and producing wine. On the other hand, the wine industry is a great brand for international promotion despite having a relatively small percentage of the overall agricultural production. Grape cultivation represents just 5.2% of the agricultural production in all categories of producers. As a share of exports alcohol and non-alcohol beverages represent 3.6 percentage points if we add the whole fruits and vegetables exports it will constitute another 7.9 % resulting in a 11.5 % of Moldovan exports⁶ (see Graph 4). It would be plausible to state that this relatively small part of the Moldovan agrarian production provides

⁵ Ibid.

⁶ Statistical Office of the Republic of Moldova (2023): International trade of goods of the Republic of Moldova 2023.

income for rural areas⁷ (it is estimated that 1 ha of vineyard is generating 40-80 thousand MDL of income to the local communities and the state budget⁸), and a background for country branding and for the tourist industry (an increase of 190% yoy in 2022)⁹ and international disambiguation.

The aim of this paper is to provide an insight into the tendencies in the wine industry of the Republic of Moldova, mainly because of the significance of this sector for the Republic of Moldova and its international branding. The main methods are the analysis of statistical data and descriptive methods. The research community acknowledges the importance of this sector for Moldova by regularly publishing papers on different aspects of this sector. Some studies focus on recent changes of the international wine market for Moldavian wine and the emergence of new regions like Romania, Bulgaria and Nigeria.¹⁰ There are papers focused on the development of wine tourism as a relevant tool in job creation in the regions of Moldova and acknowledges the tourism as “messenger of peace” that promotes better understanding between the cultures.¹¹ A recent study from 2021 focused on a chemical comparison of Moldavian and Hungarian wines focusing on the aspects of traceability of the geographical origin which is very important for higher quality wines which also provide better margins for producers.¹² The development of the Moldavian regions resonated in a study focused on southern part of Moldova on the ATU Gagauzia (see map, Graph 2) which is producing up to 20% of total production and mainly is focused on natural grape wines 90% of which are exported.¹³ In 2020 a study by Business Intelligent Services¹⁴ focused its attention on the new tendencies in legislative field and the creation of protected geographical indications (the PGI) of Moldova, wine production and specific wineries profiles with conclusions that the world wine market is highly competitive and to remain capable requires qualitative growth.

⁷ Moldova registers 36,500 vineyard owners (with average area of 0.5ha and 36% of all vineyards) and 199 wine producers, almost 70% of them having their own vineyards. ŠILHÁNKOVÁ, K. (2020): Succesul industriei vitivinicole moldovenesti în anul 2019 și perspectivele neînbucurătoare de viitor. Emasey of Czech Republic in Chisinau.

⁸ TARAN, N. (2010): Istoria, situația actuală și perspectivele ramurii viti – vinicole în Republica Moldova, pp. 16-36.

⁹ In 2022, the structures of collective tourist reception accommodated 333.9 thousand tourists or 1.9 times more than in the previous year. Statistical Office of the Republic of Moldova (2023): Moldova in cifre 2023. Chisinau, 2023, p. 43.

¹⁰ JOHNBULL, U. (2022): Changes in the International Wine Trade and Policies for the Promotion of Moldovan Wines, pp. 77-94.

¹¹ IAȚIȘIN, T. – COLESNICOVA, T. (2017): Analysis of Obstacles on Wine Tourism Development in the Republic of Moldova.

¹² SAVCHINA, E. – BORTA, A. – CSIGE, L. – GYŐRI, Z. – SZEPESI, J. – MÁTHÉ, E. (2021): The comparative analysis of some Hungarian and Moldovan wines: The promise of protected geographical indication, pp. 95-116.

¹³ IANIOGLO, N. – CURAXINA, S. (2019): The Role Of The Wine Industry Of Atu Gagauzia In The Economy Of The RepublicOf Moldova: Current State And Development Potential, pp. 67-71.

¹⁴ BIS (2020): Wine sector in the Republic of Moldova. WINET BSB-638 Project: Trade and Innovation in Wine Industry.

Table 1: States biggest grape producers arranged in order of grape p.c. production

	Country	Grape prod 2021 (tonnes)	Populatin 2023	Prod grapes kg/p.c.
1	Moldova	537,000	2600000	206.54
2	Chile	2,581,108	18550000	139.14
3	Italy	8,149,400	61021000	133.55
4	Spain	6,086,920	47222000	128.90
5	France	5,073,580	68521000	74.04
6	Argentina	2,241,420	46621000	48.08
7	Turkey	3,670,000	83593000	43.90
8	South Africa	2,000,297	58000000	34.49
9	United States	5,488,470	339000000	16.19
10	China	11,200,000	1413000000	7.93
11	India	3,358,000	1399000000	2.40

Note.: Moldovan numbers are excluding Transnistria (Transnistria is estimated to harvest around 25 thousand tons of grapes in 2023).

Source: Faostat. 2023. Database. [online]. Available online: <<https://www.fao.org/faostat/en/#data/QCL>>.

In the period 2019-2022 the average annual volume of fruits and nuts grown was at 750 thousand tonnes, sunflower on average 722 thousand tonnes, grains 2888 thousand tonnes and 530 thousand tonnes of grapes.¹⁵ It is possible to track the evolution of production in 1853 the yield of grapes constituted 4.5 mil of poods or 74 thousand tonnes, in 1976-1986 the average was 1-1.5 mil. tonnes and the most recent yields are around 600 thousand tonnes. This gives a context about the potential of that industry if operated optimally Moldovan soil can produce more than for example Portugal (868 thousand tonnes), Romania (1 mil. tonnes) or even Germany (1-1.3 mil. tonnes). As of today, Moldova is the biggest producer of grapes in terms of per capita production in the world see Table 1.

The Republic of Moldova is producing a yearly average of 177 thousand tonnes of wine (2017-2020) which is significantly less than the average for 1992-1995 when Moldova averaged 400 thousand tonnes.

Out of 177 thousand tonnes of wine¹⁶ averagely produced p.a. most of the wine is exported with a growing tendency of export revenue. Moldova is exporting an average of 143 million liters to 63 countries¹⁷ which generates 2,727 billion MDL of export revenue¹⁸ (aprox 140 mil. USD). This sector is attracting new investments into planting vineyards and new wineries start operating each year. The average yields are showing a growing tendency from the lowest yields in 1997-1998 around 20 q/ha with a steady improvement to 50-55 q/ha.

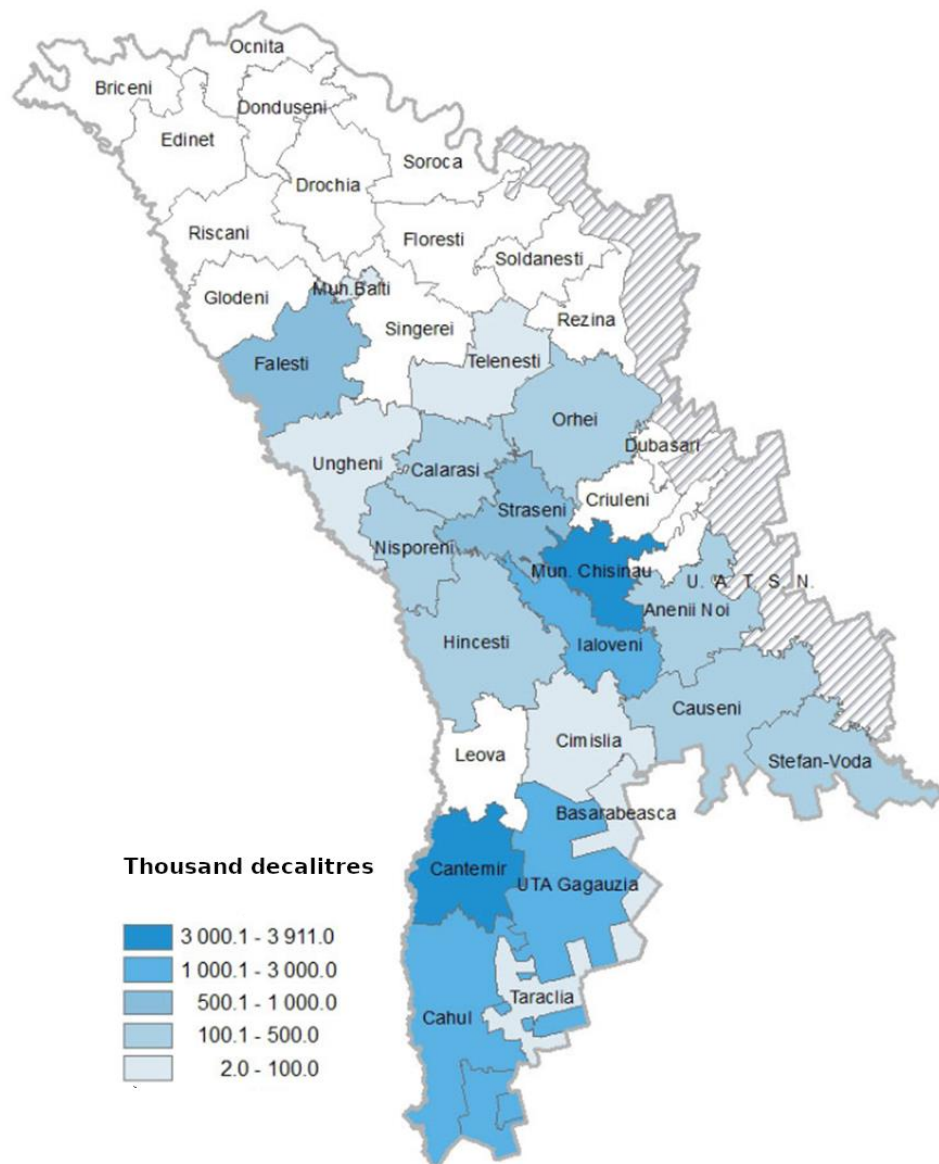
¹⁵ Statistical Office of the Republic of Moldova (2023): Moldova in cifre 2023. Chisinau, 2023, p. 43.

¹⁶ The statistical information FAOstat.

¹⁷ Romania 7.3%, Russian Federation 6.1%, Poland 5.4%, Czechia 5.2% and Belarus 3.6% of wine exports.

¹⁸ ONVV 2020. Wine of Moldova Annual Report 2020.

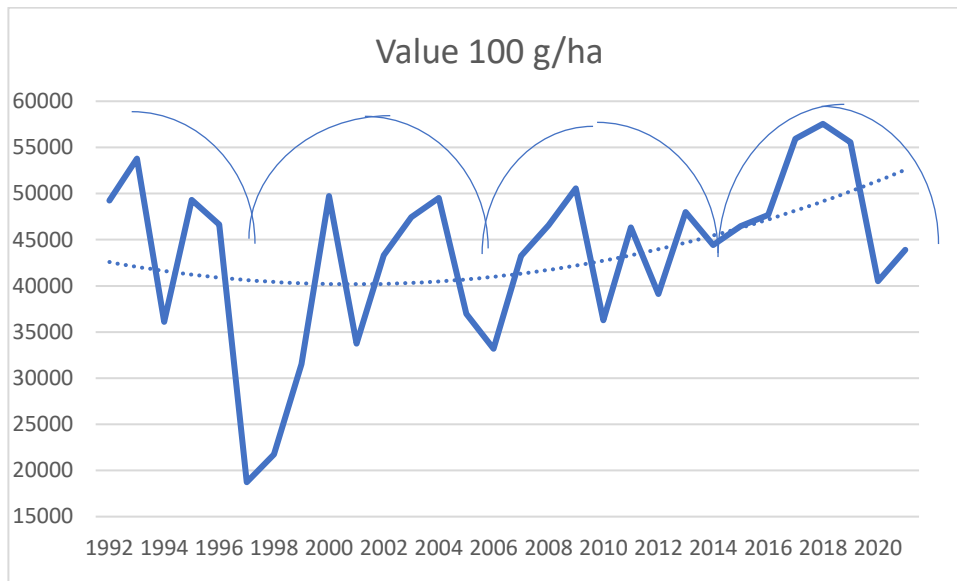
Figure 2: The map of main producing regions of Moldova



Source: Statistical Office of the Republic of Moldova. 2023. Moldova in cifre 2023. Chisinau, 2023, p. 43. ISBN 978-9975-53-418 [online]. Available online: <https://statistica.gov.md/files/files/publicatii_electronice/Moldova_in_cifre/2023/Moldova_cifre_rom_2023.pdf>.

The improvement in yield is also subject to some cyclical fluctuations with declines every 5 years but the overall tendency a steady increase in average yields after the year 1998. Wine production is a traditional export item of the Republic of Moldova. The climate is suitable for wine production and represents a comparative advantage. Wine production, unlike other agricultural products, shares the characteristics of industrial products with high added value (for high quality wines for example with protected geographical indication). Success in this area depends not only on agricultural factors, but also on labor productivity, advanced technological processing, investment and marketing.

Figure 3: Average yields of grapes in 100g/ha

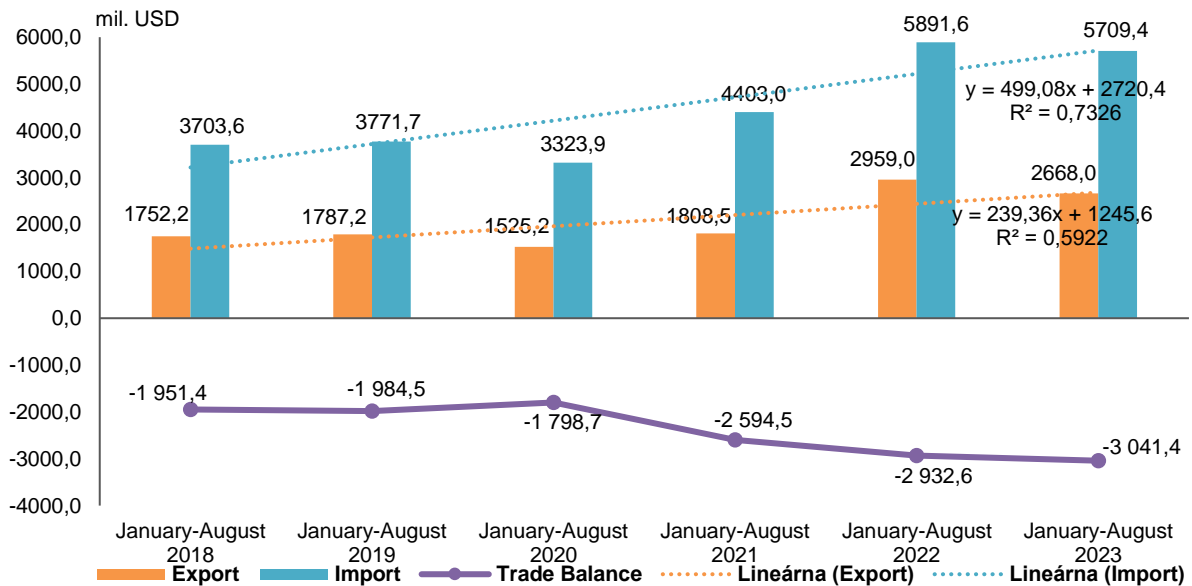


Note: 50 000 (100g/ha) = 50 quintal/ha

Source: Faostat. 2023. Database. [online]. Available online: <<https://www.fao.org/faostat/en/#data/QCL>>.

It is the inflow of FDI into the wine production sector in the Republic of Moldova that could help to link the significant comparative advantages enjoyed by Moldova, which would eventually make it possible to increase exports and expand the territorial structure of exports simultaneously developing the relatively less developed rural regions of Moldova.

Figure 4: International trade trends in goods in January-August 2018-2023 (million dollars)



Source: Statistical Office of the Republic of Moldova. 2023. International trade of goods of the Republic of Moldova 2023.

2 Results and Discussion

The importance of the wine industry for the Moldovan economy became apparent in 2006, when the Russian Federation banned the import of Moldovan wine. According to the official version, due to phytosanitary standards, compliance with which was requested by the authorities of the Russian Federation. In 2006, wine exports accounted for 10% of the GDP of the Republic of Moldova and at the same time 80% of wine exports went to the Russian Federation market. The cessation of wine exports to the Russian Federation caused a fall in the trade balance by USD 165 million, so in 2005 exports to the Russian Federation were at the level of USD 347 million, in 2006 they reached the level of only USD 182 million, which means a decrease of 52%.

For the Republic of Moldova, there are all prerequisites to expand wine production and export growth. History shows that Moldova is capable not just theoretically but practically to double its production of grapes and in optimal conditions even triple the current production. However, the need to attract capital investment and technology to the wine industry remains a prerequisite. Long traditions of wine production, low labour costs, favorable climate, quality soil and access to EU and CIS markets ensure favourable conditions for the growth of wine production and exports. Capital investments, marketing and a network of distribution channels are prerequisites for success in wine exports.

Moldova geographically is very differentiated (orientation, soil, rainfall) which creates relatively small territories with unique exceptional and unrepeatable characteristics of soil, rainfall and human factors (terroir). Moldova adopted EU model of protected geographical indications (PGI) which should benefit Moldavian wines because it fits the reality on the ground with every micro region having its distinct characteristics. Moldova established three PGI regions with exceptional qualities: Valul lui Traian, Stefan-Voda and Codru.¹⁹ “Valulu lui Traian” consists of three micro regions: Colinele Tigheciului (Tigheci Hills) – strongly fragmented relief; Câmpia Bugeacului (Bugeac Plain) – relief consisting of valleys and ravines, low flow rivers, mostly typical chernozems and Terasele Prutului (Prut Terraces) – relief covered mostly by terraces of 200-220 m. altitude. PGI “Stefan Voda” is the region of the Rara Neagră variety. The relief consists of plains, hills and terraces along the Nistru river. PGI “Codru” - The climate is mild suitable for exceptional grape ripening conditions. Codru region is a cooler region compared to Stefan-Voda, The Russian Romanov family founded in this place their own winery. Here, the taste of dozens of types of wine is intertwined with the history.²⁰ Only 5% of all areas are used for local varieties such as Feteasca Alba, Feteasca Regala, Feteasca Neagra, Rara Neagra and the most recently added to European assortment of varieties Viorica (perfectly adapted for Moldovan climate and draught resistant). These indigenous varieties are considered to be very perspective²¹ in the competitive international wine market because their originality is not easily repeatable and is able to represent the country brand and as a consequence better margins for the producers.

¹⁹ BIS (2020): Wine sector in the Republic of Moldova. WINET BSB-638 Project: Trade and Innovation in Wine Industry.

²⁰ Ibid.

²¹ There is a steady increase of prices of bulk Moldavian wines and of bottled resulting in higher export revenues by 23% and 47% respectively. The prices of bottles PGI wines are growing the fastest and doubled from 2015 to 2018. BIS (2020): Wine sector in the Republic of Moldova. WINET BSB-638 Project: Trade and Innovation in Wine Industry.

Conclusion

It is plausible to conclude that we are witnessing a great almost dialectic shift from dead end of quantitative growth to a qualitative growth. The wine industry is benefiting from the introduction of new legislative and promotion of protected geographical indications. The shift is occurring in the geographical structure of exports of wine. The implementation of DFTA with the EU since 2014 provided access to the biggest single market with higher purchasing power, which ultimately led to the possibility of focusing on excellent quality wines and better revenues and margins. Prices of Moldovan wines are constantly increasing which generates higher exports by value with a relatively stable quantities of harvests and production. As of geography of wine producing regions of Moldova the bulk of wine is produced in the center and south regions and ATU Gagauzia which are also beginning to be known as brands and wine producing regions. One of the most perspective paths of development seems to be the path of monetizing the wine tourism service sector which is in its infant state but possesses great potential and already is constantly growing.

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ARCHETYPAL ANALYSIS OF INTEREST RATES IN SELECTED EUROPEAN UNION COUNTRIES¹

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Abstract: We apply the archetypal analysis to the dataset containing 20 years of monthly data of short-term and long-term interest rates in the Euro area, Czech Republic, Poland and Sweden. Our aim is to identify, for every pair of the interest rates, a small number of archetypes, i.e., extremal points and to write the observed rates as their combinations. We compare the resulting archetypes and find out that in all the cases they can be interpreted as low rates regime, high rates regime and a regime with moderate short-term rates and high long-term rates. The evolution of the weights of the archetypes is more varied. Subsequently, the time segments being close to the archetypes are different as well, although there are also common features.

Keywords: archetypal analysis, interest rates, clustering, segmentation

JEL: E43, C38

Introduction

The archetypal analysis² of a data set consists of finding a small number of representative data points and subsequently writing the observed data as their convex combinations. The archetypes are constructed as convex combination of observed data, i.e., they do not necessarily coincide with observations. However, typically the number of observations with a positive weight in the construction of an archetype is very small (often it is even equal to one or two).

We apply this methodology to the data describing interest rates in the European Union – short and long interest rates in the Euro area, Czech Republic, Poland and Sweden. We use monthly data from the 20-year-long period, from September 2003 to August 2023. Short-term interest rates are the rates at which short-term borrowings are effected between financial institutions or the rate at which short-term government paper is issued or traded in the market.³ Long term interest rates are implied by the prices at which the government bonds are traded on financial markets, not the interest rates at which the loans were issued.⁴ Together they are, therefore, able to provide different information about the state of the economy.

Our aim is to do an exploratory analysis of this dataset using the archetypal analysis and to find common features and differences between the four data sets under consideration. Although being an exploratory data analysis, we have the following hypothesis, based on standard results on the yield curves: When analyzing whole term structures of interest rates using principal components analysis, typically three important components emerge, which can be interpreted as level, slope and curvature of the yield curve. Since we analyze only short-term and long term-rates (i.e., the beginning and the end of the yield curve), we cannot observe the curvature. However, it is possible to distinguish the level of the interest rates, and the slope is related to the difference between the rates which we study. The first question of interest

¹ The research was supported by VEGA 1/0760/2022 grant.

² CUTLER, A. – BREIMAN, L. (1994): Archetypal Analysis.

³ OECD (2023): Short-term interest rates (indicator).

⁴ OECD (2023): Long-term interest rates (indicator).

therefore is, how these important characteristics translate into the archetypes. The second problem which we are interested in, consists of finding clusters of observations close to the archetypes, and whether they form longer time periods, which can be used as a segmentation of the whole time.

1 Archetypal analysis

Archetypal analysis has been introduced by Cutler and Breiman.⁵ The archetypal analysis is formulated in terms of two basic principles: Firstly, the data points are approximated by convex combinations of the archetypes. Secondly, the archetypes are convex combinations of the data. An algorithm for solving this problem is based on alternatively finding the weights for the given set of archetypes and finding the archetypes for the given weights. It is available in the *archetypes* package⁶ within the R language and statistical environment.⁷

Besides the original formulation of the archetypal analysis, several modifications have been proposed in the literature. They include dealing with ordinal data,⁸ integer, binary, and probability data⁹ and multisubject data.¹⁰ Archetypoids¹¹ are a modification of the archetypes, when the objects are real observations, instead of a mixture of observations. The proposed method allows their computation also in the case when only dissimilarities are available, instead of the whole dataset of features. Both approaches can be applied also in the case of functional data,¹² when the data are functions, not vectors of observations.

Applications of the method and its variations are very diverse: it has been used to analyze leadership behavior,¹³ bibliometric data of economists,¹⁴ S&P500 index,¹⁵ texture segmentation,¹⁶ marine heatwaves¹⁷ and others. Theoretical research concerning archetypal analysis contains for example convergence results for the archetype points when the data are independently sampled from a probability measure with bounded support.¹⁸

Results of the archetypal analysis (or its modification) can serve as an input to clustering. Examples of such applications include clustering of companies in the S&P 500 index¹⁹ and simultaneous clustering and ranking of sentences when introducing a new

⁵ CUTLER, A. – BREIMAN, L. (1994): Archetypal Analysis.

⁶ EUGSTER, M. J. A. – LEISCH, F. (2009): From Spider-Man to Hero – Archetypal Analysis in R.

⁷ R CORE TEAM (2023): R: A Language and Environment for Statistical Computing.

⁸ FERNÁNDEZ, D. – EPIFANIO, I. – McMILLAN, L. F. (2021): Archetypal analysis for ordinal data.

⁹ SETH, S. – EUGSTER, M. J. (2016): Probabilistic archetypal analysis.

¹⁰ HINRICH, J. L. – BARDENFLETH, S. E. – ROGE, R. E. – CHURCHILL, N. W. – MADSEN, K. H. – MORUP, M. (2016): Archetypal analysis for modeling multisubject fMRI data.

¹¹ VINEÉ, G. – EPIFANIO, I. – ALEMANY, S. (2015): Archetypoids: A new approach to define representative archetypal data.

¹² EPIFANIO, I. (2016): Functional archetype and archetypoid analysis.

¹³ STOKER, J. I. – GARRETSEN, H. – SOUDIS, D. – VRIEND, T. (2023): A configurational approach to leadership behavior through archetypal analysis

¹⁴ GRALKA, S. – WOHLRABE, K. (2022): Classifying top economists using archetypoid analysis.

¹⁵ MOLINER, J. – EPIFANIO, I. (2019): Robust multivariate and functional archetypal analysis with application to financial time series analysis.

¹⁶ CABERO, I. – EPIFANIO, I. (2019): Archetypal analysis: an alternative to clustering for unsupervised texture segmentation.

¹⁷ CHAPMAN, C. C. – MONSELASAN, D. P. – RISBEY, J. S. – FENG, M. – SLOYAN, B. M. (2022): A large-scale view of marine heatwaves revealed by archetype analysis.

¹⁸ OSTING, B. – WANG, D. – XU, Y. – ZOSSO, D. (2021): Consistency of archetypal analysis.

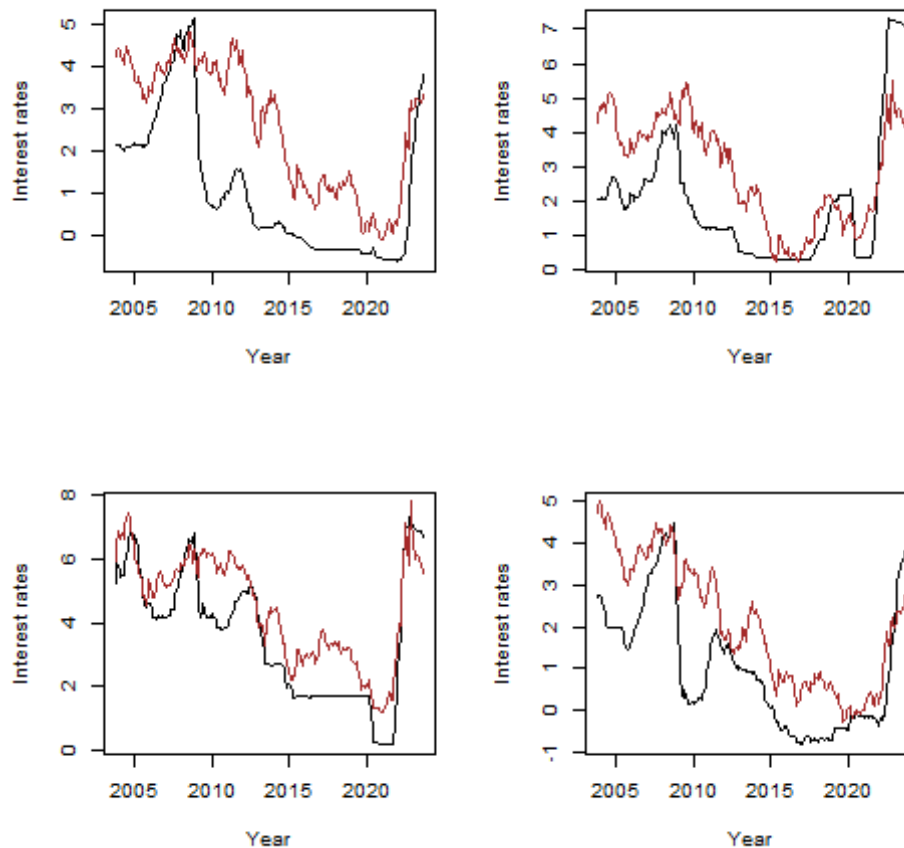
¹⁹ MOLINER, J. – EPIFANIO, I. (2019): Robust multivariate and functional archetypal analysis with application to financial time series analysis.

algorithm for multi-document summarization.²⁰ A simulation study²¹ regarded three different approaches to archetypal analysis as a fuzzy clustering tool and compared their performance.

2 Data and methods

The dataset used in our analysis consists of monthly observations of short-term and long-term interest rates for the Euro area, Czech Republic, Poland and Sweden, measured as percentages, from September 2003 to August 2023, i.e. 20 years. Their evolution is shown in Figure 1.

Figure 1: Short rates and long rates from September 2003 to August 2023



Note: Short-term (black) and long-term (brown) interest rates in the Euro area, Czech Republic, Poland and Sweden (by rows). Source: OECD (2023).

When applying the archetypal analysis to the data, we use the implementation available in the *archetypes* R package.²² We note that the least squares problems with nonnegative variables and one equality constraint are solved by penalization, which leads to a solution, for which the nonnegativity constraints are satisfied, while the equality restriction is satisfied

²⁰ CANHASI, E. – KONONENKO, I. (2014): Multi-document summarization via archetypal analysis of the content-graph joint model.

²¹ SULEMAN, A. (2021): Comparing Different Approaches to Archetypal Analysis as a Fuzzy Clustering Tool.

²² EUGSTER, M. J. A. – LEISCH, F. (2009): From Spider-Man to Hero – Archetypal Analysis in R.

approximately, i.e., with a small error. Therefore, the last step is scaling the obtained weights to a unit sum.²³

After computation of the archetypes and the weights we find the observations which are close to one of the archetypes. We use the criterion used by Moliner and Epifanio (2019),²⁴ i.e., we set a data point to a cluster characterized by an archetype, if its weight for the given observation is greater than 0.8. This can be seen as clustering of the data points, as well as segmentation of the time series in the time domain. However, we note a difference from clustering algorithms of the k-means type. They are looking for centers, i.e., “average” objects from the given class. On the other hand, the archetypal analysis is looking for extreme objects and provides weights, showing how close are the observations to each of these extremes.

3 Results and discussion

The scree plot presented in Figure 2 suggests using three archetypes for all of the datasets, since the decrease of the residual sum of squares after adding more archetypes is very low. This is particularly clear for the case of the Euro area, Czech Republic and Sweden. In the case of Poland, the decrease in the residual sum of square coming from adding the third archetype is less pronounced, but it is still greater compared to adding more archetypes. Therefore we decided to use three archetypes also in this case. The resulting archetypes are given in Table 1 and they are graphically shown together with all the data in Figure 3.

It can be seen that the archetypes, although having different numerical values, have the same character: One archetype corresponds to low values of both short-term rates and long-term rates; we will call it *archetype I*. The second archetype is characterized by a higher value of the interest rates, but the increase – compared to archetype 1 – is more significant in the case of long-term rates. We denote this archetype with medium short-term rates and high long-term rates as *archetype II*. The last archetype, denoted as *archetype III*, has high both short-term and long-term rates. It can be noted that the long-term rates are similar to those of archetype II, but the short-term rates are much higher. In relation to our hypothesis on relation to the typical yield curve components, we conclude that the archetypes I and III distinguish the different level of the yield curve, while archetype II corresponds to the curves with a high slope.

Archetypes are given as convex combinations of data points. These convex combinations are known to be often sparse in applications, i.e., only a small number of points enter the combination with a nonzero weight. It is the case also here, as it can be seen in Table 2 which presents the compositions of the archetypes. They are usually written as a combination of two observations, in some cases they even coincide with a certain data point.

Table 1: Archetypes

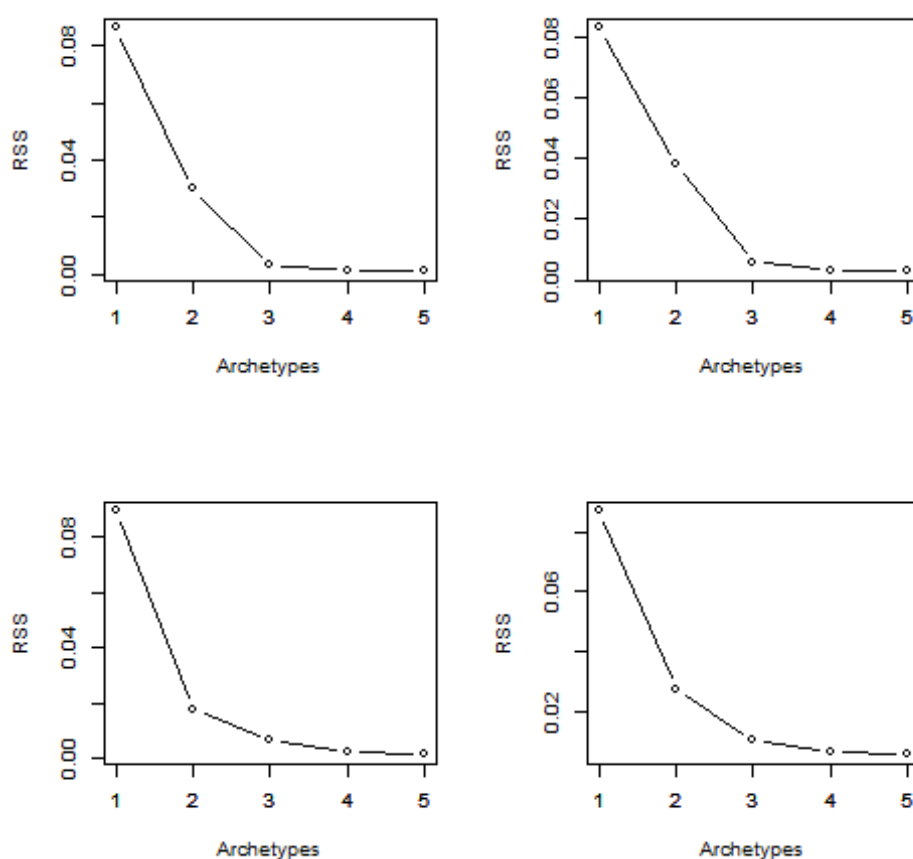
<i>Interest rates</i>	<i>Archetype I.</i>		<i>Archetype II.</i>		<i>Archetype III.</i>	
	<i>Short rate</i>	<i>Long rate</i>	<i>Short rate</i>	<i>Long rate</i>	<i>Short rate</i>	<i>Long rate</i>
Euro area	-0.5600	0.0638	0.7000	4.1948	5.0724	4.5220
Czech Republic	0.2900	0.2500	1.6970	4.8784	7.2945	4.6808
Poland	0.2099	1.1899	4.3075	6.3075	7.3200	6.8441
Sweden	-0.6153	-0.0553	1.0090	4.0484	4.4904	3.9002

Source: Own computations.

²³ EUGSTER, M. J. A. – LEISCH, F. (2009): From Spider-Man to Hero – Archetypal Analysis in R.

²⁴ MOLINER, J. – EPIFANIO, I. (2019): Robust multivariate and functional archetypal analysis with application to financial time series analysis.

Figure 2: Residual sum of squares achieved for different number of archetypes



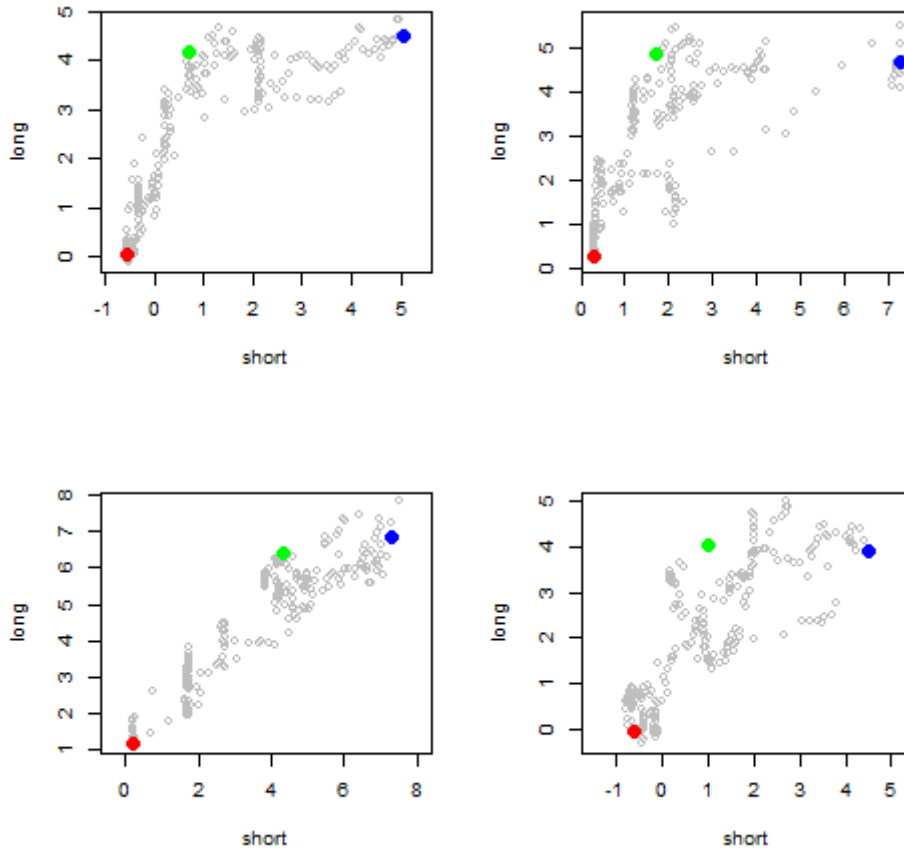
Note: By rows, the graphs correspond to Euro area, Czech Republic, Poland and Sweden.
Source: Own computations.

Table 2: Composition of the archetypes

<i>Interest rates</i>	<i>Archetype I</i>		<i>Archetype II</i>		<i>Archetype III</i>	
	<i>Observation</i>	<i>Weight</i>	<i>Observation</i>	<i>Weight</i>	<i>Observation</i>	<i>Weight</i>
Euro area	2021-01	0.6284	2010-04	0.9183	2008-07	0.2664
	2021-12	0.3716	2011-04	0.0817	2008-10	0.7336
Czech Republic	2016-09	1.0000	2009-07	0.5377	2022-07	0.7492
			2010-06	0.4623	2022-10	0.2508
Poland	2021-01	1.0000	2004-05	0.1138	2022-09	0.6338
			2011-01	0.8862	2022-10	0.3662
Sweden	2016-08	0.6003	2004-06	0.3893	2008-09	1.0000
	2019-08	0.3997	2009-06	0.6107		

Source: Own computations.

Figure 3: Archetypes

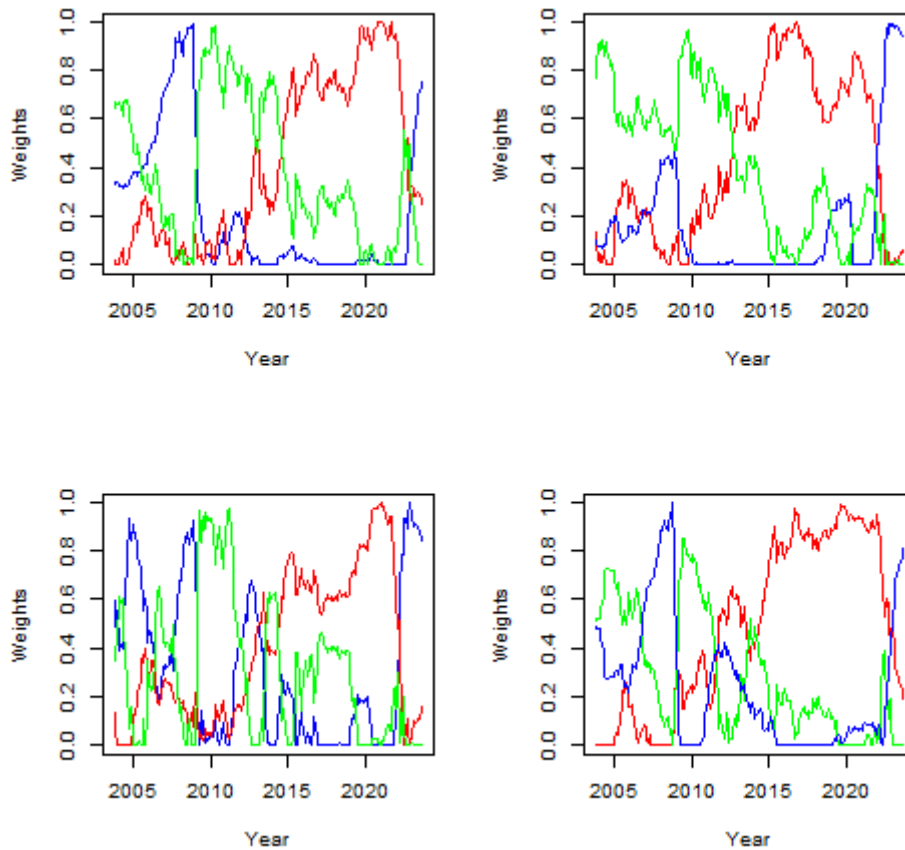


Note: By rows, the graphs correspond to Euro area, Czech Republic, Poland and Sweden. Archetypes I are denoted by red points, archetypes II by green points and archetypes III by blue points.
Source: Own computations.

The basic principle of the method is that every data point is written as a convex combination of the archetypes. Therefore, the observation is characterized by the weights given to each of the archetypes. Evolution of the weights for every dataset is shown in Figure 4. There are some common features: Naturally, at the time of high interest rates at the end of the dataset, the archetype III has the highest weight. Similarly, the archetype I, with low interest rate is dominant approximately in the time period between 2015 and 2020. On the other hand, the weights in the first half of the time range are showing more differences and there not a clear common behaviour.

Finally, we determine the observations close to the archetypes and show the results in Table 3 and Figure 5. Recall from the methodology section that we call an observation to be close to an archetype if the archetype's weight is great than 0.8. Although this is only one of the possible choices, and a simple one, it gives results with a meaningful interpretation. In most of the cases, the subperiod spanned by one of the clusters is reasonably long and does not consist of separate observations. Hence it can be said that this approach is able to distinguish longer periods with a similar behaviour of interest rates.

Figure 4: Weights of the archetypes



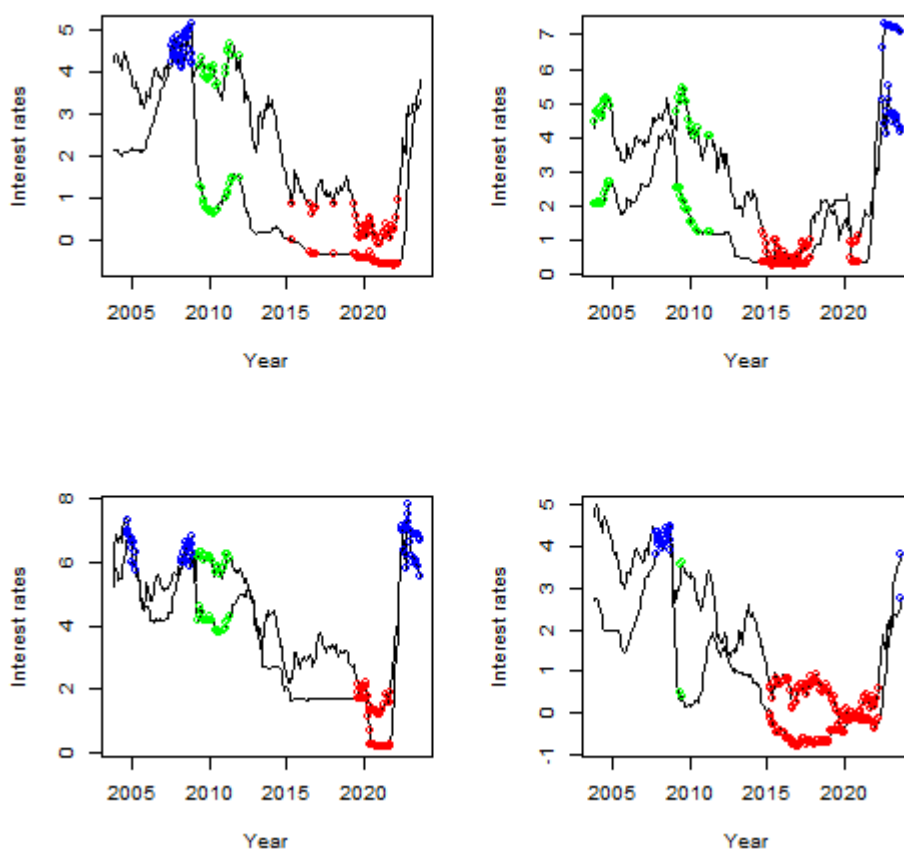
Note: By rows, the graphs correspond to Euro area, Czech Republic, Poland and Sweden. Archetypes I are denoted by red lines, of archetypes II by green lines and of archetypes III by blue lines.
Source: Own computations.

Table 3: Observations close the the archetypes

	<i>Archetype I</i>	<i>Archetype II</i>	<i>Archetype III</i>
Euro area	2015-04 2016-06 – 2016/10 2017-12 2019-05 – 2022-02	2009-05 – 2010/06 2010/12 – 2011/06 2011-11	2007-07 – 2008-11
Czech Republic	2014-09 – 2017-09 2020-05 – 2020-11	2003-10 – 2004-10 2009-02 – 2009-10 2010-01 – 2010-06 2011-02 – 2011-04	2022-06 – 2023-08
Poland	2019-07 – 2021-09	2009-03 – 2010-02 2010-05 – 2010-08 2010-11 – 2011-04	2004-08 – 2005-02 2008-03 – 2008-11 2022-06 – 2023-08
Sweden	2015-02 – 2015-05 2015-07 – 2015-10 2016-01 – 2022-02	2009-05 – 2009-06	2007-10 – 2008-09 2023-08

Source: Own computations.

Figure 5: Observations close to the archetypes



Note: By rows, the graphs correspond to Euro area, Czech Republic, Poland and Sweden. Lines show the evolution of the short-term and long-term rates during the whole time period. Observations close to respective archetypes I are furthermore denoted by red points, close to archetypes II by green points and close to archetypes III by blue points. Source: Own computations.

Conclusions

In this paper we showed the results of archetypal analysis applied to the short-rate and long-rate interest rates data from the last 20 years to four European Union datasets. Our initial hypothesis about discovering the known important yield curve factors – level and slope – were confirmed. Two of the archetypes turned out to be the points with both low and both high values respectively, i.e., they correspond to different levels. The last, third, archetype, with its moderate short-term and high long-term rate corresponds to yield curves with a higher slope. Characterization by closeness to the archetypes provides a good base for segmentation, since the time points from the clusters are not scattered, but usually span a longer time period. These results are consistently found in all of the datasets. Nevertheless, our analysis of the interest rates by means of archetypal analysis should be seen as the first step in this direction. It provides a wealth of possible approaches to their continuation. We outline some of them which we consider the most promising.

Firstly, the results presented here come from a statistical analysis and require an interpretation from an economical and financial point of view. It means finding an explanations to the differences (in the archetypes, in the dominance of the archetypes and, more generally, in the weights assigned to observations) between countries with the domestic currencies between each other and when they are compared to the Euro Area – related to specific economic indicators, policies, or others.

Secondly, from the statistical point of view, the weights obtained in the archetypal analysis are compositional data, for which many different methods can be applied and they might reveal some interesting properties. This includes for example clustering methods developed particularly for this kind of data or time series modelling of the weights. Finally, our research will be also directed to segmentation of the time period under study by a more detailed analysis of the weights given to the archetypes.

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ANALYSIS OF THE CHOSEN EDTS AND ITS RELEVANCE FOR THE SLOVAK REPUBLIC¹

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Abstract: The evolving environment of Emerging and Disruptive Technologies (EDTs), including autonomous devices, space, hypersonic weapons, and AI, presents numerous challenges as well as opportunities for the modern security environment, not excluding the Slovak Republic. The chosen EDTs can present not only the change or destabilization of the current geopolitical and security architecture but also a lot of moral and legislative dilemmas and aspects, which are not been addressed yet. The primary objective of this article extends beyond highlighting the significant security implications posed by EDTs for international community not excluding the Slovak Republic. It also seeks to underscore that among EDTs, Artificial Intelligence (AI) stands as the most vulnerable and potentially exploited technology within the Slovak security landscape. Furthermore, the article aims to explore the ethical and legal dimensions associated with the utilization of EDTs.²

Keywords: EDTs, AI, Security

JEL: F50, H56

Introduction

Emerging and disruptive technologies (EDTs) have brought a new dynamism to people's lives, both civilian and military. EDTs are increasingly being used in the various fields of human activity, for example in industry, where they can optimise processes, in healthcare, where they can effectively diagnose diseases, or in the invention of new elements and materials.³ However, one of the striking aspects of the humankind is, that it can employ the new technologies both to increase the wellbeing of the people, as well as to create misery and risk for its own existence. EDTs are not the exception, since it can pose the risk for international security and also for the current geopolitical architecture. The country which will effectively possess the EDTs can acquire a strategic advantage over its foes as well as allies.

To better understand the significance of the EDTs, it is crucial to understand their current perception. Ion Oprea for the Presidential Administration of Romania defines EDTs as “improved or completely new technologies, capable of generating radical changes in some areas of human activity”. Oprea also adds, that the development of the EDTs will change the role of the states, which will no longer be only the supporters of their technological dominance, but also the mitigators of the risks arising from the EDTs proliferation.⁴ The most concerning risk can lay in the defence aspects since the EDTs can change the way the conflicts are conducted and what measures the country undertakes to enhance its security. In the context of defence, EU defines EDTs as the “enhanced or completely new technology that brings about a radical change, including a paradigm shift in the concept and conduct of defence affairs such

¹ The article is a part of the project VEGA 1/0842/21 „Vývoj kooperatívnej bezpečnosti a pozícia Slovenskej republiky.“

² The basis of the article was also published as part of a publication on emerging and disruptive technologies published by the Ministry of Defence of the Slovak Republic.

³ MAHESHWARI, R. (2023): Advantages Of Artificial Intelligence (AI) In 2023.

⁴ OPREȂ, I. (2021): The Impact of Emerging and Disruptive Technologies on Security, p. 261.

as by replacing existing defence technologies or rendering them obsolete.”⁵ NATO defines EDTs as the “technologies or scientific discoveries that are expected to reach maturity in the period 2020-2040; and, are not widely in use currently or whose effects on Alliance defence, security and enterprise functions are not entirely clear.”. Since Slovak and European security lies primarily under the framework of NATO, in this article we will proceed from the NATO definition as well as categorization. Currently, NATO focuses mainly on these 8 EDTs: Data, Artificial Intelligence (AI), Autonomy, Space, Hypersonics, Quantum, Biotechnology and Novel Materials.⁶

Whereas we recognise the importance of all the mentioned technologies, the point of our article is to elaborate on the ones which concern the Slovak security environment the most. The chosen EDTs for this article are Autonomous devices, Space, Hypersonic Weapons⁷ and, in our view one of the most immediate threats, AI. The overall goal of the article is not only to prove that EDTs have serious security implications for the Slovak Republic but also to advocate why AI is the EDT, which can be the most exploited in the Slovak security environment and on which the Slovak Republic should focus the most: on how to protect itself as well as how to gain the security benefits of the employment of AI the technology. Furthermore, a partial goal of the article is to examine the ethical and legal aspects of EDTs' employment and show, how can be EDTs interoperable and thus increase their efficiency.

1 Analysis of the chosen EDTs Analysis of the chosen EDTs

1.1 Autonomous devices

Autonomous vehicles are not a new invention, but humanity has not yet found a way to deal with their power and their ethical and legal aspects. The reason is that autonomous vehicles raise significant questions, namely whether they are capable of complying with the main principles of international law, namely distinction and proportionality of attack.⁸ The key question is whether autonomous vehicles can comply with the above principles without the control of a human operator. If the answer is no, there should be a serious discussion about banning the use of autonomous vehicles. However, technological progress and the development of new sophisticated technologies suggest that autonomous vehicles should be able to comply with the principles of international law. Nevertheless, there is no guarantee that the device will not make mistakes in its operations, nor that it will be able to assess the appropriate level of force required to achieve its objectives. And if it does, who will be held responsible? Is it the country deploying the device, or should some responsibility lie with the manufacturer who should have programmed the system to prevent such casualties? These questions have sparked extensive debate and controversy regarding the ethical implications of developing and using autonomous devices. This moral dilemma is exemplified in the case of autonomous unmanned aerial vehicles (UAVs), such as the STM Kargu 2, which possesses the capability to engage with adversaries independently, without relying on a wireless connection to a central headquarters. The number of vehicles like the STM Kargu 2 is sure to increase in the future as the technology becomes more accessible to international players. Such vehicles can be used in both defensive and offensive operations at low cost and with a pre-programmed code that defines the details of their missions. The proliferation and development of autonomous vehicles, in the air, on land or at sea, will change the landscape of modern warfare, making the military

⁵ EUR-Lex (2021): Regulation (EU) 2021/697 of the European Parliament and of the Council.

⁶ NATO (2020): Tech Trend Report.

⁷ Although Slovakia is not the nuclear country nor the primary threaten by the nuclear attack, we assess the hypersonic nuclear weapons as the most destructive from all of the EDT. The launch of such weapon would not only affect targeted country, but the whole world, including Slovakia. Thus, hypersonic weapons are concerning Slovak Republic.

⁸ IHL (2020): Principles of IHL (distinction, proportionality) have direct bearing on cyber operations.

strategies and vehicles of the majority of countries obsolete, as well as changing the nature of warfare between the superpowers. Most importantly, it creates new risks in terms of compliance with international law, especially in terms of assessing the distinction between combatants and civilians.⁹ As mentioned above, there is no guarantee that autonomous vehicles will be able to comply with international law, as they may make the mistakes that will lead to discussions about liability. Although some countries may do their utmost to avoid these mistakes and ensure the use of the vehicles with a focus on the safety of civilians, there are strong doubts about the use of autonomous vehicles by malicious actors. The malign countries or the terrorist organisations may also possess the technology of autonomous vehicles, and there is a presumption that these actors will not be motivated to invest money and time in programming autonomous vehicles to comply with international law. If they do not obey international law in conventional warfare, they are unlikely to do so in modern warfare. Failure to do so with autonomous vehicles may result in more damage to property, lives and, ultimately, international security.¹⁰

1.2 Space

Man's fascination with space dates back to ancient times, when the Greeks, Egyptians, Babylonians and other civilisations observed the night sky and developed astronomy. From that time on, mankind undertook impressive developments and for about 7 decades it is offering fresh scientific insights and concurrently posing the novel challenges for nations to address. The space programme can be financially difficult, but its results stimulate economic growth and bring new inventions to both civilian and military life. Additionally, it serves as a platform for fostering collaboration between nations that might otherwise be hesitant to engage in cooperation. Furthermore, these programs have the capacity to enhance military operations through the provision of precise satellite imagery, GPS coordinates, and rapid data transmission.¹¹

However, it seems that the more mankind discovers the universe and its possibilities, the more dangerous it becomes for the presence of humans in space, as well as on Earth, one of the problems being space debris, which can endanger manned and unmanned vehicles in space. There is always a risk of collision with the objects in space, but the extensive launch of satellites and other vehicles into space increases the risk of collision, especially considering that only half of the satellites currently in space are active. While some nations monitor their inactive vehicles in space and even deorbit them for a controlled fall to Earth, other nations do the exact opposite. There have been many incidents of vehicles or parts of them colliding in space. The number of such incidents will increase as countries create more and more space debris. One of the ways how to do it is the employment of the anti-satellite weapons, which are used because of the practical, strategic, but also because of the geopolitical reasons as the illustration of the power. For example, China used the anti-satellite weapon to destroy its own satellite, which created the cloud of potentially dangerous space debris. If this trend persists, the continued increase in the frequency of space object launches will render space more perilous for human crews. To keep the cosmos accessible, there is an urgent need to develop effective legal frameworks to ensure the safe use of space today and in the future. Nevertheless, no major spacefaring nation is willing to relinquish its position in space, and as a result, space law remains severely outdated. One of the primary space treaties, the Outer Space Treaty, dates back to 1967, approximately a decade after the USSR launched the Sputnik satellite into space. A more recent treaty, the Agreement Governing the Activities of States on the Moon and Other Celestial Bodies (The Moon Treaty), was signed in 1997, but is not effective due to a small

⁹ IQBAL, N. (2022): The principle of distinction and drone strikes: an IHL accomplishment or an IHL failure?

¹⁰ NASU, H. (2021): The Kargu-2 Autonomous Attack Drone: Legal & Ethical Dimensions.

¹¹ SPACE (2023): Military Space.

number of participating countries.¹² As a result, current space law is not sufficient to keep pace with evolving advances, does not reflect the changing geopolitical landscape, and does not take into account the involvement of new actors, in particular private companies. The existing legal frameworks may have been sufficient at the time they were signed, but today states need to reach a consensus on how to regulate activities in space, or it will become an anarchic environment where states compete for influence and private companies engage in unregulated activities such as space tourism or resource extraction.

By a coordinated effort of the countries, space can be accessible for the people also in the future, and not only as a exclusive domain of a select few superpowers. Even countries like the Slovak Republic can actively participate in space defense activities, drawing upon their practical and theoretical expertise to contribute to endeavors like space debris monitoring and space weather forecasting.¹³

1.3 Hypersonic nuclear weapons

The invention of the nuclear weapon raised many new questions concerning the balance of power, the possibilities of defence, but also the fundamental principles of international law, since the use of nuclear weapons excludes compliance with its basic principles, such as distinction and proportionality. The advancement of the nuclear weapons however even complicated the situation, since the new hypersonic weapons solved the downfall of the low speed of the glide vehicles and inaccuracy of the ICBMs. That means, that the new hypersonic vehicles combine the better offensive capabilities with the almost impossibility to intercept the missile by the defence systems. Consequently, the moral considerations surrounding the development of hypersonic nuclear weapons revolve around the challenge of preventing the proliferation of weapons that are virtually unstoppable and whose potential use could result in the loss of millions of lives. The development of hypersonic nuclear weapons poses new moral and legal dilemmas, since the proliferation of this technology could lead to a situation in which the actors will possess an unstoppable weapon capable of destroying humanity on Earth. Traditional nuclear warfare reckoned with the possibility of a nuclear attack that could be stopped by advanced defence systems. However, at present, these systems struggle to effectively intercept even intercontinental ballistic missiles (ICBMs) and are unlikely to be capable of intercepting hypersonic nuclear weapons in the near future.

As with space, the international legal framework for nuclear weapons is inadequate for the current situation. One of the cornerstones of the arms control, Nuclear Non-Proliferation Treaty (NPT) or agreements like New START between the US and Russia, do not impede nuclear-armed states from improving their nuclear arsenals, thus develop the hypersonic weapons. That's why, the Russia possesses hypersonic nuclear weapons, including the Burevestnik, a nuclear-powered ballistic missile which is able to reach long distances and thus allowing it to be deployed from anywhere within Russia. Once completed, this missile will have the capacity to carry nuclear warheads. That should be also the incentive for the USA and Russia for its inclusion in the New START Treaty or at the very least it should be subject to negotiation. However, since the treaty will expire in 2026 and the tensions between the countries are currently at high levels, it is improbable that the new version of the treaty will be more extensive than the previous one.¹⁴

¹² MARSHALL, T. (2023): *The future of geography: how power and politics in space will change our world*. London: Elliott & Thompson, pp. 76-100.

¹³ SÝKORA, J. (2021): *Vesmírna obrana – výzva pre Slovensko*.

¹⁴ SÝKORA, J. (2021): *New START Treaty – State, future and implications for the EU and V4*.

2 AI and its various possibilities

The development of AI presents an extraordinary tool for increasing of the well-being of people. However, it brings also a myriad of risks, including the proliferation of deepfake videos, disinformation campaigns, and the potential for AI to be harnessed in the production of explosives. Additionally, it can lead to the creation of more sophisticated and challenging-to-intercept cyberattacks. The most pressing problem is that the development of AI for malicious purposes may even increase the impact of hybrid influence and another threat, and the equation will become undeniable: the actor using AI for self-defence will always be one step behind the AI-possessing attacker. AI, which can be created at the low cost by the intermediate knowledge in programming and more enhanced hardware equipment, is already being used to make cyber-attacks more effective, to make them easier, more destructive and undetectable. While these enhanced attacks can cause damage in virtual space, for example by shutting down government websites or servers, they can also cause damage in the real world, by damaging physical infrastructure, cutting off water, electricity, etc. It is difficult to find the limit of the impact of AI, because it can also be used to create online scams and fishing attacks, which will be more trustworthy and therefore more dangerous. However, actors should also try to push the limits in the use of AI in defensive ways, for example to improve the detection of cyber-attacks or viruses, to effectively assess risks in the information space, or to enable a higher success rate of defence systems in missile interception. Democratic nations must prioritize the development of AI in the context of cybersecurity to protect both state infrastructure and their citizens.¹⁵

IEDs are the preferred tool of actors with lower moral standards, whose actions are aimed at violence against both combatants and civilians. Therefore, the use of AI in the IED manufacturing process carries the risk that malicious actors will be able to increase the number of IEDs they possess, improve their explosive capabilities and even enhance their attack strategy. This is the unacceptable risk that should inform the discussion not only about the regulation of existing AI, but also about its further development.

Since the article defines the risk of single EDTs, the pressing issues stands also in the issue of their mutual combination, which can create even more risks, as well as opportunities. The country, which will possess the combination of the EDTs can not only destabilise the world security architecture, but also to deepen economic disparities among countries. For example, quantum technologies have the potential not only to facilitate the development of new materials, technologies, and enhanced cyber capabilities but also to help design the new weapons and artificial intelligence. The convergence of AI and quantum technologies could create an intriguing symbiotic relationship: AI could enhance quantum technologies, leading to more efficient quantum technologies, while more advanced quantum technologies could, in turn, contribute to the creation of more sophisticated AI.¹⁶

One major concern is the lack of international regulation governing the use and development of AI. The European Commission proposed AI regulation for the European Union in 2021, but its implementation remains pending, and it does not specifically address the use and development of AI in security and defense contexts. While a few countries have established some form of AI regulation, these efforts are isolated cases, and their motives may not necessarily align with the protection of ethical or legal standards. For instance, China's regulation stipulates that AI generative models must reflect core socialist values. Even if international regulation is eventually established, enforcement will be exceptionally challenging. That can bring us to the complicated situation, since besides the physical domain, AI poses a huge risk also in the domain of hybrid warfare, since it can produce two critical

¹⁵ PRATT, M.K. (2023): Emerging cyber threats in 2023 from AI to quantum to data poisoning.

¹⁶ REDING, D. F. – EATON, J. (2020): *Science & Technology Trends 2020-2040*.

issues: the uncontrolled dissemination of misinformation and the generation of deepfake audiovisual content.

3 AI and disinformation

The reader of this article may feel that the author is describing the development and use of AI as a simple process. However, the opposite is true and the proof lies in the new LLM ChatGPT4. These LLMs have embedded in their code that it is forbidden for them to engage in disruptive activities, such as making IEDs or creating and sharing disinformation and misinformation. However, these embedded codes can be broken, perhaps not by ordinary users, but certainly by trained experts. And once these codes have been broken, AI can be used to create misinformation that are sophisticated, believable, and ever-improving. One problem is the quality of the disinformation, but an even more pressing risk is its quantity, which can increase continuously as more powerful hardware is acquired. This approach is much more efficient, simpler and, above all, cheaper than setting up troll farms to spread disinformation. Furthermore, the quantity and quality of disinformation can be increased by combining AI with quantum technology, as described in the previous part.¹⁷

These trends suggest that the information space is changing, becoming more dangerous and unpredictable. That is why there should be a broad discussion about its regulation, but first about the use of AI to keep the virtual world relatively clean. The approach can be to develop AI that detects disinformation, intercepts it and responds by spreading verified information.. However, in this way we will enter a spiral where the information space will be the scene of an arms race in which actors will try to outpace each other in the development of hardware and software. Another solution may be to restrict AI development to only that which is ethically compliant, but as was stated earlier, the regulation of the AI and its development is the long-time commitment and, furthermore, not all actors will be willing to join such initiative. Private actors may use AI to maximize profit, but they may not heed all moral principles in pursuit of this goal. As for individuals, they can develop AI models for a variety of purposes, from simplifying their work to cyberterrorism. Last but not least, the rougher states are unlikely to have any incentive to give up their strategic advantage over their opponents, especially if they can get it at low cost.

Another pressing problem with AI is the production of deepfake material, which is disseminated in the information space. They can be harmless or artistic, showing photos or videos of animals or architectural visualisations. However, they can also be used to discredit selected individuals, which is how malicious actors may use them. These may be influential personalities or businessmen who, under pressure, will be willing to pay to have the materials deleted. However, as we have seen in the Slovak elections, the creation of deepfake videos and recordings that compromise politicians and thus reduce their electoral potential can influence the immediate public meaning. As such practices are mainly used by outright malicious actors with minimal moral standards against democratic politicians, we are likely to see more and more such events in the future.

There are a number of risks associated with the development of AI, including fabrication deepfake videos, disinformation, or the production of explosives, but also the development of more sophisticated cyber-attacks that will be difficult to intercept and repel. Regulated AI can help healthcare, industry, or defence by streamlining processes or saving lives. However, AI that an actor can create at low cost, programmed for malicious activities, can have devastating consequences for our security and democracy. AI that creates attacks will always be one step further than AI that seeks to mitigate or prevent them. The answer should be to regulate AI, but

¹⁷ MOSLEY, T. (2023): How generative AI is boosting the spread of disinformation and propaganda.

it is questionable whether foreign actors can be persuaded not to use AI for malicious purposes and to effectively check that the citizens of individual countries do not do so either.

Conclusion

The EDTs, such as autonomous devices, space, hypersonic nuclear weapons and AI present a complex array of challenges and opportunities for the modern security environment. All of the mentioned technologies are posing a risk for the Slovak Republic, which must be prepared to protect itself and other NATO members from the new threats. The hostile actors, who are capable of using autonomous devices, can become even more dangerous and, furthermore, it will be very difficult to track the origin of such devices thus actors can stoically use plausible deniability on any occasion. The development of space activities brings new potential for scientific knowledge and economic growth but also new risks and threats emerging from the lack of effective regulation. However, space can be the opportunity for the Slovak Republic to contribute to common EU and NATO space defence, mainly in the context of space debris monitoring and space weather forecasting, as well as to gain benefits from scientific and economical aspects of the space defence development participation. The development of hypersonic weapons brings the most worries from all of the EDTs since the intensity of its destructive power weakens other technologies. Therefore there is an alarming need to regulate the proliferation and deployment of hypersonic weapons, since if such a weapon is used, its impact would be inevitable and retaliation would affect the whole world.

However, as we proved in the article, one of the most immediate EDTs for the Slovak Republic and with a lot of moral and legal aspects is AI. Its fast advancement brings promising opportunities which can increase well-being, as well as substantial risk and threats to security and democracy. When examining the past Slovak governmental elections, we can see the massive spread of disinformation in the information space, which aimed to discredit the chosen parties. For now, there is no evidence that the disinformation was fabricated by the AI. However, if the actors effectively possess AI technology, the information space can be flooded by a much higher number of disinformation posts, which can be more sophisticated than today. Furthermore, for the first time in Slovak history, we witnessed the AI fabrication and spread of the deepfake recording of the leader of the liberal party Progressive Slovakia and of the liberal president Zuzana Čaputová, who should have advocated for the increase of the beer prices or the voting of far-right party in the parliamentary elections. These cases were the first, but surely not the last examples of the deepfake materials fabrication, which can become much more convincing and discrediting.

To address these issues, democratic nations must do their maximum to regulate AI development, as well as to find ways to win the new-era arms race: How to use AI to protect themselves from their foes using AI. The same can be said about all of the EDTs. There should be a synchronous collective effort to address all of the EDTs risks and threats and concentrate on extracting all of the benefits, which EDTs provide. The benign use of the EDTs can lead to the increase of security of Slovakia, and NATO, but also of the whole world and manned space stations.

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POTENTIAL ACCESSION OF UKRAINE TO THE EUROPEAN UNION

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Abstract: A membership of Ukraine in the EU is in this moment only a potential possibility. There is a lot of obstacles. The best chance before 2005-10 Ukraine wasted. A new attempt to set on a pro-Western course in 2013 was realized in the conditions of growing Russian power and assertiveness. This effort provoked Russian aggression in both 2014 and 2022, because Russia considers Ukraine to be its "zone of interest". The EU responded with a massive support for Ukraine, which is material as well as moral. It also includes the acceleration of the pre-accession process. Negotiations could begin at the turn of 2023/24 but Ukraine can only hardly become an EU-member in a situation of war. Negotiations with Ukraine will certainly stimulate further negotiations with the countries of the Western Balkans. However, it is clear that further enlargement of the EU will not be possible without internal adaptation and without an increase of the EU budget.

Keywords: Ukraine, European Union, EU enlargement

JEL: F02

Introduction

Ukraine is a country straggling for its sovereign statehood since 1917. A part of this struggle now is a separation from Russia and a deeper cooperation with and potentially also an integration into the EU and NATO. Immediately after 1991 and after the so-called Orange Revolution in 2004 Revolution Ukraine failed in this effort. Only in 2013 the Revolution of Dignity opened a door for Ukraine again.¹ But the President Vladimir Putin considers Ukraine as a Russian "backyard" which must not be integrated into the EU and NATO because it should be a crucial part of his re-integrated Russian empire regardless what Ukrainians think and want.²

The EU reaction on the first Russian invasion in 2014 was relatively moderate – perhaps in a hope that a conflict would be "frozen" and it would be possible to avoid a confrontation with Russia (at the expense of Ukraine). However, the second Russian invasion in February 2022 together with Russian ultimatums in December 2021 opened eyes to European governments and trigged the whole discussion about the Ukrainian membership³ as a part of the Western support. And a discussion on the Ukrainian membership has reminded us also a semi-forgotten West Balkan countries and their European aspirations.

On the other hand, it is obvious that a condition for a next EU enlargement is an internal adaptation of the EU and a significant increase of the EU-budget.

Ukraine is a large and populous country a membership of which will visibly change the EU. Therefore, the aim of this article is to describe the effort of Ukraine to join the EU and to evaluate its present realistic chances and opportunities. It is based on collecting information from public sources and EU documents and their analysing.

¹ BILD, C. (2023): The Promise and Peril of EU Expansion. p. 4.

² PUTIN, V. (2021) "On the Historical Unity of Russians and Ukrainians".

³ BATYROV, T. (2021): MID Rossii opublikoval proekty soglasheniya s SSHA i NATO o garantiyakh bezopasnosti.

1 The current state of research

As a question of extraordinary importance for a future security and political architecture of Europe a potential EU-membership of Ukraine is an object of a serious research and considerations. It is not easy to find a rational critical analyses and to distinguish them from a bias argumentation in a time of a sharp confrontation between the West and Russia. In general, they all agree that getting Ukraine in the EU will be a very demanding task.

A pessimist view argues that it will never happen. An optimistic one that it will require great effort, but it will be successful.⁴ Subliminally, there is presented a message that the EU must now promise Ukraine a membership regardless a real situation just as a moral support for fighting Ukrainians.

A very illustrative independent research about a potential membership of Ukraine was done by the International Centre for Defence and Security (ICDS) in Estonia in a cooperation with Centre of European Policy Studies (CEPS) in Brussels and the Ukrainian Institute for Economic Research and Policy.⁵ The main idea of this paper is that "...an increasing number of countries will reduce the political and economic homogeneity of the EU, making it more difficult to agree consensually on relevant issues."⁶ Therefore the EU must adopt itself first and – an integration of Ukraine must be "gradualist" – it means first without a full utilisation of all membership advantages.

A potential membership of Ukraine is considered as a great strategic challenge for the EU, but also as an opportunity to revitalize an EU enlargement and also the EU economics and military:⁷

"The accession process will take years and will transform both Ukraine and the union. Kyiv will have to undertake a long list of reforms to align its domestic law with that of the EU and to prove its merit as a democratic market economy. EU member states, meanwhile, are grappling with the myriad challenges that the addition of a large, relatively poor agricultural powerhouse will pose for the delicate balance of budgetary and decision-making powers in the union."

However the main challenge could be military: How could the EU defend Ukraine against Russia?⁸ The EU can not do it alone – it needs NATO and United States as partners. And they all must act now, not in an unpredictable future. The problem is that USA is not willing to take on an obligation to enter into direct conflict with a nuclear-armed Russia.⁹ The situation therefore could be interpreted in a way that a real Ukrainian membership is possible only after the end of a war.

Opinions that Ukraine cannot become the EU member without a transformation of the EU- decision procedure and EU – financial redistribution (EU- funds) are very realistic. An internal reform is therefore the main assumption to take a potential accession of Ukraine seriously.¹⁰ Similarly, there prevail an opinion that:

"If we follow the Copenhagen accession criteria, neither Ukraine nor Moldova appear close to qualifying for EU membership."¹¹ and a will to modify entry requirements in favour of

⁴ See: MINAKOV, M. (2023): Political Will or Procedure? Assessing Ukraine's EU Membership Goals in 2023.

⁵ BLOCKMANS, S. (2023): The impact of Ukrainian membership on the EU's institutions and internal balance of power.

⁶ BLOCKMANS, S. (2023): The impact of Ukrainian membership on the EU's institutions and internal balance of power, p. 8.

⁷ BESCH, S - CIARAMELLA, E. (2023): Ukraine's Accession Poses a Unique Conundrum for the EU.

⁸ BESCH, S - CIARAMELLA, E. (2023): Ukraine's Accession Poses a Unique Conundrum for the EU.

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¹⁰ BASTASIN, C. (2023): Want Ukraine in the EU? You'll have to reform the EU, too.

¹¹ ANGHIEL, V. – JONES, E. (2023): Is EU enlargement to Ukraine and Moldova credible?

Ukraine is based on a political decision and a security imperative. Another option is some form of a special “reduced” membership for Ukraine and Moldova.¹²

2 EU Enlargement Process in the past

The EU has experienced several “enlargement waves” in the recent or more distant past. An openness of the EU is its main attribute and an experience with previous enlargements will help understand a today situation.

There were several EU enlargements in the past: in 1973, 1981, 1986, 1995, 2004, 2007, 2013.¹³¹⁴ (In 1990 also the former GDR and in 2014 the French island Mayotte became parts of the EU.) Especially after 1989 the EU enlargement played a crucial role in turning of the Central Europe into democratic and relatively prosperous region.¹⁵ However, an EU enlargement is a very complex issue which cannot be described as triumphalist “one way process”. There are not only gains but also losses: Algeria (1962), Greenland and Saint Pierre and Miquelon (1985), Saint Barthélemy (2012) and the UK and Gibraltar in 2020. There are also enlargement attempts which failed: Iceland (2015), Norway (1962, 1967, 1992) and Switzerland (1992).

The EU is open to all European states if they meet criteria. Article 2 and 49 of the Treaty on the European Union says that any European state that respects the “human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities”, may apply to join the Union.¹⁶ The “European character” is not defined precisely. As Cyprus is a member state (and Turkey has a candidate status), we may believe that this “European character” should be more cultural than geographical. Of course, Ukraine met booth potential definitions.

The European Council set out the conditions for EU membership in June 1993 in the so-called Copenhagen criteria:¹⁷

- They are political as: democracy, human right, rule of law, respect for and protection of minorities.
- Economic criteria as: a functioning market economy with producers having the capability to cope with competitive pressure and market forces within the Union, a capacity to meet the Euro convergence criteria.
- Legislative alignment: enacting legislation bringing internal laws into line with the body of European law built up over the history of the Union, known as the *acquis communautaire*. In preparing for each admission, the *acquis* is divided into separate chapters (30-35), each dealing with different policy areas.

Today, we are in situation when „geopolitic“ (strategic) factors are more considered than in the past.¹⁸ It means that enlargement is now seen as a part of struggle between the Western, Russian and Chinese influences. The enlargement should serve as a factor stabilizing regions of Western Balkan and East Europe, consolidating local democracies and reducing

¹² ANGHIEL, V. – JONES, E. (2023): Is EU enlargement to Ukraine and Moldova credible?

¹³ TICHÝ, L. – ARNOLD, R. – ZEMÁNEK, J. – KRÁL, R. – DUMBROVSKÝ, T. (2014): *Evropské právo*, pp. 12-14.

¹⁴ FACT SHEETS ON THE EUROPEAN UNION: The Enlargement of the Union (2023).

¹⁵ BILDT, C. (2023): *The Promise and Peril of EU Expansion*. p. 1.

¹⁶ FACT SHEETS ON THE EUROPEAN UNION: The Enlargement of the Union (2023).

¹⁷ KREJČÍ, O. (2015): *Mezinárodní politika*, p. 254.

¹⁸ MATTHIJS. M. – MEUNIER, S. (2023): *Europe’s Geoeconomic Revolution*, p. 1.

Russian and Chinese activities. Several EU-countries (e.g.Hungary) are not happy with this interpretation.¹⁹

3 Current Enlargement Agenda

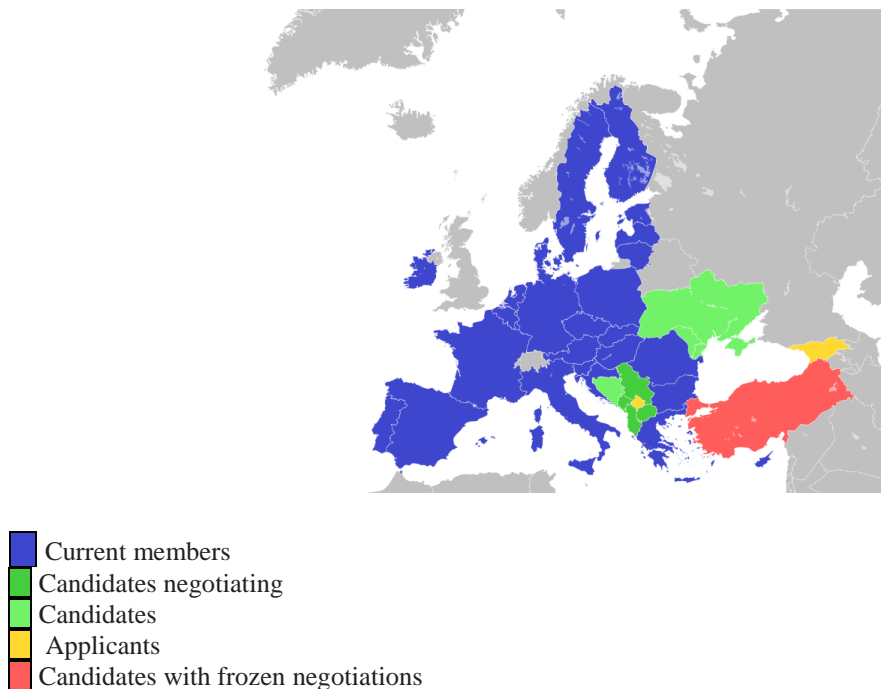
After 2013, when Croatia joined the EU, the enlargement agenda was stagnating.²⁰ Only the Russian aggression in 2022 revitalized it.²¹

A discussion on the future enlargement we may begin with a present enlargement agenda in which there are several potential new member states:²²

- 4 candidates countries are already negotiating: Albania, Montenegro, Northern Macedonia, Serbia
- 3 other candidate countries: Bosna and Hercegovina, Moldova, Ukraine
- 1 country with frozen negotiation: Turkey (frozen in 2019)
- 2 applicants which have submitted EU membership applications and are recognised as potential candidates for membership by the EU: Georgia and a region Kosovo.

The UK, Gibraltar (and all British Overseas Territories inhabitants of which were British and EU citizens) are a specific case. They left the EU in 2020 but now a ratio between supporters and opponents of a British return to the EU is 56:34 – so we could be surprised in a next future.²³ We could discuss also about Iceland (in case of which negotiations were just terminated and an application non-formally withdrawn)²⁴ and so-called Caribbean Netherlands (Bonaire, Saba and Sint Eustatius), which are the most probable candidates for a the next EU-enlargement as parts of the Kingdom of Netherlands.

Figure 1: Potential EU enlargement



Source: Wikipedia, October 2023.

¹⁹ ZYLM, W. (2023): Hungary's Szijjarto Challenges EU's Fast-Track Accession for Ukraine.

²⁰ MATTHIJS, M. – MEUNIER, S. (2023): Europe's Geoeconomic Revolution, p. 9.

²¹ BILD, C. (2023): The Promise and Peril of EU Expansion, p. 3.

²² EUROPEAN COMMISSION: EU enlargement (2023).

²³ STATISTA (2023): In hindsight, do you think Britain was right or wrong to vote to leave the European Union?

²⁴ ENLARGEMENT POLICY - Iceland on EU membership:- Q&A, (2015)

This to illustrate you that the EU enlargement is a comprehensive process which is not definitely only about Ukraine. Ukraine is and will be only one of its parts – although one of the most important ones.

4 Where is Ukraine now

Obtaining the status of a full member of the EU as a strategic goal of Ukraine was first time declared by President of Ukraine Viktor Yushchenko immediately after his election in early 2005.

On 13 January 2005, the European Parliament almost unanimously (467 in favor, 19 against) adopted a resolution on the European Parliament's intentions to converge with Ukraine on membership.²⁵ In March 2007, Ukraine was offered a Free Trade Agreement with the EU.

However, this first effort was consequently blocked by President Viktor Yanukovich. The Revolution of Dignity in 2013, during which a potential association with the EU was a crucial issue, not only abated Yanukovich but also triggered the first Russian invasion in 2014. In spite of Russian intention, the invasion did not prevent the EU and Ukraine to sign the European Union–Ukraine Association Agreement on 27th June 2014.²⁶ After the signature act the President of the European Commission Jose Manuel Barroso stated that the Association Agreement is the beginning of Ukraine's accession to the EU.

On 27 February 2014 the European Parliament passed a resolution that recognized Ukraine's right to "apply to become a Member of the Union, provided that it adheres to the principles of democracy, respects fundamental freedoms and human and minority rights, and ensures the rule of law".

The Deep and Comprehensive Free Trade Area with Ukraine came into force on 1 September 2017 after being provisionally applied since 1 January 2016. The Association Agreement fully came into force on 1 September 2017.²⁷

On 21 February 2019, the Constitution of Ukraine was amended to enshrine the norms on the strategic course of Ukraine for membership in the European Union and NATO in the preamble of the Basic Law, three articles and transitional provisions.

Amid the 2022 second Russian invasion of Ukraine, the three former Soviet republics of Ukraine, Moldova and Georgia submitted applications for EU membership. On 28 February 2022, Ukraine officially submitted a letter of application for membership.²⁸

The European Parliament subsequently voted to accept an emergency petition from the government of Ukraine for EU member state candidacy. On 7 March, the EU said it will formally assess Ukraine's application.

On 8 April 2022, Commission President von der Leyen, after visiting Bucha in the aftermath of a massacre there, visited Kyiv and met with President Zelenskyy.²⁹ Von der Leyen presented Zelenskyy with the legislative questionnaire to begin Ukraine's application and offered to fast-track the process. On 17 April, Ukraine responded to the first part of the legislative questionnaire, while it responded to the second and final part on 9 May.

After a meeting with Volodymyr Zelenskyy on 16 June 2022 in Kyiv, the leaders of Germany, Italy, Romania and France called for immediate candidate status for EU membership for Ukraine.

On 17 June 2022, the European Commission recommended that Ukraine and Moldova become candidates for EU membership and that Georgia be recognized as a potential candidate

²⁵ EUROPEAN PARLIAMENT (2005): European Parliament resolution on the results of the Ukraine elections.

²⁶ INTERFAX UKRAINE (2014): EU, Ukraine to sign remaining part of Association Agreement on June 27.

²⁷ EEAS (2017): EU-Ukraine Deep and Comprehensive Free Trade Area.

²⁸ EUROPEAN COUNCIL (2023): Ukraine.

²⁹ DEUTSCHE WELLE (2022): EU chief offers Kyiv fast track to bloc membership.

but that it would need to "meet certain conditions" to be granted candidate status.³⁰ Simultaneously with the recommendation to approve the candidate status, the Commission listed seven required reforms to be implemented by Ukraine:³¹

- 1) reform of the Constitutional Court
- 2) continuation of judicial reform
- 3) anti-corruption, including the appointment of the head of the SAPO, (Specialized Anti-Corruption Prosecutor's Office)
- 4) anti-money laundering
- 5) implementation of the anti-oligarchic law, including recommendations of the Venice Commission
- 6) harmonization of audiovisual legislation with European
- 7) change in legislation on national minorities

On 23 June 2022, the European Parliament adopted a resolution calling for the immediate granting of candidate status for membership of the European Union to Ukraine and Moldova, as well as to support the European perspective for Georgia. On the same day, the European Council granted Ukraine the status of a candidate for accession to the European Union.³²

On 2 February 2023, the European Commission published an analytical report on Ukraine's alignment with the EU acquis: "Commission's Opinion on Ukraine's application for membership of the EU adopted on 17 June 2022."³³ It is a preliminary report on the Ukrainian „starting position“ before real negotiations. Future negotiations will be organized in framework of 6 clusters and 36 chapters. A Ukrainian progress will be evaluated on meeting conditions in these individual chapters.

Next report is expected in February 2024. A result of negotiations must be reforms and changes in Ukraine which will enable the Commission to consider every chapter as “closed”. Only then the negotiations are successfully completed and Ukraine is prepared and qualified for a membership.

On 22 June 2023, EU Neighbourhood and Enlargement Commissioner Olivér Várhelyi provided an oral update on Ukraine's progress toward the seven reforms required to open negotiations.³⁴ From 7 conditions only two were completely met (Judicial Governance and Media Legislation).

A second, decisive assessment was planned to be released as a part of the EU's annual Enlargement Package in November 2023^{35,36} - and when it was published on 8th November 2023 it recommended an opening of EU-membership negotiations with Ukraine and Moldova³⁷ and the granting of candidate status to Georgia- also in a situation when in a case of Ukraine only 4 from 7 conditions are completely fulfilled. Therefore, we have a lot of reasons to believe that in this decision political aspects played an important role.

³⁰ EUROPEAN COUNCIL (2023): Ukraine.

³¹ EUROPEAN COMMISSION (2022): Commission Opinion on Ukraine's application for membership of the European Union.

³² EUROPEAN COUNCIL (2023): EU relations with Ukraine.

³³ EUROPEAN COMMISSION (2023): Commission's Opinion on Ukraine's application for membership of the EU adopted on 17 June 2022.

³⁴ EUROPEAN COMMISSION (2023): Press remarks by Neighbourhood and Enlargement Commissioner Olivér Várhelyi, following the informal General Affairs Council on 22 June 2023.

³⁵ BILDT, C. (2023): The Promise and Peril of EU Expansion, p. 5.

³⁶ HARDING, L. – O'CARROLL, L.: EU proposes €5bn military aid package for Ukraine after 'historic' meeting (2023), p. 2.

³⁷ VELA, J. H. (2023): EU membership talks with Ukraine and Moldova.

Ukraine has completed four:

- 1) legislation on a selection procedure for judges at the Constitutional Court
- 2) finalization of the vetting of candidates for the High Council of Justice
- 3) anti-money-laundering legislation
- 4) media law.³⁸

Ukraine should do more in fighting corruption (including a law on staffing for the National Anti-Corruption Bureau), adopt law cracking down on the power of oligarchs and regulating lobbying in line with European standards.

Table 1: Progress on seven required reforms

Criterion	June 2023	November 2023
1. Constitutional Court	Good progress	Completed
2. Judicial governance	Completed	Completed
3. Anti-corruption	Some progress	Some progress
4. Anti-money laundering	Some progress	Completed
5. De-oligarchisation	Some progress	Some progress
6. Media legislation	Completed	Completed
7. National minorities	Some progress	Some progress

Source: EUROPEAN COMMISSION (2023): Press remarks by Neighbourhood and Enlargement Commissioner Olivér Várhelyi, following the informal General Affairs Council on 22 June 2023.

EUROPEAN COMMISSION (2023): Ukraine Report 2023 (8 November 2023).

Negotiations are already promised to be opened in December 2023.³⁹ (More realistically- in January 2024.)

When the negotiations will be completed – we can hardly even guess. They could last in the best case 2- 3 years (more realistically it is to calculate with a horizon of 2030⁴⁰). Even if they are complete, it does not mean that Ukraine can join the EU automatically. Ukraine will be invited to sign a Treaty of Accession, which must then be ratified by the all member states of the Union and the candidate country. Once this has been completed, it will join the Union on the date specified in the treaty.

At this moment some member states could hesitate because of the present Russian war being waged on Ukraine and because of the Article 42/7 of the Treaty on the European Union:

“If a Member State is the victim of armed aggression on its territory, the other Member States shall have towards it an obligation of aid and assistance by all the means in their power, in accordance with Article 51 of the United Nations Charter. This shall not prejudice the specific character of the security and defence policy of certain Member States.”

The EU is not only an economic and political community. It is also a defence alliance. Therefore, there is a danger that after the accession of Ukraine during the open Russian war on Ukraine, the EU countries almost immediately and automatically will get in a war against Russia what they do not wish. (An occupation is still considered as an act of war.) It means that

³⁸ EUROPEAN COMMISSION (2023): Ukraine Report 2023 (8 November 2023), p. 3.

³⁹ BILDT, C. (2023): The Promise and Peril of EU Expansion, p. 5.

⁴⁰ O’CARROLL, L. (2023): Adding nine countries to EU to cost existing members more than €250bn.

in this way a final decision could be in the hands of President Putin, but it is a reality which cannot be ignored.

On the other hand, the EU in the past accepted also states with open border disputes or when parts of their territories were occupied. For example, Cyprus became in 2004 an EU member regardless a Turkish occupation of Northern Cyprus and Germany was the EEC member in 1957-72 even when GDR was considered to be its part just temporarily occupied by Soviet Army.

5 Is the EU prepared for a new Enlargement?

A question if the EU could prepare itself for a coming wave of new member states is widely discussed. On the side of the EU there are several serious obstacles which need to be overcome:

- The EU badly needs to find additional financial sources to support Ukraine (and other new member states) as relatively poor and devastated countries. The budget must be significantly higher than today 1,0-1,4 % of GDP of the whole Union.⁴¹ The future expenditures seem to be increased by 21% to €1470 billion if all nine countries were to join.⁴² Ukraine has a big agriculture which is comparable 1/3 of the EU agro-sector.
- And it also needs an institutional reform.⁴³ At least to reduce a list of cases requiring a unanimous voting in the Council. The EU with 27 member states have serious problems even now. The EU with 34-37 members will be simply blocked. This problem must be solved before a next enlargement. Questions of numbers of Commissioners, members of European, etc., conditionality of EU-benefits, capacity to enforce basic EU-principles (for example: a rule of law) must be also answered.⁴⁴

An internal reform of the Union is a complex process which is out of scope of this article. But this condition of the future enlargement must not be ignored. Meantime the EU and its member states provided a substantive material assistance to Ukraine which is a victim of a Russian aggression:⁴⁵

Table 2: Comprehensive EU Material Assistance to Ukraine (Summer 2023)

<i>Category of Assistance</i>	<i>Amount of EURO</i>
Humanitarian, Economic and Social Aid	22 billion
Specific Financial Aid (21% member states, 79% EU)	18 billion
Support of refugees in the EU	17 billion
Military Aid (member states: 75%, European Peace Facility: 25%)	25 billion
TOGETHER:	82 billion

Source: EUROPEAN COUNCIL (2023): EU solidarity with Ukraine.

⁴¹ BILDT, C. (2023): The Promise and Peril of EU Expansion, p. 7.
⁴² O'CARROLL, L. (2023): Adding nine countries to EU to cost existing members more than €250bn.
⁴³ BILDT, C. (2023): The Promise and Peril of EU Expansion, p. 3.
⁴⁴ On the other hand we can believe that the EU with 29 members is still managable. (See: BILDT, C. (2023): The Promise and Peril of EU Expansion, p. 7.)
⁴⁵ EUROPEAN COUNCIL (2023): EU solidarity with Ukraine.

The whole material assistance of the EU and the EU-member states reached a level of 82 billion EURO in Summer 2023. Other 50 billion Euro are promised in horizon of 2027.⁴⁶ In addition, the EU lifted customs on Ukrainian products (30 million EURO) and an anti-dumping tolls on Ukrainian steel (35 million EURO). And this is not so few. For example, in 2022 the whole EU budget was 167 billion EURO and a budget of the Next Generation Instrument was on a level of 143 billion EURO. 40 000 Ukrainian soldiers to be trained by end of 2023.⁴⁷

The EU adopted 11 packages of anti-Russian sanctions. EU leaders demanded on several occasions that Russia immediately cease its military actions, unconditionally withdraw all forces and military equipment from Ukraine and fully respect Ukraine's territorial integrity, sovereignty and independence.⁴⁸

6 Meeting of EU Foreign Ministers in Kiev and Informal meeting of heads of state or government in Granada

A meeting of EU Foreign Ministers on 2nd October 2023 was held in Kyiv. It is considered as historic, because it was the first time when they met outside EU borders. EU foreign policy chief Josep Borrell declared it as a signal that EU support is "unwavering" and underscored the EU's commitment to Ukraine.⁴⁹

This informal summit supported a territorial integrity of Ukraine and endorsed Zelenskyy's 10-point peace plan as the only solution. The plan calls for Ukraine's 1991 borders to be fully restored and for Russian troops to return home.⁵⁰ Borrell called Vladimir Putin's assault an "existential threat" for Europeans. EU also proposed a significant material, financial and military aid.⁵¹ The ministers promised an opening of opening of accession negotiations in December 2023 and the EU membership for Ukraine if it meets criteria.⁵² From all statements it is possible to feel that evaluation of an Ukrainian preparedness in November 2023 will be relatively benevolent.

The Informal meeting of heads of state or government in Granada on 6 October 2023 again confirmed a support to Ukraine and a general consensus in a question of an enlargement.⁵³ The enlargement will strengthen an economic and political power of the EU. The summit condemned the Russian aggression against Ukraine and confirmed the prospect of a further enlarged Union. On the other side, both the EU and the aspiring countries need to be ready.

Aspiring members also need to step up their reform efforts, notably in the area of rule of law, in line with the merit-based nature of the accession process and with the assistance of the EU. In parallel, the Union needs to lay the necessary internal groundwork and reforms.⁵⁴

⁴⁶ MATTHIJS, M. – MEUNIER, S. (2023): Europe's Geoeconomic Revolution, p. 9.

⁴⁷ EUROPEAN COUNCIL (2023): EU solidarity with Ukraine.

⁴⁸ EUROPEAN COUNCIL (2023): EU response to Russia's invasion of Ukraine.

⁴⁹ EURONEWS (2023): 'Historic' meeting of EU foreign ministers in Kyiv to support Ukraine as allies show signs of strain, p. 1.

⁵⁰ HARDING, L. – O'CARROLL, L. (2023): EU proposes €5bn military aid package for Ukraine after 'historic' meeting, p. 2

⁵¹ HARDING, L. – O'CARROLL, L. (2023): EU proposes €5bn military aid package for Ukraine after 'historic' meeting, p. 1.

⁵² HARDING, L. – O'CARROLL, L. (2023): EU proposes €5bn military aid package for Ukraine after 'historic' meeting, p. 3.

⁵³ EUROPEAN COUNCIL (2023): Informal meeting of heads of state or government, Granada, 6 October 2023.

⁵⁴ EUROPEAN COUNCIL (2023): Informal meeting of heads of state or government, Granada, 6 October 2023.

7 EU enlargement costs and benefits

Expanding the size of the EU to include nine new countries including Ukraine would cost the existing members more than 256 billion EURO over seven years.⁵⁵ Most these expenditures (186 billion EURO) will be “consumed” by Ukraine itself. The knock-on effect would be to turn many countries that currently enjoy net financial benefits of the EU into net contributors. The budget questions need to be settled by 2027, when the next financial cycle would begin.

In addition, only a basic post-war reconstruction of Ukraine will require hundreds milliards EURO.

As a compensation the Ukrainian membership will bring significant benefits to the EU - especially now – in a situation of an escalated confrontation between democratic EU and authoritarian regimes. The EU will be strengthened military and politically by joining a relatively large state with an impressive army.

Already today only a promise of a membership is a great moral support for Ukrainian defenders who are keeping Russian armies in a distance from the most EU member states. Victory of Ukraine and its membership in the EU are strongly interconnected and both can encourage democratic movements in the whole post-Soviet space including Russia itself. The power balance in the Eastern Europe can be radically changed in a favour of western alliance of democratic states.

Conclusion

Ukraine is strongly supported by the EU and its member states. Ukraine obtained a status of a candidate country and the Commission recommended on 8th November 2023 to open accession negotiations. They will start in December 2023 or January 2024. Nevertheless, on an example of Turkey and Balkan states we know that such a process can last long decades. A full membership of Ukraine and several other candidate countries we can expect in the best case in a horizon of the year 2030. However, an unspoken condition for this membership is also an ending a war and perhaps also a Russian occupation of Ukrainian regions.

Concurrently, it is honest to admit that the new „big enlargement“ can not be accomplished without internal changes in the EU. The EU can survive an accession of two or three smaller countries (e.g. Moldova, Montenegro) but the EU with 35 member states requires a reform of its own decision -making process. As most potential new member states including Ukraine are poor in a comparison with the Western and Central European states and will need a huge financial support from the EU, an EU budget extension is another condition of this EU-enlargement.

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⁵⁵ O'CARROLL, L. (2023): Adding nine countries to EU to cost existing members more than €250bn.

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THEORETICAL CONCEPT OF CHATEAU BROWNFIELDS¹

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Abstract: Chateau buildings (castles) are an integral part of urban and rural settlements and represent an important historical, urban and social element of our cultural landscape. It is a sad fact that many of these buildings are now abandoned and dilapidated. This problem is mostly accentuated in the Central European region, where it is directly linked to the political and property changes in the first half of the 20th century, which forced an interruption of their original utility purpose and natural functionality. The intention of this paper and its aim is to define the chateau brownfield and to form its basic theoretical concept in the context of a synthesis of multidisciplinary concepts. This is a sub-area of brownfields that has not yet been independently researched and professionally elaborated. However, there is no doubt that chateau brownfields represent a significant development potential of the regions and the economy. The results of this paper (determination of chateau brownfields) is thus a necessary initial step to solving this topic on a theoretical and practical level.

Keywords: brownfield, chateau, central European region, chateaufield

JEL: N94, O18, R58

Introduction

Since the early modern period (from the 16th century onwards), manor houses, chateaux, aristocratic estates and manorial residences have been an integral part of the European rural, and later urban, landscape, referring to their administrative, economic, representative and residential functions.² Like all buildings and objects, they were subject to natural processes of creation, development, "life", decay, abandonment and demise. They may therefore be the so-called brownfield for a certain period of time, which refers to a property status that is without any use, empty and structurally derelict and decaying.

The lack of a specific scientific and theoretical approach to this specific type of brownfields was the impetus for the development of the initial concept presented in this paper. For this reason, the usual search of relevant sources which are lacking in relation to this topic is missing here. It should also be noted that the author's own assertions presented here are not definitive, as they may change in response to further research, especially if theory and observed reality are confronted.

The paper is mainly inductive in nature, based on a multidisciplinary synthesis of information from brownfield theory, history, social geography and urban planning. These expert findings are further combined with the author's own experience and factual findings from chateau brownfields in several regions of the Czech Republic.

The phenomenon of chateau buildings in the Central European area refers significantly to the political and property changes that, in different phases and with varying intensity, influenced the hitherto somewhat spontaneous development of these properties. In particular, it

¹ This paper (research) was supported by the project SGS/29/2023 "Regeneration potential of brownfields in the Czech Republic with reference to public sector activities."

² MAGNUSSEN, S. (2018): Form Follows „Fürst“? A Study on the Uses of Analogies in Castle Research by Reference to Valdemar I and Erik VI of Denmark.

was the rise of the communist movement in the Visegrad Four countries, and in a broader sense the countries of the former Eastern Bloc, which was accompanied by a process involving the forced interruption (abolition) of property rights in the form of nationalization or confiscation. The second key moment in the life of the chateau estates was the restitution and the "tinkering" with real estate brought about by the democratic changes in society at the end of the 20th century. These functional and administrative changes, reflecting the interruption of the original continuity of ownership, substantially affected or disrupted the previous utilitarian significance of most of the chateaux and thus contributed to their decline. They can therefore be identified as a "non-market" cause of the creation of chateau brownfields. To be more specific, the expropriation or seizure of property, including chateaux, occurred to a lesser extent earlier as well in connection with the changes in the political system and reforms after World War I and with the establishment of several new states, or with the rise of fascism in the 1930s and its consequences during World War II. It is important to note that the current period of regeneration and gradual restoration is favourable to these chateau residences, which have once again become an important landscape and social element of our cultural environment, referring to our Central European history and material wealth.

Let us add here that the public sector has an important role with reference to the public interest in the regeneration and use of chateaux within its public law and administrative functions.³ Its ability to create suitable conditions for a purposeful regeneration process or to be a direct implementer of this process, including the setting of the legal environment, allows minimizing externality effects and impacts and contributing to the most efficient restoration and use of chateaux today and in the future.

1 Definition of chateau brownfields (chateaufield)

The definition of the chateau brownfield will be logically based on the content connection of two concepts: (1) brownfield and (2) chateau. There are a number of professional and lay interpretations of these terms, but the essence of the meaning of brownfield and chateau itself remains the same.

Brownfields are an integral part of both urban and rural space and are therefore perceived as an important, albeit specific, element of spatial development and the spatial arrangement of human activities.⁴ They can be considered as a consequence of anthropogenic activities in the landscape and they refer to abandoned areas, or partially abandoned areas (sites, buildings, spaces, properties), which previously fulfilled a certain economic activity that has been terminated and a new use has not been found for this site for a certain period of time, or until now.⁵ These are thus properties that have ceased to serve their original purpose and are completely or only partially without any meaningful use.⁶ Alker et al. (2000),⁷ Ferber et al. (2006)⁸ or Yount (2003)⁹ define a brownfield as a property that is underused, neglected, or even contaminated, which arises as a remnant of industrial, agricultural, residential, military or other

³ TUREČKOVÁ, K. (2023): Brownfieldy jako výzva pro veřejný sektor.

⁴ TUREČKOVÁ, K. (2021): Specific types and categorizations of brownfields: synthesis of individual approaches.

⁵ TUREČKOVÁ, K. – NEVIMA, J. – DUDA, D. – TULEJA, P. (2021): Latent Structures of Brownfield Regeneration: A Case Study of Regions of the Czech Republic.

⁶ DUDA, D. – TUREČKOVÁ, K. (2020): Instrument to Support Brownfield Solutions in the Czech Republic: EU and Public Administration.

⁷ ALKER, S. – JOY, V. – ROBERTS, P. – SMITH, N. (2000): The definition of brownfield.

⁸ FERBER, U. et al. (2006): Sustainable brownfield regeneration: CABERNET network report.

⁹ YOUNT, K. R. (2003): What are brownfields? Finding a conceptual definition.

activities that have lost their original function,^{10, 11, 12} without finding a new utility function in the longer term.¹³

In the broadest sense of the word, a chateau represents a modern feudal, permanently inhabited residence with a suppressed fortification and military function,¹⁴ where we emphasize its residential, representative and/or economic or administrative nature.¹⁵ In other words, it is, in general terms, luxurious and artistically decorated dwellings of the modern nobility in which individual changes in artistic styles are reflected as well as changes in lifestyle.^{16,17} The characteristic of the chateau buildings is their art-historical and architectural value. Let us add that the chateau building itself is usually a part of the complex, which, apart from the main building of the chateau, also consists of facilities in the form of outbuildings, park, utility and ornamental gardens, etc.¹⁸

Figure 1: Chateau brownfield Horní Maršov (Czech Republic)



Source: own (2022)

In Central Europe, chateaux began to be built around the 16th century, when they began to replace castles and fortresses in the coming modern era,¹⁹ which were primarily intended to ensure the security of the territory they owned. As a result of changes in social development

¹⁰ KRZYSZTOFIK, R. – KANTOR-PIETRAGA, I. – SPORNA, T. (2013): A dynamic approach to the typology of functional derelict areas (Sosnowiec, Poland).

¹¹ THOMAS, R. M. (2003): Brownfield Redevelopment: Information Issues and the Affected Public.

¹² TANG, Y. T. – NATHANAIL, C. P. (2012): Sticks and Stones: The Impact of the Definitions of Brownfield in Policies on Socio-Economic Sustainability.

¹³ MARTINAT, S. – DVORAK, P. – FRANTAL, B. – KLUSACEK, P. – KUNC, J. – NAVRATIL, J. – TURECKOVA, K. – REED, M. (2016): Sustainable urban development in a city affected by heavy industry and mining? Case study of brownfields in Karvina, Czech Republic.

¹⁴ DAVID, P. – SOUKUP, V. (2013): Dějiny zámků v Čechách, na Moravě a ve Slezsku.

¹⁵ TUREČKOVÁ, K. – NENIČKA, L. – PŘIKRYLOVÁ, K. (2022): Teoretický koncept zámeckých a panských brownfieldů v České republice.

¹⁶ DVOŘÁČEK, P. (2007): Hrady a zámky.

¹⁷ MUSIL, F. – PLÁČEK, M. (2003): Zaniklé hrady, zámky a tvrže Moravy a Slezska.

¹⁸ TUREČKOVÁ, K. – NENIČKA, L. – PŘIKRYLOVÁ, K. (2022): Teoretický koncept zámeckých a panských brownfieldů v České republice.

¹⁹ NOVÁK, D. (2013): Drobná vrchnostenská sídla 13. – 17. století v kontextu krajiny Křivoklátska a širšího okolí.

and lifestyle, this security and military function began to recede, which also influenced the new form of the nobility's residences. In the period of emerging industrialisation and modernisation in the 19th century, the representative function of chateaux as noble residences began to decline and further construction of these buildings was practically non-existent.^{20, 21}

In the context of the above, the chateau brownfield represents a specific type of abandoned, unused property conditioned by the attributes of a chateau building that has lost its meaningful functional use for a certain period of time. Moreover, it can be defined in both narrower and broader terms. The narrower definition refers only to the main building of the chateau itself, which forms the core of the entire chateau complex, while the broader definition would also reflect the real estate of the entire chateau background, including outbuildings and surrounding areas, i.e. the complete chateau complex. Regeneration of this type of brownfield is more time-consuming and economically demanding due to its architectural specifics (often these are national cultural monuments), however, the likelihood of contamination is quite low to non-existent.

A reflection on the need to simply specify specific brownfields according to their characteristically significant properties and similarities was the creation of additional verbal terms to the word "-field". By using these terms, we mean a brownfield with a specific specificity, which we clearly and immediately characterize by using the given "word derivative."²² In this context, we distinguish blackfield, greyfield, bluefield, goldfield, whitefield or brightfield. From the logic of the matter, by analogy, we can shorten chateau brownfield to chateaufield. So if we talk about chateaufield, we mean an abandoned and unused chateau object.

2 Theoretical approach to the concept of chateau brownfields

Chateau brownfields anywhere in the world, as well as any other brownfields in the general sense of the word, arise most often due to economic inefficiency associated with their use, contamination of the site, problems on the ownership side (inheritance, seizure or execution, unresolved property relations, ownership lawsuits, abandonment of the building by the owners, etc.), irreversible damage to the property (fire, flood, devastation, etc.), ill-considered purchases or sales in terms of estimating the needs and expectations of the subjects on the one side and the management of the property on the other, or for other reasons or a combination thereof. Importantly, these brownfield processes are subject to the natural (market) laws of building evolution and the free and rational decisions of the stakeholders.

In the Central European area, or the former Eastern Bloc countries, the standard causes of brownfields have been significantly supplemented by the non-market factors mentioned earlier. For example, for former Czechoslovakia, the First Republic land reform involved the seizure of property in an attempt to suppress aristocratic privileges,²³ followed by Presidential Decree No. 12/1945 Coll. and Decree No. 108/1945 Coll. on nationalisation and confiscation, which continued with a wave of nationalisation and further confiscation after 1948.²⁴ The ownership of the chateaux itself corresponded to this, with the original private ownership being fully replaced by public (especially state or municipal) ownership, which after the events of the end of the last century was divided between the private and public spheres. In many cases, the

²⁰ MUSIL, F. – PLÁČEK, M. (2003): Zaniklé hrady, zámky a tvrze Moravy a Slezska.

²¹ PRŮCHA, V. et al. (2004): Hospodářské a sociální dějiny Československa 1918 – 1992, Období 1918 – 1945.

²² TUREČKOVÁ, K. (2021): Specific types and categorizations of brownfields: synthesis of individual approaches.

²³ PRŮCHA, V. et al. (2004): Hospodářské a sociální dějiny Československa 1918 – 1992, Období 1918 – 1945.

²⁴ KUKLÍK, J. (2010): Znárodněné Československo. Od znárodnění k privatizaci – státní zásahy do vlastnických a dalších majetkových práv v Československu a jinde v Evropě.

legal relationship to the chateaux is still unclear or remains subject to ongoing restitution. Mixed ownership is not assumed for this type of brownfield site.

Table 1: Theoretical concept of chateau brownfields

natural/market	causes of origins	specifics	size of development	protection of the urban and architectural value of the development
		barriers to regeneration	economic intensity and costliness	
forced/non-market			finding an investor	unclear ownership relations
CHATEAU BROWNFIELD (CHATEAUFIELD)				
<i>a specific type of abandoned, unused property conditioned by the attributes of a chateau building that has lost its meaningful functional use for a certain period of time</i>				
ownership	public, private or unclear	risks	of a construction nature	
contamination	none or low		environmental and hygiene	
implications	untapped developmental potential		concentration of socio-pathological phenomena	

Source: own (2023)

The chateau buildings were then usually divided into those that (1) served exclusively for cultural use and tourism; and (2) buildings converted into public sector institutions (schools, retirement homes, hospitals, national committee buildings, military garrisons, etc.);²⁵ to (3) agricultural cooperatives, warehouses and production facilities; and finally, we cannot omit (4) the group of chateau complexes occupied by the ruling elites (e.g. in the case of Peleş chateau in Romania by the dictator Nicolae Ceaușescu). It was these functional (operational) changes that interrupted the original utility function of the chateaux resulting from the ownership traditions, when the decisions on the use did not reflect the specifics of the chateau buildings themselves (especially the spatial layout of the interior rooms or the economic cost of maintaining these buildings) and the appointed administration of the chateau buildings and grounds was not subjectively interested in the care of this entrusted property, as was the case with the original owners.²⁶ It was these forced changes that enabled the creation of chateau brownfields in such quantity that they can be considered a Central European rarity of the settlement landscape.

Scheme 1 summarises the theoretical findings mentioned above in the text relating to the chateau brownfield and its nature. The risks associated with chateau brownfields cannot be overlooked. Like other brownfields, abandoned chateaux buildings are also a place associated with the occurrence and concentration of socio-pathological phenomena (homeless people, drug addicts, alcoholics etc.), a place of local pollution (garbage, smell, illegal dumps) and a potential source of diseases (rodents, insects, contamination resulting from illegal dumps). Longer dilapidated abandoned chateau brownfields are also often disturbed from a structural-technical point of view (collapsed roofs, disturbed statics, rotten floors, crumbling staircases, etc.). All

²⁵ BADUROVÁ P. – PAVELKOVÁ, I. (2018): Osudy zámeckých objektů a jejich mobiliáře po roce 1945 na území Těšínského Slezska – nástin problematiky.

²⁶ MUSIL, F. – PLAČEK, M. – ÚLOVEC, J. (2005): Zaniklé hrady, zámky a tvrze Čech, Moravy a Slezska po roce 1945.

of this then, to a greater or lesser extent, threatens the safety of visitors to these unmaintained sites and contributes to dangerous damage to health.²⁷

Conclusion

The chateau buildings are a typical and highly visible landmark of the European settlement area, where they dominate the surrounding cultural landscape and with their intangible overlap connect the history and the area with generations of local people and their spiritual heritage. Even today, in many of our villages, the castle is the centre of social life and a place firmly linked to the very image of the town or village.²⁸ A functional chateau always somehow enriches, inspires, educates, represents or just pleases ... visitors, residents, and owners. It is a source of regional development as well as a preserver of historical and cultural value.²⁹ Society loses all this if the whole area or the chateau building itself falls into disrepair. The prospect of further development of the area and the very urban integrity of the settlement landscape is severely limited by the existence of the chateau brownfields. All this entails significant social and economic costs of an explicit and implicit nature. Therefore, it is generally desirable to reduce the number of chateau brownfields, sensitively regenerate abandoned buildings and sites, and at the same time create conditions that prevent the creation of new brownfields.

The aim of the paper was to create an initial concept of chateau brownfields, which will serve as a theoretical basis for further studies in the future. The concept itself in response to further research will be confronted with the reality of the identified chateau brownfields in order to further refine and bring the concept even closer to reality. Following the example of other specific types of brownfields chateau brownfields can be referred to by the term chateaufield.

It is therefore a scientific text that pilots a new topic and is not directly related to any other study. For this reason, it is not even possible to carry out the usual discussion presented towards the end of the article.

Just to add, let us present the results of the latest examination of chateau brownfields in the territory of Moravia and Silesia (Czech Republic): there are 367 chateaux, of which 153 have the status of chateau brownfields, i.e. 42% of the buildings have been abandoned for some time. 107 chateaux have been regenerated and the rest 46 are waiting for their future use and continue to deteriorate.³⁰ These 12.5% of objects represent significant potential that remains unused in the area. Precisely understanding the principles and methods of their regeneration based on examples of good practice can significantly facilitate their future meaningful use. From a scientific-research point of view, the determination of chateau brownfields is precisely what subsequently enables scientific research in this area to be deepened. This theoretical concept of chateau brownfields thus represents the imaginary "building block" on which other areas of research can be developed.

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²⁷ TUREČKOVÁ, K. – NEVIMA, J. – DUDA, D. – TULEJA, P. (2021): Latent Structures of Brownfield Regeneration: A Case Study of Regions of the Czech Republic.

²⁸ PLUSKOWSKI, A. – BANERJEA, R. – GARCÍA-CONTRERAS, G. (2019): Forgotten Castle Landscapes: Connecting Monuments and Landscapes through Heritage and Research.

²⁹ TUBADJI, A. – NIJKAMP, P. (2015): Cultural impact on regional development: application of a PLS-PM model to Greece.

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TRADE RELATIONS OF SAHEL REGION COUNTRIES

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Abstract: The aim of this paper is to demonstrate the growing importance of Russia in the economic relations of Sahel region countries, by analyzing international trade data changes during ten years between 2011 and 2021. Using trade data, we conclude that while the share of Russia in trade relations of these countries is still small, it is growing significantly. This trend was not reversed even by the war in Ukraine.

Keywords: Sahel, Russia, international trade

JEL: F10, N17

Introduction

Sahel region countries have drawn significant attention in recent months, especially in connection to their political instability, the threat of Islamic groups operating in the area, and the growing influence of Russia. While French soldiers and soldiers from other European armies are withdrawing from these countries after several coups d'état, Wagner group members are swooping in, or considering it.

The aim of this paper is to demonstrate the growing importance of Russia in this region is also apparent in economic relations, by analyzing international trade data changes during ten years between 2011 and 2021. We also analyze the possible impact of war in Ukraine on trade between Sahel region countries and Russia.

The paper covers the theoretical outlook on trade trends in developing countries in general and African countries specifically. Then we describe different definitions of the Sahel region. The last part of the paper analyzes trade data of Sahel region countries. In this paper, we use trade data from UNCTADstat and focus on ten Sahel region countries, as defined by the UN. These countries are Burkina Faso, Cameroon, Chad, The Gambia, Guinea, Mali, Mauritania, Niger, Nigeria and Senegal.

1 African countries in international trade

Economists describing international trade relations usually divide countries of the world into two categories, developed and developing countries, and ascribe different trends and trade patterns to these groups. However, the category of developing countries is not only numerous but also increasingly diverse, especially regarding trade patterns. In the second half of the 20th century, while exports from Asian countries grew rapidly, the growth of exports from Africa lagged behind that of most developing countries, including the group of LDCs.¹ Similarly, the export composition from African countries has been more concentrated and more dependent on primary exports, rather than manufacturing exports. For many countries in Africa, one or two primary commodities have been responsible for the vast majority of export earnings.²

Some trends of international trade are especially relevant to African countries within the group of developing countries. International trade should be beneficial for countries if they export goods in which they have a comparative advantage (for many countries in Africa, these would be primary products). However, the terms of trade of primary products have been steadily

¹ RAY, D. (1998): Economic development, p. 622.

² THOMSON, A. (2004): An Introduction to African Politics, p. 180.

declining over the last 100 years, with the exception of oil. This means that the value of African exports in relation to their imports is worsening.³

Another important international trade trend is the growing importance of intra-industry trade and regional integration. Exports concentration in primary production hinders the growth of intra-industry trade in Africa and the potential for regional economic integration, as much of the trade in these countries is of the Heckscher-Ohlin variety. Another problem of regional economic integration in Africa is the significant difference in economic level even within one African region in terms of GDP p.c., which can further foster the differences among them.⁴

Exports from Africa should have benefited from global initiatives to decrease the level of tariffs in international trade within the GATT/WTO framework. However, studies show that while tariffs are decreasing, especially for LDCs, nontariff trade barriers have increased and together with agricultural subsidies in developed countries present substantial barriers to exports from African countries.⁵

2 Sahel region

There are several definitions of what constitutes the Sahel region. Geographically, it is the semiarid area between the Sahara desert and humid savannas that stretches from east to west of the African continent, covering parts of Senegal, Mauritania, Mali, Burkina Faso, Niger, Nigeria, Chad and Sudan.⁶

Sahel region is also one of the regions of interest of the United Nations, which is supporting this region in three key areas: governance, resilience and security. To effectively provide this support, the UN created The United Nations Integrated Strategy for the Sahel (UNISS) in 2013 and the UN Sahel Support Plan (UNSP) in 2018.⁷ For the UN activities, the Sahel region consists of 10 countries:⁸ Burkina Faso, Cameroon, Chad, The Gambia, Guinea, Mali, Mauritania, Niger, Nigeria and Senegal.

The term Sahel is also connected to two international organizations in this region. The first one is G5 Sahel, the regional organization established in 2014 to strengthen cooperation on development and security in the Sahel region. It has been created by Mauritania, Mali, Niger Chad, and Burkina Faso in response to the growing threat from armed Islamist groups.⁹ After two coups in Mali, other members blocked Mali from assuming the presidency, which led to Mali's withdrawal from the G5 Sahel group in June 2022.¹⁰

The newest addition to international organizations bearing the name "Sahel" is the Alliance of Sahel States created in September 2023. The Alliance of Sahel States (ASS) is a security pact signed by three countries, whose respective governments have gained power in coups d'état in recent years, Burkina Faso, Mali, and Niger. The member states agreed to support each other in case of threats of armed rebellion or external aggression.¹¹

ASS member states are only some of the countries that experienced successful coups d'état recently in the Sahel region. Such countries now form a continuous area stretching from the Atlantic Ocean to the Red Sea, giving rise to the term Coup Belt. Most of the affected countries are former French colonies.¹² France has been announcing the withdrawal of its army from all three member states of ASS, while these countries announced possible cooperation

³ NAFZIGER, E. W. (2012): Economic Development, pp. 625-626.

⁴ RAY, D. (1998): Development Economics, pp. 740-746.

⁵ NAFZIGER, E. W. (2012): Economic Development, p. 626.

⁶ Britannica (2023): Sahel.

⁷ UNISS (2021): The United Nations Integrated Strategy for the Sahel.

⁸ UNISS (2021): Geography.

⁹ Reuters (2014): African nations form G5 to work on Sahel security, development.

¹⁰ Africanews (2022): Mali's withdrawal from G5 Sahel effective from June 30.

¹¹ Reuters (2023): Mali, Niger and Burkina Faso sign Sahel security pact.

¹² WALSH, D. (2023): Coast to Coast, a Corridor of Coups Brings Turmoil in Africa.

with Russian mercenaries from the Wagner group.¹³ Wagner group also has its members in Sudan and Central African Republic. The declared aim of Wagner group engagement in the Sahel region is to support in fighting radical Islamist groups operating in these countries.

The closer relationship of these countries towards Russia might be shown by their presence at the Russia- Africa Summit in July 2023, where only 17 heads of state were in attendance, compared to 43 in 2019. Presidents of Burkina Faso and Mali attended the summit, that was taking place during the Niger coup, so this country was not represented. Other Sahel region countries represented by heads of state were Cameroon and Senegal.¹⁴

3 Data on Sahel countries' trade

The increased presence of Russia in Africa has not been limited to paramilitary groups and rather frequent visits by Russian officials. Trade between Sahel region countries (as defined by the UN) and Russia also underwent significant changes. This paper focuses on comparing trade relations between Russia and Sahel region countries in 2021 and 2011 to cover the change over a ten-year period while avoiding the possible change caused by war in Ukraine, which will be described separately.

Although the share of Russia in the Sahel region countries' trade is still rather small (1.35%) and even smaller than Russia's share in the global GDP,¹⁵ it recorded significant growth. In 2011 Russia's trade share was only 0.26%. At least part of the increase can be attributed to arms imports from Russia, as Russia became the largest arms importer to Sub-Saharan Africa in 2017.¹⁶ The shares of Africa (12.43% in 2021) and China (18.42% in 2021) in trade with Sahel region countries also grew over this ten-year period, while the share of the European Union (24.25% in 2021) dropped slightly.

The share of Russia in trade with individual Sahel region countries developed differently since 2011. While the share of Russia in trade with Burkina Faso, Cameroon, Chad, Gambia, Niger, and Senegal increased, Russia's share declined in Guinea, Mali, Mauritania and Niger. Among these, trade with Russia had the highest share in Senegal, 4.72%, mostly covered by Russian imports to Senegal. The shares of Africa, Russia, China, and the European Union in trade with individual Sahel region countries are shown in Figure 1.

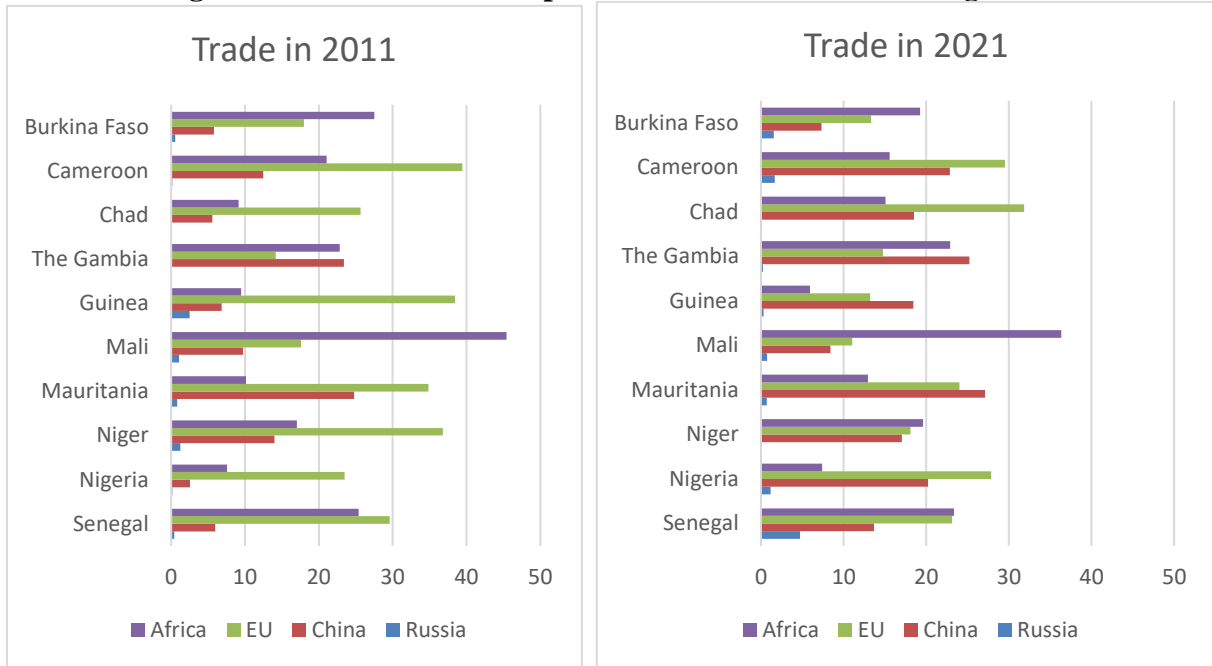
¹³ ISSOUFOU, T. I. – OCHIENG, B. (2023): Niger coup: Why some people want Russia in and France out.

¹⁴ BHATTACHARYA, S. (2023): The second Russia-Africa Summit: A continent at a crossroads.

¹⁵ The World Bank (2023): GDP (current US\$) - Russian Federation, World.

¹⁶ WEZEMAN, P. D. et al. (2022): Trends in International Arms Transfers, 2021.

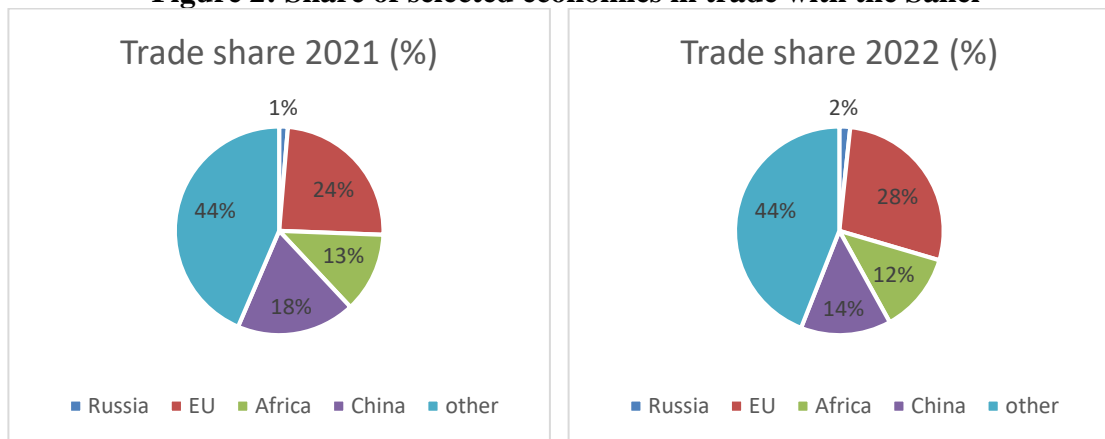
Figure 1: Shares of selected partners in trade with Sahel region countries



Source: UNCTAD (2023): Merchandise trade matrix in thousands United States dollars, annual.

As in February 2022 Russia invaded Ukraine, and several waves of sanctions against them started to shift global trade relations. This could have influenced countries in Africa in different ways. Russia could seek new trade partners to replace the demand from the USA, European Union, and other countries, and on the other hand, African countries could supply the freed demand left in these markets by restrictions put on the Russian economy. Figure 2 shows, how the trade share of Sahel region countries changed between 2021 and 2022. Trade share of Russia increased from 1.35% in 2021 to 1.68% in 2022. More significant changes were the decline of Chinese share and increased trade with the European Union, mostly due to an increase in exports from the Sahel region to the EU.

Figure 2: Share of selected economies in trade with the Sahel



Source: UNCTAD (2023): Merchandise trade matrix in thousands United States dollars, annual.

The trade share of Russia among Sahel region countries declined only in two cases, in Cameroon and Mauritania. However, in absolute numbers, the trade between each of the countries and Russia increased.

Conclusion

Sahel region has been afflicted by several interconnected political and security problems over recent years. These countries are part of the so-called Coup Belt, as coups d'état have been responsible for government changes in several of these countries, most recently Niger in July 2023. In addition, this African region experiences violence from Islamic groups fighting against the governments and occupying parts of the countries. This situation brought changes to the security situation when the French army left and the Wagner group swooped in.

The aim of this paper was to demonstrate the growing importance of Russia in this region is apparent in economic relations, by analyzing international trade data changes during a ten-year period between 2011 and 2021. We also analyzed the possible impact of the war in Ukraine on trade between Sahel region countries and Russia, all based on UNCTADstat data.

While Russian share in this region's international trade is less than 2%, over ten years its share has grown. The relative importance of Russia is highest in Senegal and lowest in Chad. Between 2011 and 2021 the position of trade partner gaining a stronger position belongs to China, rather than Russia, while the European Union remained in its position of important trade origin and destination.

War in Ukraine did not negatively influence the position of Russia in trade with Sahel region countries. Its share increased in the region, as well as in most individual economies. The absolute value of trade with Russia rose in all countries of the region between 2021 and 2022.

In our future research, we will focus on trade between Russia and Sahel region countries in detail, describing changes and developments in the commodity structure of their mutual trade.

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CAPITALISM AND CULTURAL DIVERSITY¹

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Abstract: The article is devoted to the relationship between culture and capitalism as a socio-economic system with its own specific characteristics. The purpose of the article is to contribute the academic discourse on the influence of culture in the subjective understanding as a system of values, knowledge, orientations, beliefs on the formation and support of the capitalist model and economic development. Using the methods of interdisciplinary scientific research, the work briefly summarizes the main theoretical approaches that make it possible to state that culture influences economic development, and in turn, economic development supports cultural changes. In addition, the impact of culture is stable over time, but is associated with many other factors in the development of society.

Keywords: culture, capitalism, economic development, values, attitudes

JEL: F50, F59, H79

Introduction

Living in the era of profound social transformations, communities and individuals bear witness to rapid changes impacting human relations at both the national and global levels. These transformations extend their reach into politics and economics, constructing a complex matrix of sociocultural interconnections. In the context of these ongoing changes, many authors turn to the idea of the significance of cultural codes, values, and traditions for economic development and the level of well-being. It is noteworthy that the study of culture, influencing various aspects of societies' lives, including political and economic systems, is not a novel direction in science. Particularly in recent years, discussions on the concept of capitalism have resurfaced in political discourse due to crisis phenomena. Many authors have engaged in debates about the essence of capitalism, its individual components, or specific characteristics across different historical stages.

The interrelation between culture and the predominant type of economic development has attracted the attention of theorists in political economy, cultural studies, sociology, and anthropology, including M. Weber, W. Benjamin, Z. Bauman, H. Lefebvre, T. Veblen, F. Trentmann, and P. Bourdieu. These issues are discussed in many countries where discussions on capitalism are often linked to the search for solutions to crisis situations and societal predispositions toward specific economic models. The discourse also revolves around the question of economic inequality. Many scholars have been intrigued by the extent to which cultural factors influence economic and political development. If they do exert influence, how can cultural barriers on the path of development be eliminated or modified? Are there economic phenomena or predominant types of economic systems that cannot be explained by factors other than cultural ones? The influence of culture aspires to function as an explanatory variable, possibly not the sole and decisive one, but a significant factor in the evolution of economics and politics.

¹ The contribution is the result of solving the research task VEGA 2/0152/20 Developmental trends in contemporary capitalism - contradictions and conflicts

The purpose of the article is to contribute to the academic discourse on the influence of culture, subjectively understood as a system of values, knowledge, orientations, beliefs, on the formation and support of the capitalist model of economic development. Using methods of interdisciplinary scientific research, the paper briefly summarizes theoretical approaches to studying the problem of the connection between certain characteristics of culture and the economic system, as well as economic development. In addition, attention is paid to methods and cultural parameters, which in recent years have proven the legitimacy of the study for culture in the context of economic and political development. This work does not pretend to be a broad substantive analysis, but rather a review of the work of leading authors who in their research adhere to one of the important theses, namely, that culture matters.²

1 Cultural Parameters

The question of why some countries achieve success in building a democratic political system and an effective economy, leading to the prosperity of their people, while others remain economically underdeveloped, is one that many authors have attempted and continue to seek answers to. In the 20th century, a line of inquiry gained traction, with proponents asserting that the answer should be sought in culture, in the influence of cultural differences and values on the economy, and consequently, on the well-being of nations. As indicated in the introduction, this line of inquiry unifies the thesis across various studies that the cultural foundation of a country cannot be ignored. American sociologist Lawrence Harrison, in his works, concludes the fundamental significance of cultural factors, social attitudes, and religious traditions for economic development.³

However, many of these types of studies have encountered the need to determine what culture represents for them and which parameters to identify for measuring what, according to critics of cultural approaches, is deemed immeasurable. The content of culture is inherently complex and elusive, making it challenging to work with due to issues of definition and measurement. The cause-and-effect relationship between culture and other variables, such as politics, institutions, and economic development, is bidirectional.⁴ Some authors attempt to present elements of culture as more objectivist components, portraying them as part of the political and economic system of society. Others emphasize the subjective aspect, describing culture as orientations that form three fundamental aspects-cognitive, emotional (affective), and evaluative.⁵ In other words, they define culture in subjective terms, such as values, directives, beliefs, orientations, and convictions, which underlie and are typical of the majority of people in society.

The set of orientations is classified by researchers into a series of categories. In each specific case, the quantitative and qualitative characteristics of the set for concepts denoting cultural orientations vary depending on the specifics of the research tasks. An example can be found in the approach taken by the Harvard Academy for International and Area Studies, which in the late 1990s decided to investigate the connection between culture and economic and social development, primarily in impoverished countries. For this purpose, six main points were identified:⁶

- Typology of values and attitudes through the determination of those values and attitudes that positively or negatively influence the establishment of democratic institutions, economic development, and social justice.

² HARRISON L. E. – HUNTINGTON S. P. (2000) Culture matters: how values shape human progress.

³ HARRISON L. E. – HUNTINGTON S. P. (2000) Culture matters: how values shape human progress.

⁴ HARRISON L. E. (2008) Why culture matters, p. 19.

⁵ SKOVAJSA, M. (2006): Politická kultura. Přístupy, kritiky, uplatnění ve zkoumání politiky, s. 78.

⁶ HARRISON L. E. (2008): Why culture matters, p. 19.

- Relationships between culture and development, which include the development of the understanding for factors capable of accelerating development in the presence of values and attitudes that do not contribute to it; tracking changes in traditional values and attitudes influenced by progressive forces and actors.
- Relationships between values and attitudes, politics, and institutions.
- Transmission of cultural values. Researching this aspect allows for identifying the main factors of values and attitudes transmission through education, school, church, mass media, peer influence, and other factors.
- Statistical measurements of values and attitudes.
- Evaluation of initiatives for transforming values.

Summarizing the diverse approaches to the study of the relationship between culture and economics, it is essential to highlight research directions focusing on cultural characteristics such as history, traditions, and typical patterns of population behaviour.

Another categorical tool is the access of analysis to the macro level, which was used by S. Huntington in his famous work “The Clash of Civilizations.” The author identified eight main civilizations, which differ from each other in history, language, religion, culture, and traditions. We are talking about Western, Confucian, Japanese, Islamic, Hindu, Orthodox-Slavic, Latin American and African civilizations, which have developed over many centuries, maintaining their cultural parameters and codes that have deep cultural differences. The use of S. Huntington's civilizational approach at a qualitative level indicates cultural differences between states that belong to different civilizations. His approach to the structuring of civilizations and the identification of participating countries, core states, lone countries, split countries and torn countries was also productive for the discourse.⁷

One of the common approaches to defining values and attitudes, frequently found in many studies, involves the use of statistical data, sociological surveys of public opinion, election results, and their interpretation. Such methods allow, to a certain extent, the measurement of cultural characteristics of a specific society and facilitate comparative analysis among different countries. Since the 1990s, large-scale projects based on sociological surveys have been initiated, exploring socio-cultural characteristics of the population based on specifically identified basic traits. A highly popular direction in sociological surveys, relied upon by socio-cultural analysis, is the examination of trust levels in various countries. The advantage of large-scale sociological projects lies in their ability to track dynamics both within individual countries and to conduct comparative studies between states.

Special attention should be given to the research conducted by eminent scholars such as Ronald Inglehart and Christian Welzel, whose work laid the foundation for the influential program known as The World Values Survey (WVS). The project aims to assess the impact of the stability or change in values on the social, political, and economic development of countries and societies over time. “The main research instrument of the project is a representative comparative social survey which is conducted globally every 5 years. Extensive geographical and thematic scope, free availability of survey data and project findings for broad public turned the WVS into one of the most authoritative and widely-used cross-national surveys in the social sciences. At the moment, WVS is the largest non-commercial cross-national empirical time-series investigation of human beliefs and values ever executed.”⁸ Ronald Inglehart and Christian Welzel developed the cultural map methodology. The map is based on the latest joint survey round of the World Values Survey and European Values Study 2017-2022. For selected countries, not surveyed recently, data from earlier waves is used to calculate the map

⁷ HUNTINGTON, S. P. (2003): *The Clash of Civilizations and the Remaking of World Order*, pp. 88, 89-104.

⁸ THE WORLD VALUES SURVEY (2023): *Who we are*.

score. Overall, 111 countries or societies are represented on the map.⁹ The authors argue that there are two dimensions of cultural differences: traditional values versus secular-rational values and survival values versus self-expression values.

Based on the foregoing, it can be tentatively concluded that for the relatively new direction embraced by proponents of the “culture matters” approach, there exists a diversity of methods in studying cultural characteristics. These methods facilitate the analysis of norms, values, and attitudes prevalent in society. The simultaneous use of multiple approaches to the study of culture allows for more precise results. In other words, there is already a methodological foundation for cultural measurements, including theoretical analysis and statistical data processing based on predefined cultural indicators.¹⁰ This suggests that socio-cultural studies have firmly established themselves within the interdisciplinary scientific environment.

2 Capitalism, economic development and culture

The changes observed in capitalist economic models are primarily linked to human choice and the communal experience built upon the reflection of the past and awareness of the present. In societies grounded in specific cultural codes, individuals undergo socialization, shaping their value systems, beliefs, lifestyles, and civic engagement.

It is noteworthy that with the increasing popularity of capitalism as an economic model and the deepening of globalization in many countries, one can identify values and orientations capable of supporting the capitalist framework. Therefore, one could posit the thesis that to a certain extent, the ideas of capitalism can adapt to the value systems and orientations present in a society according to its needs.

Without delving deeply into the examination of the concept of capitalism, which can be succinctly defined as a socio-economic system based on private property, the use of market mechanisms to regulate the production and distribution of goods and services, as well as the free exchange of goods and services, it is necessary to highlight one of the most pressing problems in the capitalist world. This pertains to inequality as an inevitable outcome of the capitalist model, which is exacerbated and can lead to social crises of immense proportions.

Over the past century, many researchers have adhered to various interpretations of the concepts of capital and capitalism, as well as the search for the causes of economic inequality. Attention has often been directed towards factors of both material and immaterial nature: the geographical location of a country, natural and human resources, climatic conditions, historical development, colonialism, and religion. However, it can be argued that explaining existing inequality through any of these factors is practically impossible, as exceptions always exist. In recent decades, culture has emerged as one of the significant factors in economic growth, the expansion of capitalism, the emergence of its specific forms, and inequality.

In connection with this, one of the most well-known and discussed works that revitalized interest in capital in the 21st century is Thomas Piketty's book, “Capital in the Twenty-First Century.”¹¹ Piketty devoted many years to studying the evolution of income and capital inequality and compiled one of the largest databases on inequality. While his research is undoubtedly interesting from an economic theory perspective, it primarily focuses on the historical development along the axis of income and wealth distribution. The author points out that due to the nature of modern capitalism, inequality between the poor and the rich increases over time. A conclusion can be formulated that the system operates in favour of the wealthiest,

⁹ THE WORLD VALUES SURVEY (2023): Cultural Map: 2023 Version Released.

¹⁰ TARAS, V. – RONEY, J. – STEEL, P. (2009): Half a century of measuring culture: Review of approaches, challenges, and limitations based on the analysis of 121 instruments for quantifying culture, pp. 357-373.

¹¹ PIKETTY, T. (2015): Capital in the Twenty-First Century.

making it practically impossible to overcome inequality, which, in our opinion, is one of the key issues in societal development.

In his equally renowned work, “Capital and Ideology” Piketty attempts to find an explanation for the causes of economic inequality. For Piketty, the nature of persistent inequality inherent in capitalism lies in the ideology specific to each historical period. However, the author insists that the history of inequality shows that such political-ideological transformations should not be seen as deterministic. Various trajectories are always possible.¹² It is worth noting that the author does not see an alternative to capitalism. However, a natural question arises about the interconnection of capitalism, ideology, and culture. Is it possible to separate the economy from culture, or has culture become an inherent part of the capitalist economic system? Scholars continue to seek an answer to this question.

Answering the question of how useful the concept of cultural influence is for understanding economic inequality, we can answer with the words of D. Acemoglu and J.A. Robinson: “Useful in the sense that culturally bound social norms are powerful, difficult to change, and often support institutional differences that...can explain global inequality. But for the most part, this theory is useless because those aspects of culture that often attract attention - religion, ethical principles, "African" or "Latin American" values - are not particularly important for understanding how current inequality and why it is so persistent. Other aspects of culture such as the level of trust in a society and the propensity of members of that society to cooperate with each other are more important, but they are mainly a consequence of the work of certain institutions, rather than an independent cause of inequality.”¹³ But this opinion can also be perceived as a reason for further research and scientific discourse.

As historical experience from many countries demonstrates, economic development leads to gradual changes in social structure and culture, often weakening traditional elements of societal life and altering the society's attitude toward its economic and political systems. Just as capitalism evolves and expands, culture is the integral to societies which undergoes transformation. Identity, values, and attitudes change because “culture does not exist in isolation. Economic analysis nourishes the illusion that a single good reason will suffice, but the determinants of complex processes are undoubtedly multiple and interrelated. Single-cause explanations do not hold.”¹⁴ Therefore, when analysing economic development, culture should be taken into account alongside numerous other factors.

Ronald Inglehart, drawing on his extensive research on global values in various societies, supports the theses of M. Weber and S. Huntington, asserting that religious traditions have had and continue to have a lasting impact on modern value systems. “However, religion is not the sole factor shaping cultural zones. The culture of a society reflects its entire historical heritage”¹⁵ Simultaneously, Inglehart maintains that “economic development has a tendency to propel societies in a general direction, regardless of their cultural legacy.”¹⁶ In other words, as societies undergo economic development, their cultures will tend to progress in the presumed direction.

Moreover, the author associates economic development with two changes that, in turn, are capable of supporting democracy. Economic development tends to alter the social structure of society, including the strengthening of urbanization, mass education, occupational specialization, the development of organizational networks, greater income equality, and personal development. “The growth of occupational specialization and education leads to the

¹² PIKETTY, T. (2021): Capital and ideology: a global view of regimes of inequality, pp. 140-153.

¹³ ACEMOGLU, D. – ROBINSON, J.A. (2015): Why Nations Fail. The Original of Power, Prosperity, and Poverty, p. 69.

¹⁴ LANDES, D. (2008): Culture explains almost everything, p. 23.

¹⁵ INGLEHART, R. (2008): Culture and Democracy, p. 78.

¹⁶ INGLEHART, R. (2008): Culture and Democracy, pp. 79-80.

formation of labour resources with independent thinking and specialized skills, enhancing their influence on the elite".¹⁷ According to the author, economic development fosters cultural changes linked to the reinforcement of interpersonal trust and tolerance, while also intensifying the desire for self-expression and participation in decision-making. Therefore, values of trust, tolerance, and participation in decision-making are particularly crucial.

Conclusion

Based on the research of the authors discussed in the article, it can be argued that over the past fifty years, the direction concerning culture and its influence on the economic and political state of society has been formed and strengthened. Within the framework of this direction, cultural parameters of research have already been developed, which help to understand why some countries achieve greater economic success than others and why the problem of economic inequality has not yet been overcome. The authors' conclusions, which are based on many years of large-scale research, prove that culture influences economic development, but does not determine it. Culture, being an important factor when comparing the economies of countries, plays an additional role along with other significant material political and economic factors. The influence of culture is stable over time, but it itself is also influenced by economic development, laws, political regimes, and certain changes. Therefore, it rather acts as one of the explanatory variables. It can be argued that, both in politics and in economics, there are phenomena that are difficult to explain or even impossible to explain if we do not take into account the characteristics of culture.

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