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Budapest, Hungary

**PAIGEO**



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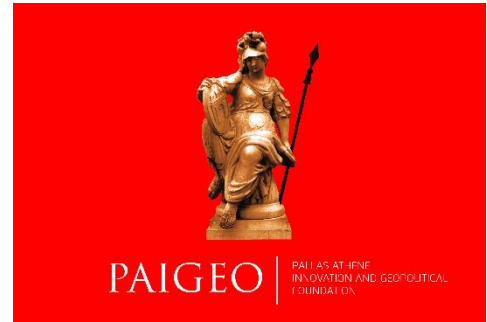
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## Table of contents

<b>CHAPTER I: Geopolitical and economic challenges of Asia</b> .....	<b>6</b>
Dorottya Eszes: Chinese direct investment trends in the world .....	7
David Morris: Political risk on the Belt and Road .....	11
Zhang Fumei - Xu Xinxin: Institutional Perspective and Political Economic Analysis of Chinese Economic Engagement in CEE within the EU Framework.....	17
Ioan Alexandru Gherasim: The role of Central Asia in Chinese foreign policy .....	21
<b>CHAPTER II: The concept of Neo-Ottomanism</b> .....	<b>26</b>
Bora Besgül: Neo-Ottomanism and Turkey`s Soft Power towards Balkan Countries .....	27
Murat Deregözü: The Neo-Ottomanism: Implementation of Hard Power to Repulse Geopolitical Challenges.....	31
Seçkin Günar: Neo-Ottomanism: A Review of Turkish Foreign Policy (2000-Present) .....	35
Melek Aylin Özoflu: The Turkish Neo-Ottomanism: A Disengagement from the European Union? .....	40
<b>CHAPTER III: Sustainability and environmental challenges</b> .....	<b>45</b>
Krisztina Anna Fekete: Is This The Trend to a Better Future? .....	46
Zsófia Nemes: The role of circular economy in handling global environmental and economic challenges.....	51
Dániel János Plósz: The relevance of renewable energy sources in the convergence process of CEE countries.....	57
<b>CHAPTER IV: Financial and monetary transformation of world economy</b> .....	<b>65</b>
Bence Fejős: Geopolitical aspects of the future transformation of the banking system.....	66
Ferenc Kollárik: Eurozone-crisis management in neofunctionalist framework – A European Fiscal Union?.....	75
Armend Muja: The impact of institutions on human capital and economic performance: evidence from the Western Balkans .....	79
Navid Saeedi Sakha: State-Owned Enterprises Obstacles in Host Countries in Kazakhstan-China Energy Relations .....	82
<b>CHAPTER V: Crisis and conflict management from a humanitarian point of view</b> .....	<b>86</b>
Elias Dahrouge: The Syrian Refugee Crisis in Lebanon: beyond a Humanitarian Problem	87
Bernadett Földváry: Human Trafficking in the European Union through Nigerian Victimology .....	92
Sebastian Paul: The EU-Turkey Deal: An Assessment.....	96
Julia Palik: Measuring negative peace: The impact of ceasefires on conflict dynamics in Yemen (1989-2017).....	102

<b>CHAPTER VI: Geopolitics and spatial planning.....</b>	<b>109</b>
Virág Varga – Dorottya Teveli-Horváth: Measuring retention and attraction potential of Hungarian middle size cities.....	110
Attila Mezei: Geopolitical Imperatives of Norway .....	116
Tran Tuan Nguyen – Gábor Hegedűs: Researching Impacts of Land Acquisition on the Livelihoods of People in the Peri-Urban Areas of Vietnam.....	121
<b>CHAPTER VII: New perspectives for developing countries in world politics.....</b>	<b>126</b>
Valeria Puga Alvarez: Latin America and its contributions to the nuclear non-proliferation regime .....	127
Emmanuel Abeku Essel: Governance Indicators and Government Performance, the Ghana Experience .....	131
Bálint Kása: The EU and Libya: Divide of strategies .....	135
<b>CHAPTER VIII: New approaches of economic growth.....</b>	<b>139</b>
Szabolcs Szolnoki – Árpád Papp-Váry: Startup Nation Case Study - Modern Science Diplomacy as a Tool of Geographic Specific Branding and Economic Development .....	140
Mária Bábosik: The Role of Foreign Direct Investments in the Transition of Central Asia .....	147

**CHAPTER I**  
**Geopolitical and economic challenges of Asia**

## **Chinese direct investment trends in the world**

### ***Abstract***

*In the 21st century, military power is playing an increasingly minor role in achieving geopolitical goals and is replaced by the use of economic and financial instruments. China's economy has changed significantly in recent years, becoming an increasingly important player in the global economy. The previously onepole world has become more polarized in economic terms, one of which has become China. Foreign direct investments promote China's economic transformation and support its geopolitical goals. The value of China's outward direct investment first exceeded the value of inward investment in 2015, making China the second largest investor in the world. As a result of Belt and Road, Chinese outward direct investment is expected to rise in those countries that have joined the program.*

**Keywords:** *China, ODI, Belt and Road, Foreign direct investment*

### **Trends, target countries and sectors**

Based on the Chinese Global Investment Tracker database (American Enterprise Institute, 2019) after the crisis Chinese firm's favorite investment destination was South America, with 41 per cent share in direct investments. These included several green field energy and metal industry investments. In the coming years, the weight of South American dropped significantly, with the weight of the United States and Europe rising in parallel. Their volume and share reached its peak in 2016, when nearly 70 percent of foreign direct investment came here. In 2017, the US share fell, Europe received more than half of direct investments from China. In 2018, the value of total outflow of direct investment declined significantly compared to the previous year, but the share of Europe remained at 40 per cent even with the decline.

The years after the announcement of Belt and Road program investments into Europe grew significantly. In 2014, the volume tripled compared to the previous year, despite the fact that only a few of the investments are in the participating countries. Within total Chinese direct investment, the share rose from 12 per cent in 2013 to 29 per cent in 2014. Europe is one of the end points of the new Silk Road, one of the goals of Chinese commodities, so investments in transportation and logistics are of paramount importance. This also explains why Chinese companies invested in countries that did not join the Belt and Road program.

The largest investment in recent years was the acquisition of Swiss Syngenta by ChemChina. The Chinese company has raised 43 billion USD to a 98 per cent share in the agricultural and chemical company. This one transaction was enough to increase the share of

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Europe in Chinese direct investment in 2017. In contrast, the volume of investment in France, Germany and Italy dropped by almost half in 2017 compared to previous years, due to the more cautious attitude of target countries. The possibility of Brexit did not shake Chinese investors, in 2017 United Kingdom received 30 billion USD direct investment.

Second largest target for Chinese direct investment is Asia with the share of 17 per cent. In 2018, most of Chinese direct investment arrived in India and Bangladesh, a year earlier the two most important Asian target countries were Singapore and Laos. Investments in Asia increased significantly from 2015, when their share rose to 36 percent. The rise was primarily in the energy sector, with nearly half of this investment being made in this sector. In the coming years, the sectoral breakdown of direct investment was slightly changed in parallel with the physical dimension of the Belt and Road program became more important in Asia. In 2017, more than half of all Chinese investments were made in the transporting and logistics segment, the majority of them in participating countries.

The proportion of investments in North America in 2012 was 38 per cent, with Canadian predominance. This ratio continued to decline by 2015, while the United States grew its weight within North American investments, almost crowding out Canada. In 2016, several major Chinese investments in the United States also came into various segments, so the US share in total Chinese direct investment rose to 32 per cent. These investments were rather outliers, not part of a trend, so in 2018 the share of US investments dropped to 9 per cent.

The volume of Chinese direct investment in Latin American countries reached its peak in 2010, with most investments in Brazilian energy sector. Then, the volume fell by 2012, the largest value of investments came to Argentina beside Brazil. 2013 was also the year of the energy sector for Latin American investments, in contrast with 2014 the largest investments were in the metal industry. Most investments continue to occur in Brazil, but more and more Belt and Road countries have appeared each year in the target countries.

Chinese foreign direct investments in the metals sector declined in the years following the crisis, their investments in the energy industry have taken over. At that time, 61 per cent of the investments were made to oil and gas companies. Within the sector, Muslim and Middle Eastern countries were the overwhelming majority, with a quarter of intrasector investment in Iraq. Until 2012, the share of the energy sector continued to rise, while other sectors remained unchanged.

After the announcement of the Belt and road initiative the share of the energy sector dropped to 33 per cent in 2014. In parallel, the share and volume of direct investments in transport, real estate, logistics and finance has increased in line with the program dimensions..



The majority of real estate investments are not in Belt and Road countries, and significant share of funded real estate investment funds are in the United States and the United Kingdom. In a construction company in Germany they acquired a stake of 100 percent ownership, while in Asia Chinese construction companies were established typically in countries participating Belt and Road.

The volume of investments into transport companies also increased from 2014, but their target area not limited to countries of the Belt and Road. In the case of investments in the logistics sector, Singapore appears to have a prominent role, but the most significant investment of 9 billion USD arriving here has arrived at a logistics investment management company, making it difficult to track the actual target country. The largest Chinese direct investment in the sector was the full acquisition of Logicor, a UK based logistics real estate company, which has been acquired by a state owned Chinese investment company.

The financial dimension of the Belt and Road program includes monetary measures, lending and the expansion of Chinese banks abroad. On average, 80 per cent of Chinese direct investment in the financial sector arrived in Europe and the United States. Several major European banks have been an important target, with a few per cent stake of Chinese giga companies. In addition to large banks, insurance companies and investment firms were also popular targets, but the US Lending Club peer-to-peer lending platform also received Chinese investment.

Future trends in Chinese direct investment will be strongly influenced by China's political intentions and demand from host countries. New countries joining the Belt and Road program may be the engine of growth in investment volume, as well as Chinese companies opting for international expansion along the Going Global policy (China Policy, 2017). At the end of 2016, a recommendation was issued in China with the cooperation of several central authorities, defining the range of sectors to be supported, while requiring a more stringent licensing process (Office of the State Council, 2017). Growing concerns by host countries hinder the growth of Chinese direct investment. Several European countries and the United States have tightened their controls on direct investment from China (European Commission, 2017), the impact of which was further enhanced by the emerging trade war.

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## David Morris<sup>2</sup>

### Political risk on the Belt and Road

#### *Abstract*

*China's program for inter-regional economic connectivity, the Belt and Road Initiative (BRI), will develop new trade routes and production chains linking developing world economies with the Chinese market, making a unique contribution to global economic development. At the same time, problems with debt servicing, corruption and a range of other political risks have emerged in some BRI partner countries and with some projects, which have encouraged an increasingly negative geopolitical commentary, particularly since the shift of the United States' rhetoric since 2017 characterizing China as a strategic competitor.*

*Whether the benefits of the BRI projects will be evenly shared or will accrue disproportionately to China will be an important area for future study. It is clear that the BRI raises a range of risks and that these are distributed between China and its partners. For China, the BRI can be understood as a giant risk mitigation strategy to support its economic restructuring and development of Western China, by deploying surplus capital and construction capabilities to diversify global supply chains and markets. As many of the BRI partner countries are high risk locations for investment and infrastructure development, China and its partners are also taking on significant risks.*

*There is a need for more empirical study of Chinese initiatives, finance and investment in diverse international business environments. This discussion of the political risk for Chinese businesses and their partners in the developing world reviews the recent discussions of three broad categories of risk factors: geopolitical, country-level and project-level.*

China's program for inter-regional economic connectivity, the Belt and Road Initiative (BRI), will develop new trade routes and production chains linking developing world economies with the Chinese market, making a unique contribution to global economic development, while changing the global balance. At the same time, problems with debt servicing, corruption and a range of other political risks have emerged in some BRI partner countries and with some projects, which have encouraged an increasingly negative geopolitical commentary, particularly since the shift of the United States' rhetoric since 2017 characterizing China as a strategic competitor.

Whether the benefits of the BRI projects will be evenly shared or will accrue disproportionately to China will be an important area for future study. It is clear that the BRI raises a range of risks and that these are distributed between China and its partners. For China, the BRI can be understood as a giant risk mitigation strategy to support its economic restructuring and development of Western China, by deploying surplus capital and construction capabilities to diversify global supply chains and markets. The Chinese Party State has directed aid and investment to developing countries and provided domestic and new multilateral financial institutions with capital for international deployment. To date, BRI projects have been

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dominated by Chinese State-Owned Enterprises (SOEs) but the next phase is likely to involve more international partners. Nevertheless, as many of the BRI partner countries are high risk locations for investment and infrastructure development, China and its partners are also taking on significant risks.

There is a need for more empirical study of Chinese initiatives, finance and investment in diverse international business environments. This discussion of the political risk for Chinese businesses and their partners in the developing world reviews the recent discussions of three broad categories of risk factors: geopolitical, country-level and project-level.

Geopolitical risks are framed by Western commentators as China strengthening its relative hard and soft power through „debt trap diplomacy” and „influence”, enhancing its capabilities to impose its interests and even project future military power over client states. China is certainly rising and seeking a more multipolar world but is constrained by strategic rivals. Nevertheless, it is investing in rapid growth of its military, including maritime capabilities (Lague & Lim, 2019). So far, China’s only external base is in strategic Djibouti, ostensibly to supply peacekeeping forces (China is now the leading troop contributor to United Nations operations). To grow and prosper, China must trade with the world, to import resources and goods and generate revenue from exports. It has a geopolitical imperative therefore to diversify its maritime and land trade routes, including the need to grow troubled Western China. Claims of „debt trap diplomacy” and „influence” along these new maritime and land routes require close examination.

A Rhodium study of forty cases of Chinese lending to 24 countries found China agreed to about US\$50 billion debt rescheduling in the past decade, often on favourable terms for borrowers (Kratz, Feng & Wright, 2019). Claims that China was seeking to develop a military base in Vanuatu in the South Pacific have been unsupported by evidence (Wroe, 2018). Equally more famous claims of „debt trap diplomacy” in Sri Lanka have been unsupported by evidence and significantly downplayed the agency of the host government (Weerakoon & Jayasuriya, 2019; Zhang, 2019). In terms of „influence”, China exhibits a low level of „soft power” but its influence is undoubtedly growing and it is unclear if China will, over time, develop a greater capacity to non-coercively „influence” others states and actors as a result of closer economic integration and cultural familiarity. As a major financier, China might be expected to extract concessions in financing negotiations, set standards in project design phases, and restrict competition during operations (Hillman, 2019). This appears more likely in the developing world, where China’s development model and modalities of assistance are popular, rather than the developed world due to values misalignment. Claims of Chinese „influence” over Hungary

are unsupported by evidence, where it is more likely Hungary is exercising agency in hedging against European Union conformity. Equally, countries such as Papua New Guinea which have proceeded to deal with Huawei, despite pressure from traditional partners not to do so, is more likely to be based on transactional benefits.

Country risks include sovereign risk that debtor states will default, or be forced to renegotiate debt terms from a position of weakness, and poor governance including corruption, weak rule of law, inadequate security, lack of policy and project coordination capacity, inadequate infrastructure and labour skills. Foreign infrastructure investment entails risks and usually requires government guarantees. Further, China appears to be combining development aid with foreign direct investment under the BRI umbrella. China is funding and implementing projects in high risk environments that traditional financial institutions have avoided. China is now the lead investor in five of the ten riskiest countries (Feigenbaum, 2017). While sovereign risk from unsustainable debt levels is attributed to „debt diplomacy”, closer inspection reveals agency on the part of borrowers. This is nevertheless a real risk for the BRI partners in an uncertain global financial environment.

Further, poor governance has led to project failures, such as the railway (Ng, 2018) and rebuilding the Nuku'alofa downtown (Dornan & Brant, 2014). Corruption and clientelism can lead to misalignment with stakeholder interests and excessive costs. Terrorism and anti-China sentiment threatens projects in Central Asia and Africa (Saltskog & Clarke, 2019); forty deaths on the China Pakistan Economic Corridor led to the host government providing paramilitary security forces (Feigenbaum, 2017). Poor environmental policies are likely to be blamed on business rather than host governments, such as the Bank of China's experience in financing the Batang Toru Dam (Chan, 2019). China attempts to manage risks through learning, coordination and relationships managed by Commercial Counsellors in its embassies, but mitigation is difficult. Finally, countries have agency and can redefine, including scale down projects, such as new governments in Pakistan and Malaysia or, more significantly could fail to implement the investment protection and trade liberalization agenda underpinning the BRI.

Project risks in this environment are abundant, including that rapidly globalizing Chinese firms with limited international experience may conduct inadequate due diligence, insufficiently understand or adapt to local conditions and requirements, poorly execute investments and generate local political opposition. Investigation is inhibited by a lack of transparent case studies. Aid and investment projects may be more likely to fail given Chinese firms' position on the internationalization experience curve. Culture clash may also be more likely due to challenges of communication and mutual understanding, and closed shops,

compounded by anti-Chinese racism in some BRI locations (Balding, 2018). The high level of Government-firm coordination, including bandwagoning with political and corporate allies to secure funding and deliver projects (Zhang, 2019) can feature anti-competitive practices, inadequate due diligence, lack of accountability and may foster corruption through opaque relationships (Lee, 2018; Yin, 2018). This reinforces the low „legitimacy” of Chinese firms as latecomers to globalization (Zhang, 2016), as well as underlining the different nature of Chinese firms aligned with the Party State. Strong joint venture or other partnership arrangements with local firms should reduce risks through joint problem solving and knowledge transfer (Lorenzoni & Lipparnai, 1999).

In conclusion, the geopolitical analysis claiming „debt trap diplomacy” and malign Chinese „influence” appears to have overreached, and is obscuring the complexity of the very real risks at all levels. China does not (at least yet) have geopolitical power to impose a grand strategy on the developing, or much less the developed, world, although it does have significant resources to invest in and, with willing partners, build new economic corridors through which it will more closely integrate economies with China.

Country agency should not be underestimated. The BRI is a multi-bilateral initiative that can be expected to play out differently in diverse locations. While the Chinese state funding agencies have naturally fostered the domination of Chinese firms in BRI projects to date and practices have been opaque and raised a range of concerns, new multilateral financial institutions are well-governed (Carrai, 2018) and should, in time, facilitate more co-financed and joint venture projects with high standards and featuring firms and workers from across the BRI.

Whether the BRI will strengthen open globalization or undermine it is as yet unclear. For developing countries and some others, the BRI is an attractive option, given the multiplier effects from infrastructure connectivity that are likely to drive growth from new industry development, trade and investment. As China continues to rise, it is likely to overtake the United States in GDP terms, while still classified as a developing country. Its perspective on development and internationalization and how it understands its interests and contributes to global governance will inevitably be different from the dominant discourse of the West. The BRI therefore requires further study from all perspectives.

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**Zhang Fumei<sup>3</sup> - Xu Xinxin<sup>4</sup>**

**Institutional Perspective and Political Economic Analysis of  
Chinese Economic Engagement in CEE<sup>5</sup> within the EU  
Framework<sup>6</sup>**

***Abstract***

*After the profound international, political and economic change followed by financial crisis, the global power has shifted gradually from the West to the East. The rise of global protectionism, unilateralism and nationalism led by the US is constantly challenging the existing international systems. As a new rising power, China has made proactive efforts to exert its role in the international arena, and has started to show its ambitions in international relations with the “Belt and Road Initiative” in 2013, aiming to build the connectivity between China and Europe, two great players in global economy.*

**Keywords:** *China, CEE, the EU, Institutions, Political Economy, Investment Screening Procedure*

In 2012, China took the initiative to establish the economic cooperation with Central and Eastern European (CEE) countries under “16+1” framework. With the close political ties between China and CEE countries, more investments and construction projects were delivered to this region. Chinese engagement in CEE has aroused heated debates from both academic and political fields about whether it is compatible or in clash with the EU interests. Furthermore, as Chinese MNCs have conducted remarkable number of M&A deals in the key sectors such as technology and infrastructure, it provoked great concerns among the political observers and policymakers.

Meanwhile, as the deepest integration actor in the world so far, EU member states have shifted their trade policies to the supranational level. However, the foreign investment policies are scattered over both national and supranational level. According to The Lisbon Treaty, the EU commission had the competence to negotiate BITs (bilateral investment treaties) with a third country in order to regulate the inward FDI to the member states and protect the European outward FDI (Meunier, 2014). Member states respectively hold the BITs with China until an EU level bilateral investment treaty is achieved (European Commission, 2013). Nevertheless, the EU can use the competition policy<sup>7</sup> and common commercial policies to influence Chinese

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<sup>5</sup> CEE countries refer to 16 countries with 11 EU member states Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania Slovakia, and Slovenia and five non-EU countries: Serbia, Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro.

<sup>6</sup> More specific and detailed company interviews are under processing.

<sup>7</sup> Common competition policy refers to the *essential tool to the achievement and maintenance of the single market. It ensures the competitive conduct of undertakings (firms, companies, businesses) and protects the interests of*

economic engagement in the CEE countries regarding to investments especially in public security and infrastructure fields (Grieger, 2017). Besides, the CEE member states still show great economic dependence on western EU members, and they are still facing EU institutional constraints when dealing with the third countries (Zhang, 2018). Therefore, the trans-regional cooperation is faced with a dilemma during the implementation. This paper aims to study how the EU responds towards the China-CEE cooperation and what are the implications for Chinese investments in this region with special focus on the infrastructure construction and information technology investments from institutional and political economic perspective.

Lots of Chinese infrastructure projects in the CEE region can hardly be delivered due to the potential violation of the EU competition rules, and public procurement etc. For example, the project of the railway between Budapest and Belgrade is currently under investigation because Brussels suspects it may violate EU bidding laws due to lack of transparency (Kynge & Pee, 2017). Another Chinese investment project to build motorway A2 in Poland failed after Chinese Overseas Engineer Group Co (COVEC) won the tender with the lowest price. One of the important reasons is that the investment project failed to comply with the EU regulation such as labor standards and migration law etc. (Jin, 2015).

An important moment is that the key players such as Germany, France call on a tighter scrutiny for foreign direct investment regarding to the national security issues and strategic assets especially when state-owned enterprises are involved. And EU commission passed a bill to establish a common screening framework in 2017. Under the new foreign investment screening mechanism, the member states can further identify the potential security threats posed by foreign acquisitions in the key sectors such as infrastructure and technology (European Commission, 2017). The big member states such as France and Germany expand the scope for defining the critical sectors related to security concerns and strengthen their control for foreign acquisition. The Czech Republic started to consider setting this mechanism. However, Hungary established it in 2018 to respond the EU's proposal (Hanemann et al, 2019).

In particular, the EU has put the relevant issues specific to the key foreign investment sectors such as infrastructure and security sectors into the new framework in the documents<sup>8</sup>. It mentions the security of 5G networks without indicating Huawei (EU commission, 2019). However, as one of the best telecommunication companies, Huawei has a leading and groundbreaking innovation of 5G network and aims to provide the world with a better internet service.

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*consumers by enabling them to procure goods and services on the best terms. It promotes economic efficiency by creating a climate favorable to innovation and technical progress*

<sup>8</sup> "European Commission contribution to the European Council EU-China – A strategic outlook"

After the political backlashes against Huawei from Australia, the USA and Canada, the attitudes within the EU are less aggressive and more divided. The big western EU members are more cautious and tighten their regulations based on a rule-based approach. Poland and The Czech Republic are more objective towards Huawei (Patricolo, 2018). However, the Hungarian government provides a stable and friendly environment for the future development of this Chinese company by supporting its 5G network in Hungary disregarding the warning from the USA.

The future trend of Chinese investments in the EU will be affected based on the big share of acquisition economic activities and relevant sectors covered by the investment screening procedures. As for Chinese engagement in the CEE especially in Hungary, the infrastructure construction will be under the watchful eye of the EU institutions and the implementation process can be delayed or stopped. However, the individual member states are more decisive in dealing with the foreign investments regarding the investment screening framework. Due to the good political relations, Hungary attempts to attract more Chinese investments. However, Hungary lacks the key technology for Chinese investment to acquire and the Hungarian government can use the framework as a leverage to introduce more Greenfield investments instead of acquisition activities.

The future negotiation of the ongoing bilateral investment treaty between the EU and China is quite important for the China-CEE cooperation, where the EU member states should achieve a common ground toward Chinese investment. However, there are a lot of requirements and standards which are disadvantageous for the Chinese when it comes to market access. The Chinese government will probably have to make a concession in order to achieve the treaties. Besides, there are a lot of tools that the EU can adopt to restrict Chinese FDI in Europe and the US has already taken measures to control Chinese national companies under the claim of national security, fair market access and technological transfers etc.(Zhang, 2018). The EU should take Chinese investment into consideration objectively and rationally to avoid the same political backlashes against China. Nevertheless, based on the current global situation, the uncertainties and challenges increase further for the future Chinese economic engagement in CEE countries.

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## **The role of Central Asia in Chinese foreign policy**

### ***Abstract***

*The region of Central Asia has proven throughout history to be either a target and/or a gateway of significant value. Its importance has not faded in the annals of history since even today the region is being eyed for its potential. There are however several aspects that have changed in the recent years and those tend to point towards a new trend of neo-colonialism that balances soft and hard power. The author strives to answer the following questions about China's neo-colonial agenda: What is the role of Central Asia within contemporary Chinese foreign policy? Does Chinese foreign policy show signs of demonstrating well-defined approach and plan towards the region? How is China implementing its strategy? What is the aftermath of Chinese foreign policy? What does the future hold for China in Central Asia? The main supposition of the author is that the central Asian region is a pivot area that would secure Chinese dominance of both Asia and Europe. Phenomenological research is employed by aggregating a dynamic series of cultural, economic, political and technological data and information, in order to answer the aforementioned questions. The analysis plans are: the security imperative; political convergence; some national exceptions; strategic influence; regional management; saving for authoritarianism. The author concludes that China has been aiming at increasing its hegemonic position with only marginal results; security is prioritized in the detriment of geopolitical aims; there is no clear strategy but an entropic package of ad hoc arrangements focusing primarily on economic ties. The capacity to achieve Chinese ambitions are and can be affected by several variables: the stability of the Xinjiang province, succession outcomes in certain countries, the relations with other powers such as the United States, the European Union and especially Russia.*

**Keywords:** *Neo-colonialism, global actor, geopolitics, great power, convergence*

### **I. Introduction**

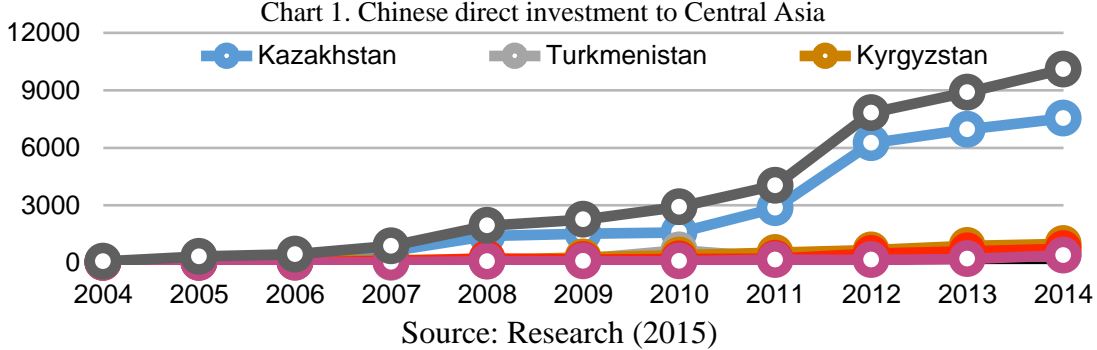
Central Asia has been throughout history a region of great interest for China and today the leaders want to revive the Silk Road through the auspices of the Belt and Road initiative strategy. This renewed Silk Road idea was born in September 2013 and seeks to develop the infrastructure between China and Western Europe. Turkmenistan, Kyrgyzstan, Tajikistan, Kazakhstan and Uzbekistan play an important role within the initiative and as a result a significant number of projects such as special economic zones, industrial parks, railroads, and pipelines are being developed and other infrastructure related projects. The Belt and Road initiative has one officially stated goal which is, as the government states, “a bid to enhance regional connectivity and embrace a brighter future together” bringing benefits to all participating countries (Xinhua, 2015) while other voices consider it as a masterplan that would aid China dominate the global economy (Wo-lap, 2016).

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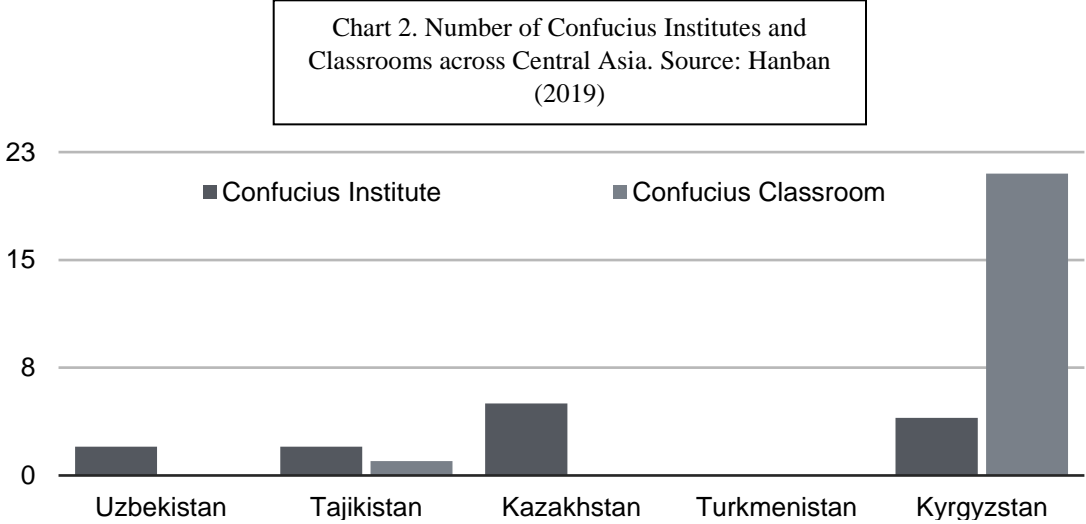
**II. Trade, economy and security**

Besides the funds that target infrastructure, there will also be Chinese companies providing investment and Chinese institutions providing funds, aid and cultural programs. The trade between Central Asia and China has seen a constant increase after the fall of the Soviet Union (Indeo, 2017) amounting to now more than 30 billion worth U.S. dollars (Forbes, 2016).



China’s internal security issues are being contained by the government but in order for any future threats to be deterred, China is making sure that no threat may come from abroad specifically its neighbouring countries. In order to diminish the risks, Beijing considers economic development as a key solution. Anti-Chinese sentiment is not unheard of and since the Central Asian countries are also predominantly Muslim with some terrorist cells operating, the government considers it as focal point to improve the stability in the region by developing it through trade and investment as well as cultural exchanges so as to not let extremism flourish. Cultural exchanges happen through two main programs:

- providing scholarships to Central Asian students to study in China
- Confucius institutes operating in Central Asia offer Chinese language and culture courses



Central Asia's location represents a gateway towards the West and its natural resources are crucial to the Chinese economy but it also represent a source of possible threats towards stability both internal and external that might influence Chinese trade.

### **III. Goals, challenges and outcomes**

China has a few main goals, first and foremost to bolster its economy followed by creating security and stability in the region. The Belt and Road initiative is the key strategy through which the aforementioned goals will be reached, however flexibility and uncertainty are also characteristics of the strategy since most of the ties between China and Central Asian states are conducted on a bilateral basis. The lack of regional integration and the fact that these states are led by an autocratic leader leave the ties uncertain since any change of leadership can signify the annulment of all agreements. China has to accommodate every leader and his specific desires in order for China to achieve its goals so it is impossible to have a well-defined strategy in such a region that is filled with uncertainty.

In the terms of competition over the region China does face important competition from mainly Russia and less from the United States of America and the European Union. China needs to manage well the relations it has with Central Asia and Russia, since Central Asia was once part of the Russian Empire and a region over which Russia still wishes to keep under its sphere of influence. Russia is also part of the Belt and Road initiative and another gateway towards Europe so China has to balance its relations very carefully in order for the One Road and Belt initiative to follow its course (Lang, 2019).

As a result of Chinese foreign policy, China is now one of the main economic partners of Central Asia (Kazakhstan's and Uzbekistan's number one trade partner) (ICTSD, 2017). Chinese companies control around a quarter of Kazakhstan's oil production, an oil pipeline was created connecting the two countries and many infrastructural projects are due to be completed alongside the already built Khorgos dry port that connects Kazakhstan to the port of Lianyungang (Astana Times, 2016).

Issues that arose from Chinese foreign policy according to Central Asians relate to the debts, purchase of agricultural lands, employment of Chinese workers that are better paid compared to local workers (Kassenova, 2017) and marriage of Chinese business men with local women (Lenta, 2017). China has an inconsistent policy in relations with its debtors since sometimes it writes it off but it can also demand for control over a certain territory or infrastructure (Fernholz, 2019).

#### IV. Conclusion

China is making great use of its soft power in order to gain control over the trading routes, natural resources, gaining disputed territories, gaining control over strategic infrastructure. Whilst officially declaring that it aims at bring connectivity and stability for the benefit of all partners involved it puts its needs first, thus contributing to sinophobia and instability. Most of the projects that aim at eliminating security threat seem to be a double-edged sword. China pays a disproportionate amount of attention towards security in the detriment economic aspirations in the eventuality that a project seems to jeopardize the stability. Central Asia is for China one of the most important gateways towards Western Europe and important source of much needed natural resources and it aims to control as much of it as possible.

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**CHAPTER II**  
**The concept of Neo-Ottomanism**

## **Neo-Ottomanism and Turkey`s Soft Power towards Balkan Countries**

### ***Abstract***

*This paper examines Turkey`s soft power policy towards the Balkans from the perspective of Neo-Ottomanism. It appears that Turkey`s growing influence and its active role in the region`s politics come into existence with religious and cultural institutions. Despite the concept of Neo-Ottomanism has been contested in Non-Muslim communities with state-run media support, it took place in Turkish Foreign Politics within a positive image. It is focused on bringing peace, security, and stability to countries once were parts of the Ottoman Empire. Accordingly, soft power institutions especially found fertile ground in the predominantly Muslim areas of Albania, Macedonia, Kosovo and Bosnia and Herzegovina since 1989. In this sense, the research examines the recent notions of Turkish Balkan politics as well as its political, sociological, and economic responses on the countries in the region.*

**Keywords:** *Neo-Ottomanism, Soft Power, Turkish Balkan Politics, Pax-Ottomana*

### **I. Introduction**

Even though the Neo-Ottomanist recipe to Turkey`s foreign policy is recorded as an alternative remedy for decreasing the strong dependency on the West since 2004, the existent literature still contests whether it grew Turkey`s influence and its active role in the region`s politics along with soft power institutions or not as it was desired by Turkish policy-makers since then. Correspondingly, the bilateral ties with Balkan countries increased together with cultural and religious institutions and the investments throughout the region in Macedonia, Serbia, Bulgaria, and Bosnia increased significantly. The bilateral trade between Bosnia and Turkey overreached 363 million in 2012 from 278 million in 2009. (“Relations between Turkey and Bosnia and Herzegovina Republic of Turkey Ministry of Foreign Affairs”, 2019) Turkey became one of Bulgaria`s top five trading partners in 2019 with 9% of the share. (“Relations between Turkey and Bulgaria”, 2019) However, the discussion over the economic relations with the Balkan states is far beyond the scope of this paper, which aims to draw a concrete picture of Turkey`s soft power policy tools towards nations of the Balkan Peninsula through the lenses of Neo-Ottomanism.

In parallel to Davutoglu`s recommendations, under the Justice and Development Party (JDP), the term of Neo-Ottomanism has increasingly emphasized the shared history by considering the Balkan states as a whole and the common religion with Muslim communities in the region in particular. (EKINICI, 2013) In this sense, the idea of Neo-Ottomanism is

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strongly based on the idea of Pax-Ottomana which refers to the different ethnic groups on the Balkan Peninsula who lived in peace for a long time under the just and fair Ottoman rule. Long-lived shared tolerance amongst the peoples and religions allowed Balkan peoples to live together without conflict until their independence which brought “our” and “others” approach. (YENIGUN, 2013) The positive image building of Ottoman rule reached its peak point when Turkish politicians made positive references to the Ottoman Empire in the context of today’s main problems of the Balkan countries.

## **II. Turkish response for changing global politics**

The September 11 terror attacks and the war against terrorism, as well as the conflicts in the Balkans 1990, invoked the thesis of Huntington which were introduced in his book “The Clash of Civilizations and the Remaking of the World Order”. (Huntington, 1996) In this framework, global politics began to change with regard to the cultural struggles both factually and intellectually, interpreting the fundamental dynamics of the international system over culture. (EKSI, 2017) In this context, the new conjuncture of the Balkan states in the 2000s drove international and regional powers to adopt cultural diplomacy based soft power diplomacy due to the considerable stability in the region after the security-oriented policies could not fit well with the changing needs of the region. (EKSI, 2017) The soft power appears to be as an umbrella term which incorporates the public diplomacy and cultural diplomacy in itself was originated by Joseph Nye in 1990 and it has been accepted by scholars as an important part of the public diplomacy during the 2000s. (NYE, JR. 2004)

Turkey’s Neo-Ottomanism strategy comes into existence along with soft power institutions that aim to increase the influence of Turkey in the Balkans based on the cultural diplomacy which corresponds well to the new international system over culture. Some name it as the strategy to increase cultural-social effectiveness on the basis of public-cultural diplomacy. (EKSI, 2017) The new circumstance on the Balkans allowed Turkey to position itself as a third way between Asia and Europe which it traditionally, as a NATO member, had played a very passive role in the Balkan region. Accordingly, soft power institutions especially found fertile ground in the predominantly Muslim areas of Albania, Macedonia, Kosovo and Bosnia and Herzegovina since 1989 with cultural and religious institutions. There is a belief that Neo-Ottomanism links countries with a Muslim majority to Turkey’s past and future. (RUCKER-CHANG, 2014) In this sense, Turkey has created soft power tools based on the framework of Neo-Ottomanist strategy which includes The Turkish Cooperation and Coordination Agency (TIKA), Presidency for Turks Abroad and Related Communities (YTB),

Prime Minister's Office of Public Diplomacy, Turkish Radio and Television Corporation (TRT), and Yunus Emre Institute, which actively work in the Balkan states.

Turkey's new engagement in the region has been contested by scholars in the field. Rucker-Chang states that the initiative of Turkey brought together former Serbian Minister, Boris Tadic, with the presidents of Bosnia which led to the 2010 Serbian parliament resolution apologizing for the 1995 Srebrenica Massacre. (RUCKER-CHANG, 2014) On the other hand, the statement of the Bosnian-Herzegovinian president Bakir Izetbegovic documents well the effectiveness of Turkey's soft power tools in the region:

“We all have some nations who stand behind us. Turks stand behind Bosnia-Herzegovina and behind Bosniaks, but in an intelligent manner. They will not support us in conflict, but they will support us in reconciliation, a renewal of the economy and interpersonal relations, in the integration processes toward the EU and NATO.” (“Palestinians and Bosniaks see Erdogan as their Leader”, 2012)

Besides strengthened economic ties with the countries in the region, political and social responses have also been reported by scholars. However, the existence of the Ottoman image has been continually contested in non-Muslim nations of the region by referring to the Islamic dimension of Neo-Ottomanism which could threaten their relationship with European Countries. According to the Ekinici, the Neo-Ottomanism echoed in Non-Muslim parts of the region: first as a neo-colonial project of Turkey and second as an over-ambitious nostalgic dream. (EKINICI, 2013) Mustafa Turkes claims that Turkey's ineffective Neo-Ottoman dreams in the Balkans have failed because the existent international order hinders a medium-sized regional power to upgrade its status to that of a regional sub-superpower. (TURKES, 2016) Finally, the debate which was provoked by Darko Tanaskovic: Any possible initiative implemented by Turkey cannot be successful if Serbia doesn't appear as an important partner.

As concluding remarks, one can see that the ongoing soft power instruments which target cultural and religious diplomacy along with Neo-Ottomanist perspective appears to be an alternative tool for Turkey to decrease its dependency on the West since 2004. This initiative positions itself in the changing conjuncture of the Balkan states in which Huntington's thesis takes an important place. Furthermore, after analyzing the leading primary and secondary sources, this study revealed that the existing literature presents a debate on whether the Neo-Ottomanism is a failed initiative or a success story that created a win-win situation in the region. The paper involved many different aspects which included economic, political and sociological points of view, with in-depth literature review based on databases and library sources. Finally, while the existent negative image of the Ottoman Empire standing in front of the initiation of

Neo-Ottomanist soft power instruments in the Balkans, the question whether it would ever be possible to bring the countries in the region together in peace and create Pax-Ottomana with the implemented tools conflicting still remains to be investigated.

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## **The Neo-Ottomanism: Implementation of Hard Power to Repulse Geopolitical Challenges**

### ***Abstract***

*With the declining geo-strategic and geopolitical importance of Turkey after the fall of the Soviet Union, Turkey has found its new foreign policy towards the geopolitical challenges stemming from its southern borders i.e. Syria by adopting hard power politics. The Republic of Turkey has always been a geographical location in the world with unique features. Modern Turkey forms a land bridge that connects Asia to South-eastern Europe. Moreover, being a crossroad country, Turkey presents the energy-hub by linking energy-rich eastern neighbours' raw-material to European energy markets. In this study, the correlation between Turkey's implementation of hard power, particularly in Syria, and the Turkish - New Ottomanism approach will be examined. Particularly, the Syrian case will be used to answer how it shifted from soft-power to hard-power. In this study, secondary and primary, such as the Ministry of Foreign Affairs of Turkey, data combined and has contributed to the formation of background information as part of qualitative analysis. The paper aims to answer the question " Why did Turkey need to use hard power?" As a result, the work depicts that geopolitics changes could force countries to use their hard power against a threat or threats.*

**Keywords:** *Neo-Ottomanism, Geopolitics challenges, hard power, Turkey, Syria*

### **I. Implementation of Hard Power by Turkey**

Nearly all of Turkey's land mass lies on the Asian side where the Anatolian plateau — a thick, dry and rugged peninsula separating the Black and Mediterranean seas (Stratfor, 2010). The Marmara region in the west, one of the regions of Turkey out of seven, is the core of Turkey's population and economy. There are two chokepoints where the Black Sea meets Mediterranean, the Bosphorus and the Dardanelles. The Eastern Anatolian Region, narrowing from east to west almost resembles a triangle, with average high 2000 - 2200 m. is the highest region in Turkey and creates a natural shield against any threat which comes from East or Caucasus. Turkey is a linkage country between East and West, however, having such a geographic location both creates geopolitical opportunities and brings with its possible risks.

Before the Arab Spring broke out late in 2010, even though Turkey could not ease it all problems, but it still enjoyed good standing in many respects (Kemal, 2018). Turkey's soft power was raised in the Arab Middle East, and the “zero problems with neighbours” policy has positively changed the image of Turkey in the Middle East and it made feasible to play a third-party role in the management and resolution of regional conflicts such as Israeli-Syrian (Meliha, 2008).

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Throughout history relations between Turkey and Syria had their ups and downs. However, there are a few events that they were the cornerstones of good relations between two parties before the Syrian conflict in 2011 and Turkish soft power was in its peak point. Firstly, The Turkish President Ahmet Necdet Sezer went to Syria to attend the funeral of Syrian President Hafez al-Assad in 2000, secondly, the rejection of the resolution by Turkey's Grand National Assembly to yield the USA to use the territory of Turkey for the Iraq invasion on March 1 2003, it contributed momentum between two parties because Damascus was against the Iraqi invasion as well, and thirdly, Syrian President Bashar al-Assad paid an official visit to Turkey in 2004, for the first time in the history of independent Syria, the Syrian President went to Ankara, Turkey ( Aljazeera Turk, 2014). However, one figure particularly needs to be mentioned. Thanks to the rise of an Islamist-rooted party and an academic-turned-diplomat, Ahmet Davutoglu, who advocated closer ties with the region and raised curiosity of Turkey and eventually Turks, rediscovered their Ottoman heritage under the AKP (Justice and Development Party) that the image of Arabs as “traitors who stabbed the Turks in the back” during World War I began to change, moreover more engagement with the former Ottoman territories became louder (Gönül and Birol, 2018). The intention of Turkey to utilize its political and economic power over Ottoman heritage often called Neo- Ottomanism and due to historical experiences this term performs in a negative way and creates negative impact over target regions and countries. But, shortly and precisely this term equals to Turkey's soft power.

Turkey and Syria in this period, in parallel with the development of political relations, have implemented joint projects in various fields mainly in trade, but also culture, tourism, security, customs, transportation, and agriculture. Both countries dropped visa restrictions in 2009. The friendship with Syria established good relations based on cooperation and mutual benefit, besides that it provided to Turkey to spread its political and economic power "soft" over the Arab world via Syria in an effective way (Yasin, 2011). In 2010, TESEV conducted a survey in seven Arab countries (Egypt, Jordan, Lebanon, Palestine, Saudi Arabia, Syria, Iraq) plus Iran which was based on the outcome of the research on the sympathy rate for Turkey was 80% (Tuğba, 2012).

In the whole process, Ankara often recommended 'reforms' to the government of Syria the first of which was in 2005, afterwards on the 6th of April in 2011 and the final one in August 2011, when Ahmet Davutoglu, who was at that time the Foreign Minister of Turkey, went to Damascus and had a 6, 5-hour long meeting with Assad and gave him a 14-chapter long roadmap for reforms, but it soon became clear that Assad would not follow this map (Aljazeera Turk, 2014). Subsequently, the uprising, which began in March 2011 in Syria, turned into a



major conflict; these developments re-determined the agenda of Turkey over Syria and the region.

The golden years of Turkey's engagement with the Middle East by using its soft power tools came to an end in many countries in the region, particularly in Syria. During the civil war, the policies of the Syrian regime, which pushed the country into a deepening depression, triggered regional instability and caused regional threats. In the end, Syria became a country where thousands of people died, millions were displaced or migrated to neighbouring countries, many countries proxies clashed, the several countries came to look for their interests, and the world had a brand new terrorist group or organization, DAESH – ISIL (The Islamic State of Iraq and the Levant). DAESH has been primarily a matter of national security threat to Turkey. The DAESH attacks, in the south eastern Turkish town of Suruç, the capital Ankara, and the south eastern city of Gaziantep, where many Turkish citizens were killed and these attacks were instrumental in making public opinion to support military actions in Syria and partly forced the government of Turkey to step onto Syrian soil. Therefore, based on Article 51 of the UN Charter, Ankara has decided to eliminate the threats posed against it by terrorist organizations present in Syria, particularly DAESH, and to exercise its right of self-defence – even aggressively on the soil of another country, if necessary – as provisioned by international law (Yeşiltaş, Seren, Özçelik, 2017). Over three thousand terrorists were neutralized by the Turkish army with FSA (Free Syrian Army).

Turkey did not only take action against DAESH but it also conducted another military operation, in 2018, after the Euphrates shield which was called Olive Branch. This time the target was Turkey's long-standing threat and recognized both by the USA and the EU terrorist organization PKK/PYD/YPG in the north part of Syria, more precisely Afrin. The intervention was based on international law (in accordance with Article 51 of the UN Charter, the right to self-defence and the UN Security Council's fight against terrorism, 1373 (2001), 1624 (2005), 2170 (2014) and 2178 (2014) decisions) and respect for the territorial integrity of Syria (Ministry of Foreign Affairs of Turkey, 2018). About 4,600 terrorists were neutralized and after operation thousands of displaced Syrian citizens went back to their original lands.

## II. Conclusion

During the Republic of Turkey's history, there were few examples of military interventions by the Turkish army outside of Turkey, such as Cyprus in 1974 and time to time cross border operations in the north part of Iraq against PKK. However, with the rise of AKP in 2002 it opened up a new chapter in Turkey's foreign policy. Turkey became a "soft power" in Ottoman heritage territories and more focused on diplomacy, trade, and cultural engagement. However, after the Arab spring, especially the Syrian civil war, and due to emerged terrorist and extremist groups, Turkey has extended its military muscle in the region. It has conducted two successful military operations in the north part of Syria to repulse geopolitical challenges. The world order is changing, which is why countries threat perception could alter their policies; in this case, Turkey has shifted from soft power to hard power.

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## Neo-Ottomanism: A Review of Turkish Foreign Policy (2000-Present)

### *Abstract*

*Turkish foreign policy was conducted based on the State's security concerns and thereby on preserving the existent relations with neighbors under the Sevres Syndrome that has gained a new facet in its state of affairs when peripheral Justice and Development Party (AKP) took power in Turkey in 2002. Accordingly, this new facet appeared as the 'Neo-Ottomanism' within the literature. The new narrow working group led by the then Prime Minister Davutoğlu, argues that Turkish foreign policy could be pursued pro-actively, especially on the past Ottoman region. Pro-government scholars argued that Turkey could influence the decision-making process to promote Pax-Ottomana. Thus, this research aims to investigate the main dynamics and foundations of the concept 'Neo-Ottomanism'. Moreover, it will also explain whether the Neo-Ottomanism could be functionally applied to Turkish foreign policy aspirations.*

**Keywords:** Neo-Ottomanism, Turkish Foreign Policy, Sevres Syndrome, Strategic Depth, Pax-Ottomana

### **I. Introduction**

In order to carry out a serious analysis of Turkish foreign policy after 2002, it is necessary to focus on the discourses of Ahmet Davutoğlu, foreign affairs consultant and then foreign minister and prime minister. His book entitled 'strategic depth' published in 2001 is the architect of the Turkish foreign policy agenda. In this article, "the strategic depth" book and the foreign policy vision of Ahmet Davutoğlu are examined through a review of the literature on Neo-Ottomanism by Alexander Murinson (2006), Sedat Laçiner (2004), Nora F. Onar (2009). The paper aims to investigate the dynamics of Neo-Ottomanism and how the ideology of the 'Neo-Ottomanism' is appeared and, is affected Turkey's foreign policy-making process.

### **II. Historical Evolution of Turkish Foreign Policy**

The Young Turkish Government has conducted protectionist, security-based foreign policy in line with "Peace at home Peace in the world" which includes basically balanced policies with neighbors avoiding involvement their domestic affairs through peace pacts. (Talas, 2004) During the Cold War, Turkish governments westernized its foreign policy against the Soviet Union in terms of the security issues due to its geopolitical position. (Oran, 1996) Westernization in foreign policy has caused the limitation of Turkey's foreign policy tools. By the 90s, the bipolar international system had collapsed and security-based policies had lost their priority in Turkish foreign policy. After the collapse of the Soviet Union, President Turgut Özal

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and influential political figure Süleyman Demirel put forward their new foreign policy aspects as ‘‘From Adriatic till the Chinese Wall; Turkish Territory’’. (Laçiner, 2004) This expression was considered to be the roots of Neo-Ottomanism. However, experiencing political turmoil and economic crisis has resulted in the changing of the domestic political sphere in Turkey and the failure of new foreign policy aspirations in the 90s.

Turkish domestic politics shifted from center to periphery when the conservative and peripheral, Justice and Development Party (AKP), came to power in Turkey as a result of the consequences of an economic crisis in 2002. New decision makers have aimed to change the status quo in Turkish foreign policy which, since its establishment, has been based on protectionist relatively ‘‘Sevres Treaty Syndrome’’ especially on Middle Eastern countries which have concluded less economic and cultural relations. (Gül, 2016) New actors in Turkish politics come from the periphery who criticizes one-dimensional foreign policy substantially than centered Kemalist bureaucracy. According to them, a multipolar world system creates an opportunity to be a regional power that Turkey can play a crucial role in its historical memory in the region. Thus Turkey can generate an alternative to foreign policy tools which is limited as only being a member of the EU.

### **III. After the Millennium, Turkish Foreign Policy: Neo-Ottomanism**

Neo-Ottomanism is an ideology that advocating the need to embrace the Ottoman Empire’s religious, cultural and, political heritage by Turkey which has influenced the foreign policy decision-making process since 2002. (Onar, 2009) Prime Minister Davutoğlu argues that Turkey is a potential leader of the region including the Middle East, the Balkans and Caucasia where the legacy of the Ottoman Empire is or as Davutoğlu’s word ‘‘Pax-Ottomana’’. (Davutoğlu, 2001) He defines Turkey’s location as unique in geopolitical areas of influence, especially its control the Bosphorus and its religious heritage over the Muslim countries. He advocates that the geostrategic position and historical depth of Turkey are valuable in world politics through shared common history with the region’s people. (Murinson, 2006) Turkey is a natural nation-state, having a strong tradition of statehood which appeared in the aftermath of the First World War, not an artificial central European and Middle Eastern state, and for this reason ‘Turkey cannot be a sideline country of the Western powers. Turkey must be an international player on the ground’ (Davutoğlu, *The Clash of Interests; An Explanation of the World (Dis)Order*, 1998).

In fact, Neo-Ottomanism is to create a welfare area dependent on the leadership and balancers effect of Turkey at the intersection of Eurasia and the Middle East. Turkish foreign policy after 2002, is based on the strategy to become a regional power through acting and shaping on large geography to keep under control, in terms of playing a key role in relations East and West. (Murinson, 2006) Moreover, Neo-Ottomanism, broadly, is defined as a new civilization project with multinational, multicultural and religious diversity in Ottoman space under the leading of Turkey to establish political alliances accordingly the regionalization concept of increasing importance after the 90s. (Kirişçi, 2009) Even Davutoglu, showing examples of the organization founded by the British Commonwealth, is noted to have said that Turkey could establish the Ottoman Commonwealth. (Milliyet, 2010)

On the other hand, it is clear that historical events in the late Ottoman period have had negative impact on the memory of the peoples of the region. In addition, decision-makers are aware that the Ottoman word can create an imperial perception and this strategy can be criticized by the West. For these reasons, Davutoglu has not defined his foreign policy strategy as Neo-Ottomanism. Ultimately Neo-Ottomanism has criticized by Turkey's secular and foreign governments over whether Turkey breaking away from the West. (Adam, 2012) Some scholars, such as İlber Ortaylı and Kemal Karpat, have claimed that Turkey has no economic capacity and intellectual accumulation to resurrect the Ottoman Empire again. (Ortaylı, 2011)

#### **IV. Foreign-Policy Practices of Neo-Ottomanism**

In the context of Neo-Ottomanism, Turkish Foreign policy has been conducted in three phases. Firstly, economic cooperation with countries that claims to be regional powers, such as Russia and Iran through the restoration of historical alliances; Along with the continuation of the alliance with the US and EU countries, the East-West balance has tried to be protected through economic cooperation with new emerging countries such as China and India, in accordance with, Turkey has declared its intention to join the Shanghai Five. (Reuters, 2016) Despite the economic sanctions imposed on Iran, Turkey has kept border trade going. Secondly, the expansion of the domain over the former Ottoman lands: to increase Turkey's interest in Muslim countries; (Davutoğlu, *Stratejik Derinlik*, 2001) especially close relations were established with Sunni groups in Syria and Iraq. The termination of the historical animosity in the Caucasus, Turkey is intended to play a mediator role. Turkey has taken diplomatic steps to solve the historical problems with Armenia. (The New York Times, 2008) In order to achieve regional stability in the Balkans, besides NATO missions, it has taken responsibility to decrease tension through economic agreements with countries such as Serbia. Thirdly, to develop

relations with the regions in which the Ottoman Empire could not reach in order to become an international actor; (Davutoğlu, *Stratejik Derinlik*, 2001) (Murinson, 2006) In line with the role of the Muslim world leadership, not solely with Afghanistan and Pakistan, as well as countries such as Malaysia, Indonesia has been in contact. Economic aid has been provided to Somalia and other weak countries in Africa through Turkish non-governmental organizations. In Central Asia, Turkey has offered an economic model by way of Turkish businessmen and Turkish enterprises. In Central and South America, small-scale assistance was provided by Turkish state-funded institutions (TIKA).

## **V. Conclusion and results**

Firstly, the paper investigated how Neo-Ottomanism emerged as an ideology and started to influence the foreign policy decision-making process. Neo-Ottomanism is the fundamental ideology that influences decision making processes in Turkish foreign policy after 2002. Ideology has emerged in order to diversify Turkey's foreign policy instruments in line with the changing international order. Following, the dynamics of the Neo-Ottomanism it tried to explain via a broadly literature review within the text. Ahmet Davutoğlu, who is a Professor in the field of international relations and then Prime Minister of Turkey, which draws the framework of the ideology of Neo-Ottomanism. Neo-Ottomanism refers to Turkey as a regional power by leading the people of Ottoman's former space. Finally, practices of the Neo-Ottomanism examined through three phases as the restoration of historical alliances such as Russia and Iran, the expansion of the domain over the former Ottoman lands and to develop relations with the regions in which the Ottoman Empire could not reach.

As a result, Turkey has destroyed the status quo in its foreign policy and started to pursue revisionist and pro-active foreign policy within the scope of Neo-Ottomanism after the millennium as seen in the case of practices of Turkish foreign policy.

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## **The Turkish Neo-Ottomanism: A Disengagement from the European Union?**

### ***Abstract***

*Turkey/ EU relations have been widely subjected to the concept of being inconclusive with reoccurring problems including vetoes of chapters, reciprocal disappointments, and discouragements. In this sense, Turkey- apart from its geostrategic, geopolitical and security potentials- represents a unique case along with two-sided disappointments, its domestic challenges ranging from coup d'états, rule of state of emergency to the recent alleged inclination of authoritarianism which manifested itself with the Neo-Ottomanism within the direction of Turkish foreign policy. Thus, this article aims to analyze Turkey-EU relations from an identity perspective which is believed as a critical tool in understanding the States' foreign policies. It will investigate the extent to which the search for a new identity has affected the public support to Turkey's EU membership. To this end, this paper will answer how the support for EU membership was shaped by this search for new alternatives in foreign policy. In this sense, it will explain how neo-Ottomanism and Euroscepticism did go hand in hand.*

**Keywords:** Turkey/EU relations, Neo-Ottomanism, Turkish Foreign Policy, European Union, Euro-scepticism

### **I. Introduction**

Throughout the categorization of different phases of Turkey-EU relations made by scholars, the prominent feature is its proceeding at a snail's pace with many ups and downs. That has been clear from the beginning of the relations in 1959 to the stage of starting accession negotiations in 2005 and to the present. Following years, especially after the accession negotiations started, have witnessed to the successive blockage and vetoes to open chapters related to the core policy areas (Phinnemore and İçener, 2016: 448). In this respect, the status quo of relations i.e. continuity of ebbs and flows without any rapprochement between Turkey and the EU have been the characteristics of the bilateral relations. These developments led the increase in Euroscepticism in Turkey which was aggravated even more with the emergence of the concepts of 'enlargement fatigue' in general and 'privileged partnership' in particular which was offered Turkey as an alternative to the full membership. The French President and German Chancellor prominently supported the concept. The dangling status of any perspective for the full membership and the power consolidation of the Justice and Development Party (AKP) in 2007 elections led to the further apathy to the commitment to comply with the EU acquis. At that point, there has also been a concrete change in Turkish foreign policy which has led to the further estrangement of Turkey from its EU path. In this respect, as Yaka (2016:155) argues that pro- European stance has faded away in Turkey with AKP's consolidation of power in the successive elections. The new foreign policy focus would be closer cooperation with the

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Middle East, Asia and Africa (Usul, 2014: 283). Moreover, the foreign policy shift of AKP from a strong commitment to lukewarmness to EU membership has been supported with the discourses belittling EU's and exaggerating Turkey's global power (Keyman and Düzgit, 2013: 279).

In this direction, it became known that within the volatile domestic and international context, Turkey has recently engaged in search for a new place and a new identity itself which manifested itself with a dramatic drift in its foreign policy priorities and directions that had been traditionally based on Turkey's firm Western orientation with a 'secular identity'. That is why one of the most vivid outcomes of such a search would result in weakening its relations with the European Union (EU). In this respect, this paper investigates how this new search of identity called mostly referred to as neo-ottomanism has affected the EU-Turkey relations from the Turkish public opinion perspective. It argues that while neo-ottomanism has led the redefinition of foreign policy priorities at the international level, it triggered the decrease in public support level regarding the EU membership of Turkey in domestic politics. As opinion polls revealed that public support for EU membership has been consistently low especially for the last five years. This paper argues that it can be explained with the redefinition of the State's foreign policy. In this respect, it became evident that belonging to and identification with Europe has dramatically decreased in the eyes of the Turkish people.

## **II. Research Design and Methods**

This research utilizes survey data in order to trace Turkish public opinion regarding EU membership in recent years. To this end, it will adopt secondary data collection. As it will be not primary data collection, the overall and specific suitability of the data to the research objective should be carefully evaluated. There are few empirical studies on Turkish public opinion towards EU membership (Çarkoğlu & Kentmen, 2011: 365). Moreover, systematic data collection in line with the scientific principles has started only at the beginning of the 2000s (Senyuva, 2006). Within these limitations, to collect the data from the target population this research selects the European Commission's official opinion pool i.e. Eurobarometer surveys which offer in-depth thematic research in various fields with strong reliability and validity. They have a 95 percent confidence level. Eurobarometer surveys included Turkey in their research in 2001 which provides suitable ground for the main objectives of the research. In order to maximize overall and specific suitability of the research, questions putting emphasis on the perception of the public will be given the priority.

## **II. Results and Discussion**

One of the most dramatic repercussions of the foreign policy drift has been on Turkey's path to EU membership which turned out dead-end relations during the course of time. However, that was in fact very much stemming from two-sided disappointments for both sides. In this regard, while foreign policy direction is attributed important in affecting the internal politics as a tool to estrange the public from the West, there has also been another important factor stemming from the EU side which has been lacking credible enlargement strategy, especially regarding Turkish accession resulted in series of disappointments for the Turkish public. As revealed with the secondary data collection of Eurobarometer surveys, Turkish public opinion has remarkably shifted to take a negative turn recently. The chronological review suggested that the fluctuating characteristics of the public support have been hinged on the promising or disappointing political developments affecting both the reciprocal relations and the public support. Yaka (2016: 149) argues that public opinion has been commuting between enthusiasm and alienation because of the ups and downs of mutual relations.

According to Eurobarometer surveys, public support has been at its highest point with 71% in 2004 in the aftermath of the boosted relations with mutual commitments and compromises that led to the opening of accession negotiations in 2005. After then the support has started to decline from 2006 onwards when the tension increased with the European Council's decision to not to open eight chapters and not to close any chapter before Turkey fulfilled its responsibilities. As Bal (2016: 23) put it correctly that the Additional Protocol has become both opening and closing criterion for all the chapters.

Another vivid example of public opinion shift can be given in the aftermath of the European Refugee Crisis of 2015. The political engagement and dialogue between the EU and Turkey have increased along with mutual visits and joint summits. The summit of the October 2015 drew an outline for the joint action including financial support to Turkey for the accommodation of the refugees and visa liberalization and opening of the new chapters. In this direction, the Action Plan was activated at the 29 November Summit and the EU agreed on opening new chapters and a roadmap for the visa liberalization. Accordingly, Chapter 17 on Economic and Monetary Policy was opened on 14 December 2015. As a result of these developments, the relations between the two parties have revitalized. That is why the public support has increased to 39% until the 2016 fall survey results in the aftermath of the failed coup attempt of July 15th, 2016 that resulted in major drop. Senyuva (2018: 6) interprets such

a decrease in public support came with the EU's aloofness to support the democratic values in Turkey.

### III. Conclusion

This research investigated the Turkish public opinion change on Turkey's EU membership over the recent years as to understand whether it was shaped by the new foreign policy priorities based on a search for new alternatives of the State. As revealed by the survey results, the search for a new identity, alternatives and alliances are not, in fact, the main factor in shaping the fluctuating characteristics of Turkish public support to EU membership. Rather the role of the promising or disappointing political developments between two partners has been the main factor in changing the public opinion on EU membership. In this respect, a prominent feature of the public support is that it shows recurring ups and downs which is similar to the fluctuating character of the bilateral relations that have not grown steadily from the very beginning.

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**CHAPTER III**  
**Sustainability and environmental challenges**

## **Is This The Trend to a Better Future?**

### **Abstract**

*In the twenty-first century, climate change has become the “Challenge of Our Generation.” With the onset of the Anthropocene, when time is not in favour of mankind, a fundamental reorganization of our relationship with the ecosystem is needed. As a result of scientific research, the awareness of the contribution of emitted greenhouse gases to climate change has grown. The main contributor by sector, energy generation, and by country, China, is easily determined.*

*The objective of this paper to examine China, as the biggest greenhouse gases emitter, endeavour to mitigate its contribution to Anthropocene climate change, in light of the fact that it makes climate pledges, and restructuring actions within its energy generation systems, to reduce emission levels.*

*By applying trend analysis, the paper answers the question of whether we can be confidently optimistic about the Chinese commitment to climate change mitigation.*

*The results show that the Chinese commitments are ambitious and competitive compared to the efforts of developed countries. However, in the fight to reaching the maximum 1.5°C above pre-industrial level, China’s current path is not effective enough. If we go along with adopting loopholes to our climate change mitigation, we are risking diving into a future from which we cannot easily return.*

**Keywords:** *Climate Change, Energy Generation, Renewable Energy, China*

### **I. The Challenge of Our Generation**

On October 17<sup>th</sup>, 2017, five Anglican archbishops drew attention to the need of strong actions to fight climate change, with an open letter to global leaders. This letter contained the archbishops’ concerns about the threat of climate impacts on vulnerable communities worldwide, by branding climate change as the “challenge of our generation”. The letter which became a petition, with currently more than 4100 signatories, called for the leaders of each nation to keep their promises that they had made in the Paris Agreement. They made request for fast action in case of the reduction of greenhouse gases emissions, use of clean energy, support of sustainable agriculture and accountability (UNFCCC, 2017). This example represents the level that global consciousness had reached in the case of the climate challenge.

How could we reach that awareness level? Since the first report of the Club of Rome (1972), the Earth Summit (The United Nations Conference on the Human Environment 1972) and the World Climate Conference, scientists have been doing research to identify the potential consequences of human-induced or so called anthropogenic climate change, with increasingly higher confidence. Since its establishment in 1988, the Intergovernmental Panel on Climate

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Change (IPCC) publishes its Assessment Reports to assess scientific, technical and socio-economic information, and to verify the risk of climate change by scientific evidence (UNFCCC, 2019).

The last IPCC report from 2018 states with high confidence that even the 1.5°C increase in the average temperature above pre-industrial levels until the end of this century, causes irreversible and significant changes. In 2017, the human-driven warming has already reached 0.8°C to 1.2°C increase above pre-industrial levels, which is most likely increasing by between 0.1°C and 0.3°C per decade (IPCC 2018, pp. 51). According to the latest news, CO<sub>2</sub> concentrations have reached 415 ppm (450 ppm is equivalent to the 2°C level) (LANDY-GYEBNÁR, 2019).

**I.1. Global tendency of Greenhouse Gas emission**

It is globally accepted that anthropogenic greenhouse gas (GHG) emissions, most importantly carbon dioxide (CO<sub>2</sub>), have been responsible for most of the warming (IPCC, 2007; STEFFEN, 2011). From economic sectors, electricity and heat production is responsible for approximately one third of the GHG emissions, followed by agricultural and industrial sectors (IPCC, 2014:47). As *Figure 1*. indicates, current energy consumption is mainly covered by non-renewable resources, such as coal, petroleum and other liquids, are highly carbon-intensive. Their share is not expected to significantly decrease within the total energy demand of the future, which is constantly growing according to projections, as a result of rapid economic development (IPCC, 2014:516). In 2018 Coal Drove Global CO<sub>2</sub> Increase of 1.7% (UNFCCC, 2019b).

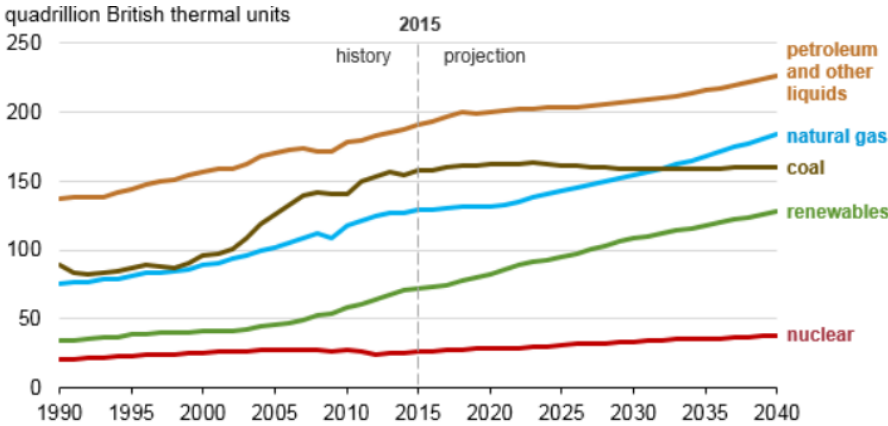


Figure 1: World energy consumption by energy source (1990-2040)

Source: U.S. ENERGY INFORMATION ADMINISTRATION, INTERNATIONAL ENERGY OUTLOOK 2017

## **I.2. Chinese contribution to the problem**

Regarding historical contribution, China became one of the top cumulative CO<sub>2</sub> emitters in the world at the millennium, following the United States and the European Union. In the period of 2001-2006, rapid economic growth had been dominating in developing countries (RAUPACH et. al., 2007). China was one of them with its 54% contribution to the global increase in CO<sub>2</sub> emissions (GREGG et al., 2008). In 2007, China had overtaken the US as the biggest emitter of carbon dioxide in the world in absolute terms, although in 2005 its emissions were 2% below the US (VIDAL, 2007). In 2014, Chinese carbon emissions per capita surpassed that of the European Union (MCGRATH, 2014). Regardless of how it is calculated, currently China's emissions represent the biggest share of the world's GHG emissions.

## **II. Chinese Response to the Challenge**

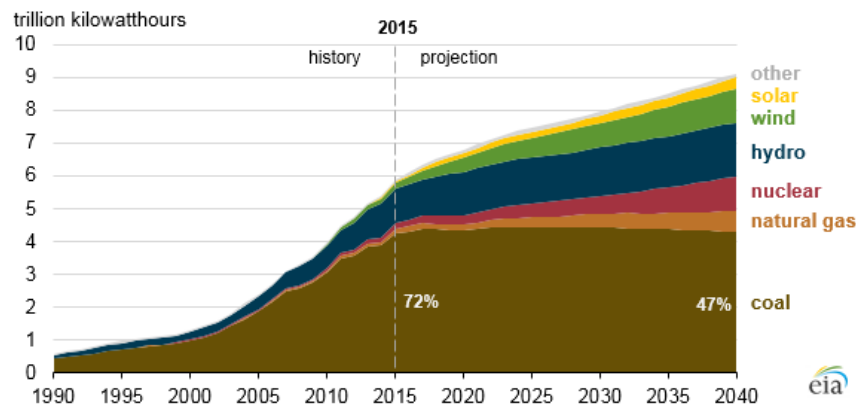
Regarding global actions in climate change mitigation and adaptation, the position of the biggest emitters is of key importance. This fact, in line with the withdrawal of the current American leadership from the Paris Agreement (UNFCCC, 2017b), has increased the global pressure on China to take its responsibility seriously. During the Kyoto Protocol, China was a Non-Annex I Party with no binding commitments to cut its emissions. Since Kyoto, China has been taking more serious commitments to fight climate change. In the Copenhagen Accord, China pledged to lower its CO<sub>2</sub> emissions per unit of GDP (so called carbon intensity) by 40–45 per cent by 2020, compared to the 2005 level and to increase the share of non-fossil fuels in primary energy consumption to around 15 per cent by 2020. China stated, though, that these actions are voluntary in nature (UNFCCC, 2011). With the signature and the ratification of the Paris Agreement on 3<sup>rd</sup> September, 2016, China expressed in its Nationally Determined Contribution (NDC) to peak its CO<sub>2</sub> emissions at the latest by 2030; to source 20% of its energy from low-carbon sources by 2030, and to cut its carbon intensity by 60-65% of 2005 level by 2030 (UNFCCC, 2016).

## **III. Recommendation**

Due to the ambitious commitments of China in shifting to low-carbon energy sources, lowering carbon intensity of the country, promoting CO<sub>2</sub> neutral transportation, supporting climate finance (TIANJIE, 2017) and setting up bilateral agreements, China is on the way to meet its NDC targets under current policies (UN, 2018). These pledges represent a significant improvement in the Chinese commitment; however, the current path is not effective enough.



As *Figure 2* indicates, there is a pitfall, because the projected growth of energy demand seems to result in a significant rebound effect, meaning that low-carbon energy resources will only cover the additional demand instead of substituting and reducing the use of coal intensive energy generation.



*Figure 2: Annual electricity generation in China (2005-2040)*

Source: U.S. ENERGY INFORMATION ADMINISTRATION, INTERNATIONAL ENERGY OUTLOOK 2017

To achieve an effective pathway, China should decrease its energy demand while, simultaneously, increasing the efficiency and the renewable share of energy generation, to produce the necessary amount of energy with less emission. Only those combined efforts make the realisation of the Chinese NDC realistic and only then we can be optimistic.

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## The role of circular economy in handling global environmental and economic challenges

### *Abstract*

*The concept of Circular Economy (CE) is a crucial element in handling the most important global environmental and economic challenges of the 21st century. Circular economy can be considered as an alternative to traditional linear economic systems at global level. This research is performed along the following baseline question: is the model of circular economy an appropriate tool for rethinking economic growth, and enhancing sustainability by changing attitudes towards production and consumption patterns? The investigations are also about exploring the cases where the contemporary best practices of CE can be identified in a global context. The paper focuses on the implementation of circularity in the industrial sector. The methodology is based on literature review, examination of case studies and qualitative research (interviews with stakeholders, NGOs and companies). The results of the research can be expected to be relevant at regional, national and global level too, as CE may play a significant role in creating new jobs, supporting social inclusion, and contribute to the catching-up processes of local communities, regions and less developed countries as well.*

**Keywords:** *Circular economy, sustainability, economic growth, industrial production, industrial symbiosis*

### **I. Introduction**

The concept of circular economy (CE) is a very important new paradigm of sustainable development, aiming at closing the loop of material and resource flows. The key elements of the model are resource-efficiency, low-carbon economy, sustainable waste management systems, production and consumption (TUKKER, 2015).

The model is aiming at supporting not only the environmental, but the economic and social dimensions of sustainability as well. Regarding environmental sustainability, CE may contribute to a higher level of resource efficiency, a lower amount of waste production and using more renewables. In terms of economic benefits, saving energy costs and creating new jobs are the most important aspects to mention. Circular economy might have a lot of social added value too, since it can enhance networking between many different actors involved, such as stakeholders, NGOs, companies, civil society etc. (KORHONEN et al., 2018).

Circular economy can be considered as an alternative to traditional linear economic systems at global level. There are a lot of examples from all over the world where the concept of CE appears not only in theory, but in policy-making processes and in practice as well. The European Union is moving very intensively towards CE, and so do many other countries, such as China, where circularity plays a crucial role in national (governmental) economic and environmental strategies (Ellen Macarthur Foundation, 2013).

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## **II. Research questions**

The research is performed along the following baseline question: is the model of circular economy an appropriate tool for rethinking economic growth and enhancing sustainability by changing attitudes towards production and consumption patterns? The investigations are primarily about exploring and analysing the cases where the contemporary best practices of CE can be identified in a global context. The research focuses on industrial production as one of the most relevant aspects of CE. Consequently, there are two further specific research questions to examine: How can industrial sustainability be interpreted in the light of the circular economic model? How can CE be applied in the practice of industrial production?

## **III. Methodology**

The methodology is based on literature review, examination of case studies and qualitative research (interviews with stakeholders, NGOs and companies). The literature review focuses on the most recent and relevant sources which give a complex, multidisciplinary, general overview of the research topic. Some of the reviewed literature presents case studies from different parts of the world which are especially important to analyse international best practices and policies. The empirical part of the research includes qualitative interviews with stakeholders, NGOs and industrial companies which are potentially interested in and effected by the concept of CE. These interviews contribute both to a deep case study analysis and to the better understanding of the policy context of the examined topic.

This research is linked to a research and development project dealing with the smart specialization opportunities of a Hungarian region, Central Transdanubia<sup>16</sup>. Within the framework of this project, Székesfehérvár, one of the biggest industrial centres of Hungary has been examined and evaluated through qualitative interviews conducted with local companies from different industrial parks.

## **IV. CE and industrial sustainability**

The connections between the concept of circular economy and the practice of sustainable industrial production can be examined through the operation of industrial parks in different parts of the world. Industrial parks have gone through a rapid evolution since their first appearance a few decades ago. This evolution does not only include the development of

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<sup>16</sup> EFOP 3.6.1 Research Into Networks Providing Public Services and Producing Policies: The role of industrial parks and circular economy in sustainable municipal development – The case study of Székesfehérvár (HU).

technology, but a very conscious economic, environmental and spatial planning as well. Since the 1990s, the number of the so-called eco-industrial parks is increasing worldwide. These institutions are based on new, innovative solutions, and contribute to the renewal of traditional industrial sectors. The eco-parks are appropriate tools for creating high value added in environmental, economic and social terms as well, paying special attention to the protection of natural resources and ecosystems. That is why it can be stated that eco-industrial parks include the key elements and aims of the model of circular economy (CONTICELLI et al., 2014).

When examining eco-industrial parks, the concept of industrial symbiosis (IS) must necessarily be taken into consideration. The essence of IS is a sustainable, resource- and cost-efficient industrial production through creating synergies between economic, governmental and civil actors, in order to support sustainability (CHERTOW, 2000).

## **V. Case studies and best practices**

As mentioned in the *Abstract* and the *Methodology* part of this paper, numerous case studies and policies have been analysed during the research. Best practices e.g. from the Scandinavian countries, the UK, the United States and China have totally different characteristics, but all of these show a kind of progressive and innovative point of view: making the production 'smarter', more efficient, more environmentally friendly, and utilizing the potential synergies and positive externalities of CE and IS. The main difference between the examined case studies is whether the projects are based on a top-down or rather a bottom-up principle. The Chinese practice is a typical example for the top-down approach, since CE is a focal point of the country's national (governmental) economic and environmental strategies and industrial development programs (QI et al., 2016).

Such initiatives are not unknown in Hungary either, since the country managed the National Industrial Symbiosis Program between 2010 and 2012. The Hungarian NISP completely adopted the model which was born in the UK in 2005 (LAYBURN, 2016). The project connected and created synergies between Hungarian industrial companies, contributed to new partnerships, supported industrial symbiosis and sustainable resource and waste management (BRÁNYI, 2012).

In order to get familiar with the future opportunities of circular economic models in the Hungarian industry, and to see its position in a global context, Székesfehérvár, one of the country's most prosperous industrial centres has been examined as a very detailed case study.

## **V.1. The case study of Székesfehérvár (HU)**

The aim of the qualitative research in Székesfehérvár was to examine whether there are some already existing progressive and sustainable production patterns or best practices in the city, and what are the possible scenarios of developing an eco-conscious industrial center to enhance the competitiveness of Székesfehérvár. The interviews concentrated on the management of the companies in Székesfehérvár's industrial parks. The questions were aimed at measuring the interest and involvement in CE and sustainable industrial production, examining attitudes towards the development of industrial ecosystems and the possible cooperation networks with other companies and the local government. The research studied the concept of sustainability from the point of view of Székesfehérvár's industrial companies. Environmental sustainability was considered to be important: all of the examined companies found circularity and 'closing the loop' relevant, but in very different ways – a high variegation of practices could be detected. The firms were primarily concentrating on resource and waste management: recycling and reusing material and waste; finding optimal solutions and closing the loop of material flows – but only within the company's own production structure and supply chain.

Cooperation and common future planning between the companies already exist, but mainly in an ad-hoc form. Informal sharing of knowledge and experience is very important in the field of environment protection and sustainability as well. The institutionalization of platforms of joint actions is in a very early (immature) phase, but the need and intention appears at many enterprises. Industrial symbiosis and eco-projects are absolutely marginal for now, but there is a theoretical willingness of moving towards such a development – mainly depending on cost-benefit analysis and financial rationality. The interviews did not identify explicit rejection of the concept of CE and industrial symbiosis. It turned out from the answers that the attitude most of all depends on two factors: the ownership (100 % Hungarian or foreign) and the size of the company. The bigger the company is, the more attention is paid to making the production sustainable. Another important research output is that the environmental responsibility is much more stressed in the case of multinational companies, because they can get the know-how from the parent company – mainly from Western Europe.

## VI. Conclusions

The research results so far confirm that the model of CE and its industrial dimension might be a determining trend of the future's development policy. Initiatives to achieve a more sustainable industrial production could create a dense cooperation network between the public and the private sector, and open up new perspectives of resource-efficiency and environment protection. It seems to be even more obvious that making the economy circular and adopting symbiotic models will play a decisive role in which regions or countries will be able to rise and catch up to the most developed ones in the following years. The crucial point is to have favorable regulation, financial resources, technology and institutionalized cooperation which can support the spread of CE. This will definitely influence the global competition between the three 'great players' (the EU, China and the USA), and the sustainability and competitiveness of the Hungarian economy as well.

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## The relevance of renewable energy sources in the convergence process of CEE<sup>18</sup> countries

### Abstract

*The aim of the research is to publish a comprehensive study of the relevance of renewable energy sources in terms of catching up in the Visegrád countries, including Hungary, from the aspect of economics, geographics and geopolitics. Convergence is hampered by the lack of relevant economic power in Central Europe and the Carpathian Basin, since the fall of the economically and industrially strong Austro-Hungarian Monarchy. The economic weight of the former Monarchy could be taken over by the expanded Visegrad Plus Cooperation, which could create a more favorable energy market by coordinating energy policy and energy management. In the catching-up process, the energy sector, including renewable energy sources, has a relevant role. Earlier research has also shown that in developed countries, there is a significant correlation between renewable energy and economic growth, especially in Central and Eastern Europe and Hungary. My goal is to determine the relevance of certain non-fossil energy sources in domestic convergence processes. Additionally, compiling an optimal renewable energy production portfolio for Hungarian economic growth based on the panel econometric results of countries with successful catch-up experience.*

**Keywords:** convergence, renewable energy sources, panel econometrics, Central and Eastern Europe, Hungary

### I. Introduction

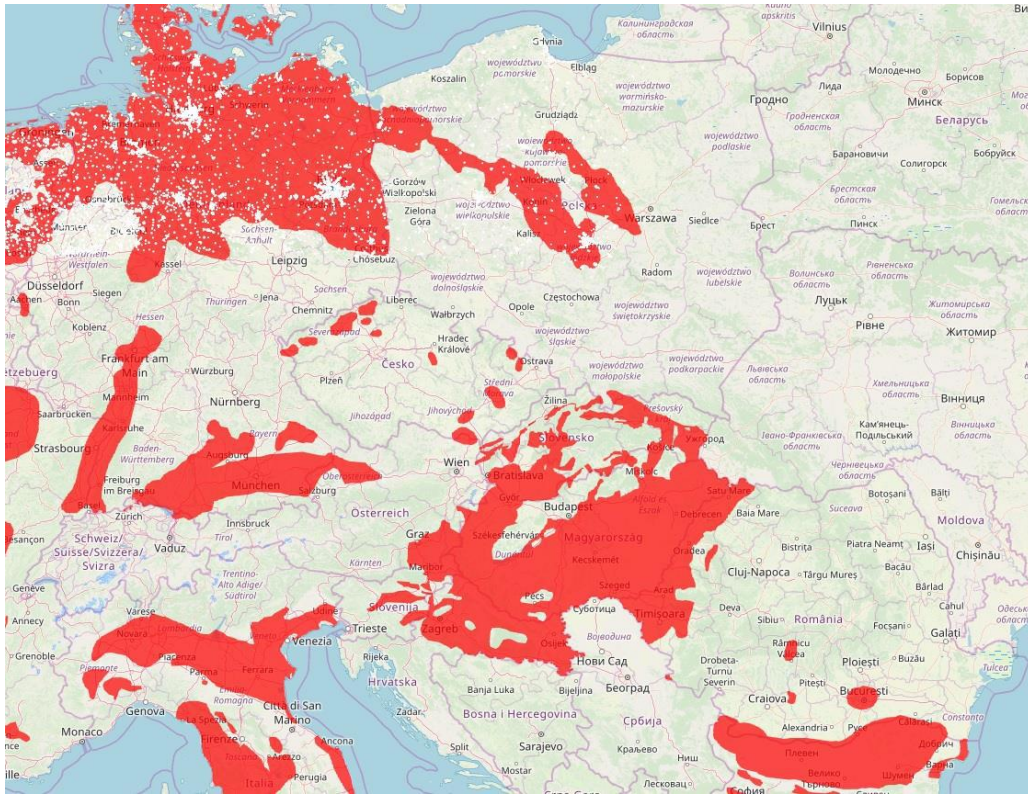
To begin with geothermal energy, it is the internal heat of the rocks that make up the solid bark of the Earth, and its source is the constant flow of heat from the magma. Depending on volcanic and tectonic activities on Earth, active and passive geothermal zones are distinguished. Hungary and the neighboring countries belong to the passive geothermal zone, Hungary has outstanding geothermal features (SEMBERY – TÓTH, 2004).

If we look at *Figure 1*, it can be clearly seen that the territory of the Hungarian Kingdom before Trianon covers nearly all of the potential geothermal energy in the Carpathian Basin. Even with the current division of space, the most relevant factor is Hungary, even Poland, Slovakia and Croatia - with regard to the CEE region - have considerable potential. In the Czech Republic and Romania, the importance of geothermal energy is negligible, but in the case of closer regional cooperation, it could contribute to the production of energy from renewable energy sources.

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<sup>18</sup> CEE countries: Central and Eastern European countries



*Figure 1: Areas with geothermal potential in Central Europe (red areas)  
Source: Edited by me based on HEATROADMAP.EU (2019)*

In addition to non-fossil energy resources, wind energy could have a relevant role, but mostly in the northern part of Central Europe, especially in Poland, Czechia, Slovakia, Northwestern-Hungary and some parts of Romania. For solar energy mostly Hungary, Romania and Croatia are appropriate countries.

## II. Renewable energy resources in Central Europe

Hungary produces 13 % of its total gross final energy consumption by the use of renewable energy sources. In Slovak Republic and Poland this ratio is 11, in the Czech Republic it is 15 %. Surprisingly, the 24% of the Romanian energy needs are covered by non-fossil energy, for Croatia this ratio is 27%. The Scandinavian countries and Latvia are at the forefront (*Figure 2*).

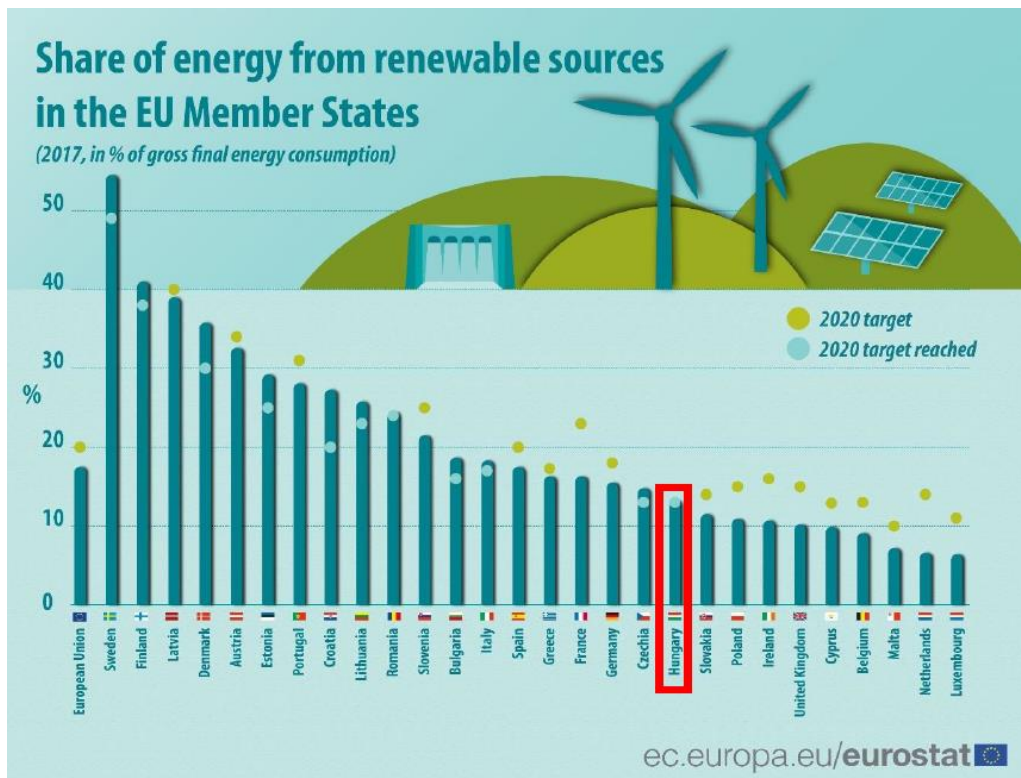


Figure 2: Energy from renewable energy sources in per cent of gross final energy consumption, 2017  
 Source: Edited by me based on EUROSTAT.EU (2019a, 2019b)

Within renewable energy sources, the share of geothermal energy can be measured in five countries, of which there are only two countries that are close to or above 1 per cent. One of them is Italy, where the amount of gross electricity (produced in GWh) generated by renewable energy sources is 7%, in Portugal 1% of non-fossil production. In Hungary – despite our excellent aptnesses – this percentage is 0,1 percent.

**Sun, Wind, Biomass!**

**III. Hungarian exceptionalism: geothermal energy**

Hungary's favorable geothermal features are based on the fact that under the Carpathian Basin 20! kilometers thinner the earth's crust (24-26 kilometers thick) than the rest of the world, and for 1 degree Celsius increase – inside, down – in the Carpathian Basin 15-18 meters are needed, while the world average is 33 meters. It is also a positive thing that in the thick sedimentary rocks (5-10 kilometers) of the Carpathian Basin there are a significant amount of layer water resources available (SEMBERY – TÓTH, 2004).

In Hungary only deep layer waters are utilized, surface water with a surface temperature higher than 30 degrees Celsius is called thermal water. The energy utilization of the target covers two major areas:

- Electricity production: transforms the heat of the geothermal fluid (thermal water, gas, or their mixture) into electricity,
- Direct heat recovery: Thermal water is used directly without transformation (air heating) (SEMBERY – TÓTH, 2004).

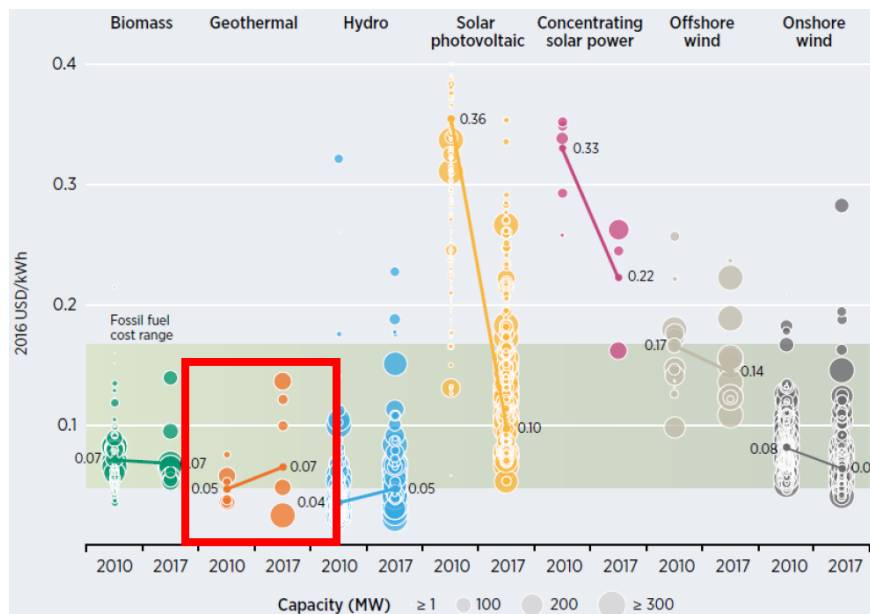
For the quantification of geothermal energy, the heat flow density can be used, which shows the amount of heat flowing through the unit surface per time unit. The global average is 87, the European average is 70-90 mW/m<sup>2</sup>, and the typical value in Hungary is between 80 and 120 mW/m<sup>2</sup> (ELTE.PROMPT.HU, 2019).

## IV. Hungarian exceptionalism: geothermal energy

### IV.1. Cost-side analysis

In terms of geothermal energy, the cost of production per kilowatt hour is decisive and is expressed in US dollars in international comparison. On the basis of comparison with renewable energy sources, it can be said that the cost of generating geothermal energy, especially in the case of a high-capacity (300 MWh) power plant, is one of the most favorable (0.03 USD / kWh), as it can be seen at *Figure 3*.

Not only in terms of comparison with renewable energy sources, but also in comparison with fossil fuels the generating cost of one kilowatt-hour electricity in the case of geothermal energy one of the most favorable. The price is lower than the energy produced by some natural gas and nuclear power plants.



*Figure 3: Average cost of renewable energy by type of energy, 2017*  
 Source: Edited by me based on IRENA.EU (2018)

## IV.2. Energy sources and convergence processes

One of the basic models used for economic growth is the Solow model. Equation of the base model describes economic output as a total dependence on technological development ( $a$ ), capital ( $K$ ) and labor ( $L$ ), as a Cobb-Douglas type production function:  $Y_t = A * K_t^\alpha * L_t^{1-\alpha}$ . According to the model, the economy can grow if technology ( $A$ ) develops and / or the level of available capital ( $K$ ) and / or labor ( $L$ ) increases. The value of ( $\alpha$ ) does not change according to the model's conditions.

MANH-HUNG – PHU (2008) uses a modified, extended form of the Solow model mentioned in the previous paragraph. The equation of the transformed model is  $Y_t = A_t^\theta * K_t^\varepsilon * L_{Y,t}^\gamma * Q_t^\alpha * R_t^\beta$ , where  $L$  is the workforce, which can be involved,  $Q$  is the fossil,  $R$  is the renewable energy source assigned. For exponents it is true that  $\varepsilon, \gamma, \alpha, \beta > \theta$ ,  $\varepsilon + \gamma + \alpha + \beta = 1$ . Two extreme cases can be described: if  $\alpha = \theta$ , then all technological developments are renewable, if  $\beta = \theta$ , then they are used for non-renewable energy. After maximizing and partial differentiating the equation of the extended Solow model, it is possible to determine the level of technological development, capital, labor, fossil and renewable energy that is ideal for the economy.

MANH-HUNG – PHU (2008) observed 27 OECD countries<sup>19</sup> to meet the levels of renewable energy sources as the amount of energy from nuclear, hydroelectric, geothermal, renewable fuels and waste energy, solar and wind energy, and tides and waves from the ocean. In the comparison, data on per capita purchasing power recorded at 1996 USD prices were taken into account for consumption, capital stock and GDP.

MANH-HUNG – PHU (2008) panel regressions have shown that the ratio of the emissions' share to capital stock and the average growth distribution of per capita consumption of renewable energy sources are relevant at the significance level of 5 and 10 per cent, so the increase in the consumption of non-fossil energy per capita increases *ceteris paribus* GDP growth, by this the extent of catching up as well.

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<sup>19</sup> 27 OECD countries are the following: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

## V. Renewable energy sources and catching up in Central and Eastern Europe

MARIUS-CORNELIU ET AL. (2018) used a general autoregressive split-delay (ARDL) model in their analyzes. GDP was expressed as a function of renewable energy use and vice versa. Renewable energy use in terms of GDP and vice versa is relevant at all normal significance levels<sup>20</sup>. Quite precisely: a 1 percentage point increase in renewable energy consumption increases GDP by 0.66 percentage points, with all other factors unchanged. An increase of 1 percentage point of GDP will lead to an increase in interest in alternative energy sources, with a 0.32 percentage point increase in renewable energy consumption. (In the study, the partial regression coefficients are misinterpreted!)

At the same time, we are faced with a long-term cointegration process, which means that we cannot determine the direction of the causal relationship between the movements of the two time series, but for a short period of time we can. In the short term, due to the investment costs of renewable energy sources, economic growth is temporarily decreasing according to the model; of the countries in the region, we cannot talk about Granger-causality in Hungary in the short term (MARIUS-CORNELIU ET AL., 2018).

My panelregression shows negative connection between the renewable energy's production share of total energy production and the total investment rate in per cent of GDP.

It can be interpreted in many ways. The consequence of increasing renewable energy production's share after a certain limit, no longer requires the realization of new energy investments. Furthermore, the use of renewable energy sources creates efficiency gains in energy production, thus it is not necessary to develop or maintain old type power plants. Of course, it is also possible that investments will increase nominally, but due to the relatively faster growth of the economy, the proportion of gdp is no longer.

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<sup>20</sup> Typical significance level: 1, 5 and 10 percent.



## VI. Conclusion

Real economy convergence effectiveness in the nation-state or regional integration framework is once again a priority in the new Cold War world economy. It does not matter how Hungary performs in this competition.

The countries of the region are small factors, individually, to have a relevant economic power within the European Union, but the problem is that they still have a non-significant weight together in economic terms. Faster catching up with the core countries of the European Union is only possible together with policies that are cross-border and cover a larger area.

The 6 countries of the Visegrád Plus Co-operation have different natural geographic features, which are really beneficial for the diversification of renewable energy sources. It is therefore advisable to develop a common energy strategy, an energy management system and a development policy. Panel regression results also showed a significant correlation between economic growth and the use of renewable energy sources, taking advantage of the specific features of each country, and a more favorable picture of the results in the models. Hungary is not in a bad position in the European competition for geothermal energy production, but it can still face serious opportunities by taking better advantage of its natural resources.

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## **CHAPTER IV**

### **Financial and monetary transformation of world economy**

## **Geopolitical aspects of the future transformation of the banking system**

### ***Abstract***

*From ancient times the world's financial innovation and banking centers have gradually moved from Asia to Western Europe and to the USA returning there – especially to China – at the end of the 20th century. Bubbles and crises in the history were always linked to the current leading global geopolitical and financial powers. The question is whether this trend will be maintained in the future and what global focal points will be developed by reorganizing the current geopolitical power structure. Based on my academic and practical research the growing, aggressive expansion of Fintech and Bigtech companies pose a threat to the traditional financial system and force the incumbent banks to transform their business models. China has established its own financial innovation giant companies, thus the competitors of the Chinese banks are not global but local companies, well controlled by the state and the banking supervision authority. China has a stable and innovative banking system with higher growth prospects than the Western developed countries. Based on economic, financial and demographic projections, the current trend will continue, so by 2030 the geopolitical weight of China is expected to further increase whilst the significance of the USA and mostly the EU will be gradually reduced.*

**Keywords:** banking, innovation, geopolitics, Fintech, China

### **I. Historical Overview – Financial Centers, Bubbles and Crises in History**

Both from geopolitical and geoeconomical (SIMAI, M. 2014) point of view, *one of the main pillars of the economy – with large contribution to the GDP – is the financial intermediary system* (GUDMUNSSON, 2008). *The development of money and financial systems coincided with the historical development of mankind, returning to antiquity.* As shown in Figure 1, the world's financial centers have gradually moved from Asia to Western Europe from the 14th century, then to the United States in the 19th century, after that they returned to Asia (namely Japan and China) in the 20th century.

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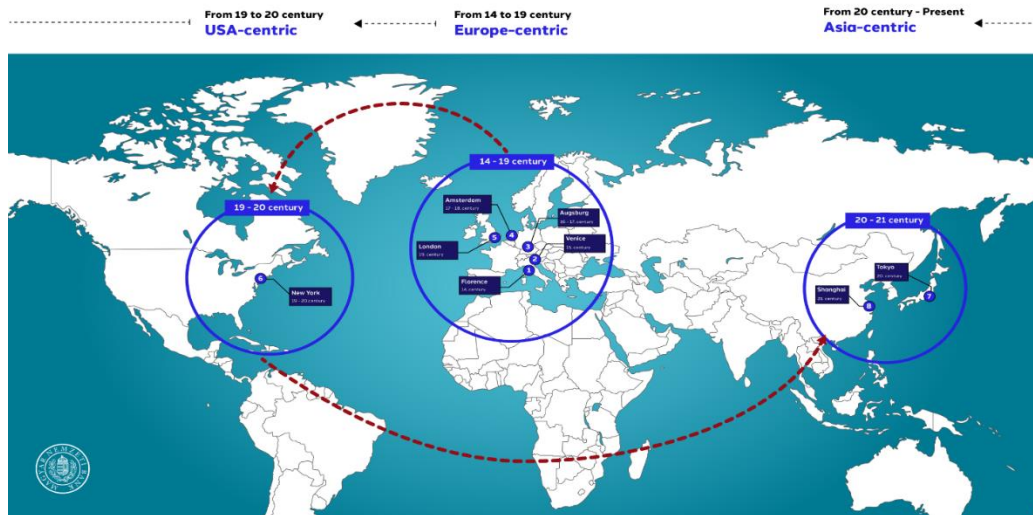


Figure 1: Changes in the financial centers of the world from the 14th century to the present  
 Source: FÁBIÁN, 2018, Competitiveness and growth potential of the Hungarian banking system

*Bubbles and crises throughout history were linked to the current leading global financial power, which leads to the conclusion that crises are inherent parts of the financial system.* According to Figure 2, crises from Europe were transferred to the USA in the 19th century, then to Asia in the 20th century. In the 21st century, two of the most significant bubbles and crises were launched in the US and became global in a short time. It is an open question whether the next crisis will emerge in China – as the aspirant for the role of geopolitical, commercial and financial world leader – taking into consideration the severe, controlled central government measures.

















17 century	18 century	19 century	20 century	21 century	
 1637   Netherland <i>Tulip mania</i>	 1720   England <i>South Sea Bubble</i>   1772   Scotland <i>Bank crises</i>	 1815-1866   England <i>Series of banking crises</i>    1873   US and Europe <i>Financial panic</i>   1809   USA <i>American bankruptcies</i>	 1929   USA <i>Great Depression</i>   1987   USA <i>Black Monday</i>     1997   Asia <i>Currency crisis</i>   1989   Japan <i>Bubble Economy</i>	 2000   USA <i>Dot-com bubble</i>   2008   USA <i>Lehman Shock</i>  	
LEADING FINANCIAL POWERS			USA	JAPAN	CHINA

Figure 2: Local and global financial crises in history  
 Source: FÁBIÁN, 2018, Competitiveness and growth potential of the Hungarian banking system

## II. Transformation of banking models – Digitalization, Fintech and Bigtech

From the 2000s due to IT innovations, new services have emerged in the digital space at accelerating pace in line with the expansion of the Internet of Things (IoT - Figure 3) which indicate the connection of individually identifiable physical objects and devices in a structure (INDUSTRY4, 2018) similar to Internet. *New technologies and services are changing industries, transforming business models, improving their efficiency, furthermore, offering new solutions to consumers that increase economic development in the medium and long term.*

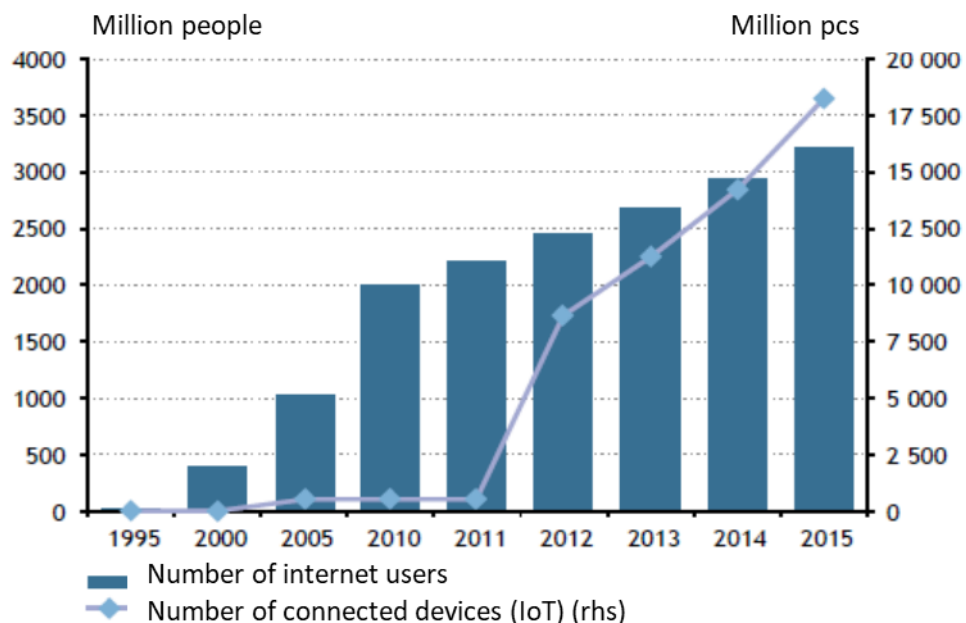


Figure 3: Number of internet users and devices connected via the internet  
Source: FÁBIÁN-VIRÁG, 2018, Banks in history – innovations and crises

*Fintech companies provide traditional financial services with innovative, high customer experience* (FINTECHZONE, 2019). Besides Fintech, Bigtech companies – called Bigtech ecosystem (SANDBOU, 2019) – carry out significant financial innovation activities with strong capital position without explicit regulation challenging the banks’ business models. *The importance of the top5 global Bigtech companies (Google, Apple, Facebook, Amazon, Microsoft) have increased significantly in the financial ecosystem* as they have data of billions of users which make them able to increase their sales revenues, in addition to provide customized financial services (APPLE, 2019) to their consumers.

Based on the European Banking Authority’s (EBA) survey on the European banking sector in 2018 (Figure 4), *Fintech companies target banks' retail business lines primarily on wealth management and lending side.*

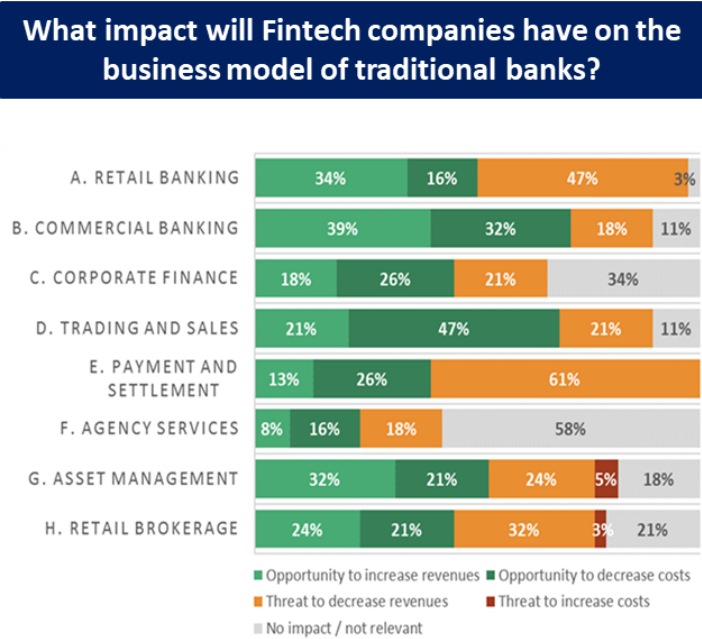


Figure 4: What impact will Fintech companies have on the business model of traditional banks  
 Source: EBA, 2018, Report on the impact of fintech on incumbent credit institutions’ business models

The growing, aggressive expansion of Fintech companies forces the incumbents (TEREKHOVA, 2017) to adapt their business models to the consumers’ needs in the absence of which they may lose clients resulting in significant revenue loss even in the short term. Banks have developed three forms of cooperation strategy regarding Fintech companies: *acquisition, partnership and incubation*. Within Fintechs, disruptor companies (MNB, 2017) pose a real threat to traditional banks who try to ‘internalize’ them.

Besides rising IT development costs and deteriorating profitability prospects due to lower margins and volumes, banks also face increasing regulatory requirements. *The challenge posed to the world's central banks is to define the regulatory requirements of Fintech and Bigtech companies considering competitive neutrality and consumer protection, while not hampering innovation but supporting it within a regulated framework.*

**III. What does the future bring from the geopolitical point of view?**

Bypassing the global Fintech and Bigtech players involved in the financial innovation (mentioned in the previous chapters), China has established its own social media platforms and financial innovation giant companies (Figure 5). The competitive advantage of China is that while global European and American banks have to compete with the currently unregulated global Fintech and Bigtech companies, *the competitors of the Chinese banks are not global but local companies, well controlled by the state and the banking supervision authority.*



Figure 5: Map of the Chinese social media & internet ecosystem  
 Source: ONNIXX (2016). A map of the Chinese social media & internet ecosystem

*Analyzing the GDP contribution of the world’s leading economic powers to global GDP, there is a strong correlation between this ratio and the size of the given financial intermediary system. According to Figure 6, the cumulated GDP of China and India was responsible for about 50% of the global GDP from ancient times until the early 19th century. Then this ratio fell significantly to 10% by the end of the 20th century. Since the early 19th century, the global weight of the US economy has steeply grown to 30%, followed by a decreasing trend since 1950. The most developed Western European countries clearly dominated the world economy from the mid-19th century until the end of World War I, then their contribution gradually declined similarly to the US economy. Currently, three geopolitical powers – Asia, the USA and the EU – are responsible for the same portion of global GDP (each about 20%).*

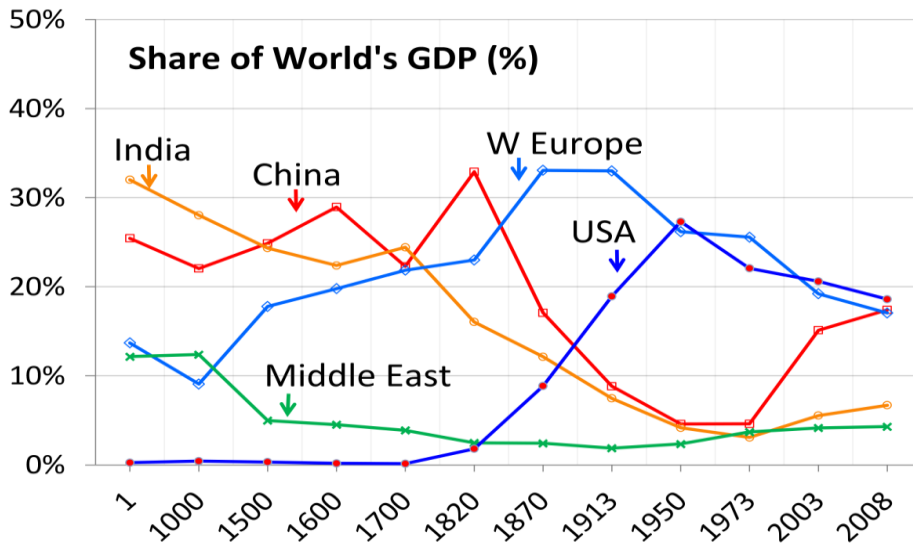


Figure 6: The global contribution to world's GDP by major economies (1-2008)  
 Source: MADDISON A. 2007, Contours of the World Economy I-2030AD, Oxford University Press

Similarly to the contributions to the global GDP, the world's financial centers have been constantly changing throughout history and the pace of the change has accelerated since the second half of the 20th century. Since the 1970s, the banks in the USA, Europe, Japan, and China have been dominating the global banking sector (Figure 7). As the speed of crisis management and recovery measures in the eurozone which was lagging way behind China and the USA after 2008/2009 the importance of the European banks have been gradually declining, as a result of which only two of them are currently among the ten largest banks (representing only one quarter of the assets of the top25 banks) in the world.

### Ten largest banks in the world

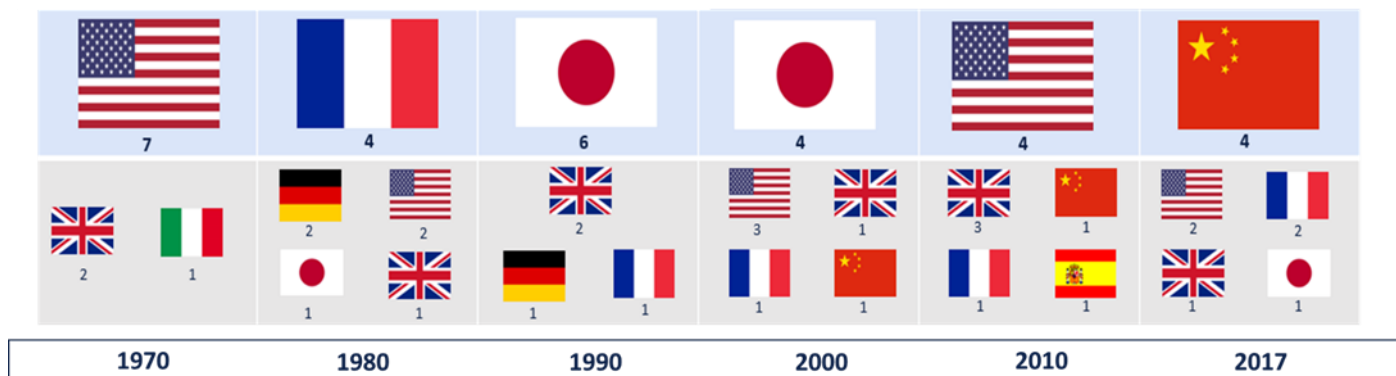
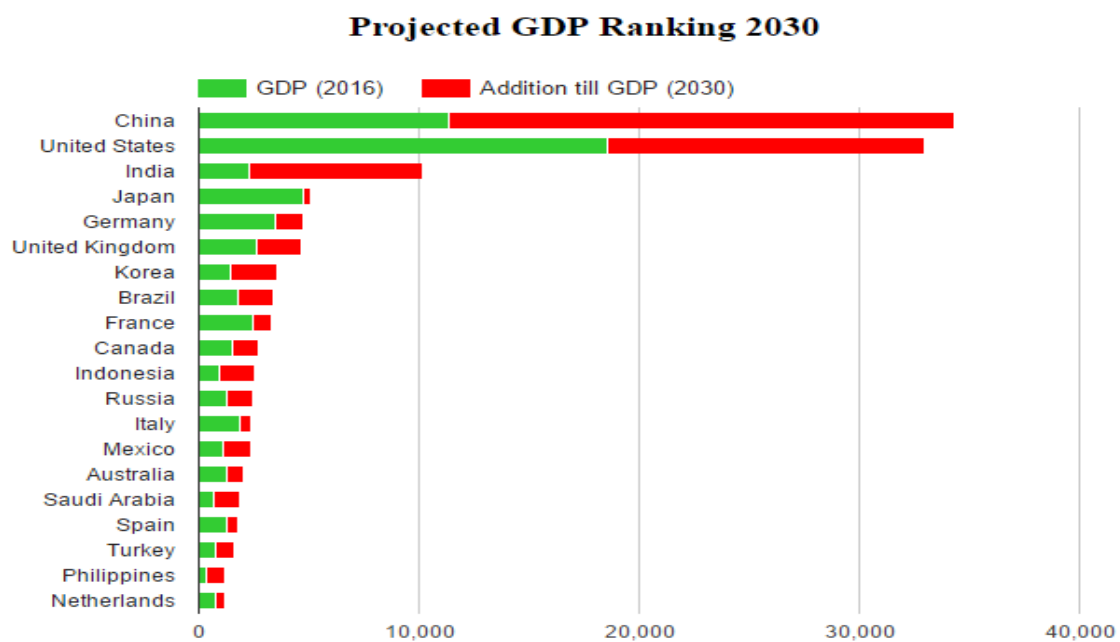


Figure 7: Ten largest banks in the world based on balance sheet (1970-2017). Source: FÁBIÁN G. 2018, Competitiveness and growth potential of the Hungarian banking system

Based on the European Commission's 2030 Global GDP forecast (Figure 8), new players may appear among the world's largest economies, creating new geopolitical balance. *China is expected to overtake the US in terms of nominal GDP* (as on purchasing power parity has already approached it). The role of the Asian economy will be further strengthened as India will be the 3rd, South-Korea will be the 7th largest economy in the world. Among the BRICS countries, Brazil will reach the top10, and Indonesia is strongly picking up. *Regarding the EU countries, Germany, the UK and France remain among the most advanced economies, but their position is expected to be weakened.* Only five of the world's top20 largest economies are predicted to be European by 2030.



*Figure 8: Projected GDP ranking 2030*  
 Source: European Commission, 2016: Projected GDP ranking 2030

#### IV. Conclusion and outlook

Digitalization forces banks to redefine their business models. The cooperation between banks, Fintech and Bigtech companies is getting closer and more intense. Innovation is accelerating in space and time, the most advanced economies spend the most resources on research and development and the most innovative solutions also come from these countries. As a result of cost level increase, the concentration of financial innovations is rising, thus global financial centers and smart cities are emerging.

Financial and economic booms, bubbles, and crises throughout history have always been linked to the geopolitically (from military, commercial and demographic point of view) most



powerful states. Currently three geopolitical powers are responsible for the same portion of global GDP. Whereas the trend and forecast of contribution in terms of Asia is positive, that of the other two players either stagnate (US) or is negative (EU). The financial innovation and banking centers of the world have shifted from the US and the EU to Asia and China in particular. China and the BRICS countries have stable and innovative banking system with more favorable short and medium-term economic growth prospects than Western developed countries. Based on the economic, financial and demographic projections, the current trend will continue, so by 2030 the geopolitical weight of the BRICS (especially China) and South-East Asian countries (South Korea, Indonesia) is expected to further increase while the significance of the USA and mostly the EU will be gradually reduced.

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## **Eurozone-crisis management in neofunctionalist framework – A European Fiscal Union?**

### **Abstract**

*The global economic crisis of 2008-2009 and its negative consequences had a serious impact on the Economic and Monetary Union (EMU). As a result of the crisis, the break-up of the Euro Area became a real threat in the European Union (EU). Therefore, member states finally decided to launch significant reforms with the primary aim of strengthening the European Economic Governance (EEG). Given that the original architecture of the EMU had rather been asymmetric, it seemed obvious to focus – inter alia – on the fiscal side of the integration. The reform of the EEG is an important issue from theoretical perspective as well, because it projects the transformation of the EMU's structure and – in the long run – the deepening of the EU. The aim of the paper is to provide a general overview on the current debates of the possibility of a European Fiscal Union (EFU). Furthermore, the study raises the issue of a larger budget and a European tax which would probably be the most powerful element of a European Fiscal Union. The paper examines the issue of the EFU in neofunctionalist framework and argues that this theory has a relevance in explaining the Eurozone-crisis management in the long term.*

**Keywords:** Eurozone crisis, neofunctionalism, European Fiscal Union, EU budget, European tax

### **I. Crisis and reforms from neofunctionalist perspective**

The global economic and financial crisis of 2008-2009 and its negative consequences had a serious impact on the European integration, especially on the Economic and Monetary Union (EMU). The depression led to sovereign debt crises in numerous member states of the Euro Area which revealed the latent problems (sub-optimality) of the EMU. In this respect, the asymmetric architecture of the Eurozone can be mentioned primarily. It refers to the dichotomy that monetary policy became a truly supranational territory, while fiscal policy remained in the hands of the Euro Area members. The crisis affected the Eurozone so deeply that its break-up was among the potential scenarios (see e.g. ASLETT and CAPORASO, 2016). Consequently, member countries finally decided to launch significant reforms in order to strengthen European Economic Governance (EEG). Niemann and Ioannou (2015) argue that *'the pre-crisis institutional framework considerably advanced under all main policy areas of EMU'* (NIEMANN and IOANNOU, 2015: 7).

This reform process is a very significant and relevant issue from the perspective of integration theory as well, since it may cause the transformation of the EMU's (and also the EU's) structure and functioning. The theoretical debate between the two major integration

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theories –neofunctionalism and (liberal) intergovernmentalism – can be perceived regarding the Eurocrisis-management, too. The Neofunctionalist school focuses on the puzzle of supranational reforms, while intergovernmentalism concentrates on divergent national preferences (HOOGHE and MARKS, 2019). The key question here is whether the new solutions will result in the deepening of the EMU (and indirectly of the EU). Considering the fact that functional pressures were amplified due to the sovereign debt crisis, it seems logical to argue in favor of the relevance of the neofunctionalist theory. Focusing on the asymmetry of the EMU, the creation of a European Fiscal Union (EFU) could mean the springboard towards the fiscal federalism.

## **II. European Fiscal Union**

The idea of a European Fiscal Union was first published in the report of the European Council in 2012 (ROMPUY, 2012). The objectives of this report were later confirmed in the ‘Report of the Five Presidents’ published by the European Commission (JUNCKER ET AL. 2015). The EFU would strengthen the ‘economic’ side of the EMU which and would lead to a closer integration structure. This institutional design is typical in federal countries (such as the United States of America or Germany) where the issue of centralization/ decentralization of different fiscal competences is a key point.

However, it is problematic that a single definition of fiscal union cannot be found in the scholarly literature. For instance, Dabrowski (2015) defines fiscal union in broad terms, ‘*as transfer of part of fiscal resources and competences in the area of fiscal policy and fiscal management from the national to supranational level*’ (DABROWSKI, 2015: 7). Fuest and Peich (2012) identify five criteria for a fiscal union: (1) fiscal rules, policy coordination and supervision; (2) a crisis resolution mechanism; (3) joint guarantee for government debt; (4) fiscal equalization and other mechanisms for transfers between countries; and (5) a larger EU budget and European taxes. However, the authors stress that a fiscal union does not have to contain all the elements (FUEST and PEICHL, 2012). This paper focuses on the fifth criterium, the European fiscal capacity.

### **III. Strengthening the European fiscal capacity: larger budget and European tax**

Federal countries typically have sizeable budgets, therefore it is possible to centralize important functions. Compared to other federations – especially to those which are currency unions – the EU’s fiscal capacity is extremely undersized, and represents only 1 percent of the EU GDP (WOLFF, 2012; KAKOL, 2017; COTTARELLI, 2016). The revenue side consists of customs duties (traditional own sources), of a small percentage of VAT revenues and, predominantly, of national contributions. The spending side contains only some programs which are related to the regional (cohesion) policy and the common agricultural policy (CAP) (COTTARELLI, 2016). Cottarelli (2016) argues that a larger budget would be necessary to ensure the good functioning of the monetary union. This is because a sizeable central budget may promote macroeconomic convergence within the Euro Area through different channels: (1) centralization of certain spending and revenue policies fosters the convergence of product and factor markets; (2) centralization of fiscal policy decisions may help to reduce the risk of free riding; (3) centralization of automatic stabilizers may be the best way to achieve risk sharing; and (4) a larger budget can more easily implement discretionary counter-cyclical policies (COTTARELLI, 2016).

The idea of a larger fiscal capacity raises the issue of European taxes, because the existence of a common tax is indispensable to create a genuine economic (fiscal) federation. Marján (2013) claims that a potential European tax should be introduced in a ‘budget-neutral’ way. Probably, the sharing of VAT revenues would be the best way of this (MARJÁN, 2013).

Following the outbreak of the sovereign debt crisis, numerous reforms were launched in the Eurozone. The issue of a European Fiscal Union has been on the agenda since 2012. The exact form and content of it is still vague, but it has to be underlined that the creation of a fiscal union would be a significant milestone in the deepening process of the integration.

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## **The impact of institutions on human capital and economic performance: evidence from the Western Balkans**

***Abstract:** A growing number of studies demonstrate the impact of the quality of institutions on human capital. The institutional impact on human capital and productivity is used to demonstrate the missing link (channel of causality) between the quality of institutions and economic performance. The paper examines the impact institutions on human capital in the Western Balkans and explores its potential contribution to economic performance. The study adopts the institutional approach and is based on econometric analysis of cross-country governance, human capital and economic performance indicators using the revised neoclassical production function (Cob-Dougllass). The paper finds that countries with a higher quality of institutions have higher levels of human capital formation and economic performance.*

***Keywords:** institutions, human capital, economic performance*

### **I. Introduction**

The paper revisits the role of institutions for economic performance in the Western Balkans (2000-2017) by exploring the importance of institutional quality indices on human capital formation variations. The main hypothesis of the research is that countries with a higher quality of institutions will have higher human capital formation and subsequently higher living standards. A mixed methodology was applied to allow for the triangulation of data. Triangulation included three major sources of information: perceptions, validation and documentation. This enables a consistency of findings based on cross-verification and multi-perspective meta-interpretations. The conceptual framework is based on institutional approach and literature review. Secondly, the study relies on cross-country econometric analysis using three stage OLS regression and correlation analysis. Semi-structured interviews with key informants from the Western Balkans were used to test the findings and analysis.

### **II. Institutions and economic performance**

Institutions are not absent from orthodox economic theory but they are often left implicit (ACEMOGLU, 2005). Several studies have established a linear relationship between institutions and economic performance (RODRIK, 2004). Scholars question this linear relationship and underline the need for finding the missing link of causality (NORTH, 1990). What is missing in economic analysis is not on whether but on how institutions impact

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economic performance. Institutions develop with other variables of economic growth. Operationalisation of their impact is difficult empirically. Hence, attempts to document the importance of institutions requires a plausible exogenous impact on traditional neoclassical production growth theory (Cob-Gouglas theorem). Isolation of institutional impact on historical cross-country variations in human capital, gross capital formation and productivity levels has been empirically tested in various geographical case studies (HALL-JONES, 1999). Recent research in the Western Balkans has attempted to provide a sequential link between institutions and human development index (SHUKAROV-MILIC, 2015).

## **II.1. Institutions and human capital formation in the Western Balkans**

Economic performance in the Western Balkans has been sluggish compared to Western Europe since the industrial revolution (PAMUK, 2000). The latest average annual GDP per capita incomes were around 20 percent of EU 28 (ASK, 2018). There is a strong linear correlation between institutions and economic performance in the Western Balkans (MUJA, 2018). The World Governance Indicator (WGI) as proxy for quality of institutions (KAUFFMAN, 2008) reveals significant variations in the Western Balkans. Cross-country analysis of GDP per capita point to divergent paths of economic performance. The three intermediary Cob-Douglas theorem variables are proxied using average mean years of schooling for human capital (BARRO, R, 2010). Historical variations in productivity levels are measured using annual output per worker (KIRKPATRICK, C – PARKER, D, 1995).

There are significant regional disparities of Human Capital Index and mean years of schooling in the Western Balkans (WORLD BANK, 2018). Differences in educational attainment and education quality indices in the region largely mirror economic growth levels (OECD, 2016). The econometric analysis reveals a strong correlation between quality of institutions and human capital formation in the Western Balkans between 2000 and 2017. Improvements in government effectiveness, rule of law and control of corruption of indicators is strongly associated with higher rates of human capital formation. A strong correlation can be observed between regional institutional quality proxy (WGI) and human capital proxy (mean years of schooling). Albania, Montenegro and Serbia have a higher institutional quality index (WGI) compared to other regional countries and strongly correlated with human capital formation (mean years of schooling). OLS regression analysis demonstrates that improvements in WGI can explain improvements in human capital formation in a statistically significant way.



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## **State-Owned Enterprises Obstacles in Host Countries in Kazakhstan-China Energy Relations**

### *Abstract*

*Chinese national oil corporations (NOCs) can face different hurdles and challenges when going global. Even though it could be discussed that they are seeking profits, but the fact that they are political actors in some degrees is not deniable since they have close relations with different government bodies from policy-making to legislation. Consequently, they would face obstacles different from those of private firms. For example, geographic distance is a positive point for private firms but can be counted as a reason for opposition from the target country for NOCs. So, considering geopolitical challenges gives us a better interpretation of NOCs' behavior in target countries. Different parameters have been presented as geopolitical challenges. I will implement this challenging parameter in the case of Kazakhstan in its relations with Chinese NOCs.*

### **I. Kazakhstan Oil and Gas Industry**

Kazakhstan's proved oil reserves are ranked 11<sup>th</sup> in the world. Its production reached highest of the 1.95 bpd in November 2018. Five of the biggest onshore oil fields are Karachaganak, Aktobe, Mangistau, and Uzen which are located in the western part of the country and hold approximately half of Kazakhstan's oil reserves. The major offshore fields are Kashagan and Kurmanagazy. Kashagan is the largest oilfield outside the Middle East. Kazakhstan has three main oil refineries: Atyrau, Shymkent, and Pavlodar. However, forty-five percent of its export is crude petroleum.

In the natural gas industry, Kazakhstan is not a significant player in comparison with two of its neighbors, Russia and Turkmenistan. The country's gas fields are located in the west which are far from gas consuming centers of the country. A large portion of the produced gas has been used for commercial purpose and injected back into the oilfields to enhance production. Even though Kazakhstan has some gas exports, it imports gas from Uzbekistan, Turkmenistan, and Russia due to its poor infrastructure.

The national oil and gas company, KazMunaiGas (KMG) is the main player of the industry in Kazakhstan. Currently, almost all of its oil and gas contracts are with foreign industries. ("Kazakhstan - Oil and Gas | export.gov,").

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## **II. China NOCs in Kazakhstan**

From the three major Chinese NOCs, The China National Petroleum Corporation (CNPC) is the most active one. In 1997, CNPC acquired a 60.3 percent stake of AktobeMunaiGas and obtained an exploration license for the Zhanazhol and Kenkiyak oversalt and subsalt oilfields. In 2005, CNPC acquired Petrokazakhstan and transferred 33 percent of its stakes to KMG. In 2003, CNPC acquired more than 35 percent of the Buzachi North Company at Nimir Petroleum, followed by the acquisition of the remaining 65 percent share from Texaco. However, after several years, changes in stock rights resulted in a fifty-fifty operation by CNPC and Lukoil. In 2004 and 2005, CNPC expanded its operations even more in Kazakhstan and got licenses for other oilfields such as Konys and Bektans which are located in the south Turgui Basin. In 2011, CNPC and KMG jointly explored and developed the Uriktau gas field (Peyrouse, 2008).

In addition to the investment in the exploitation, development and production of oilfields, there was a strategic investment by the CNPC in oil and gas pipelines. These pipelines have connected oilfields of the country which are located west to Xinjiang, the eastern province of China. It provided a stable alternative route for Kazakh oil trade which was traditionally transferred by tracks and railroad.

As seen in the short summary of the CNPC, activities in Kazakhstan, the expansion of Chinese corporation was fast. However, it shouldn't be overlooked that this expansion wasn't without obstacles. Actually, NOCs should have enough economic and political incentive in order to overcome the challenges and proceed. In the following section, I will introduce some elements that could be interpreted as obstacles.

## **III. Obstacles for NOCs Foreign Investment**

There have been more obstacles for foreign investment from multinational corporations (MNC) than from state owned corporations (SOEs) and NOCs. Since NOCs have even more political goals than other SOEs, because of the nature of their industry, probing their obstacles in the international arena should have other justifications than MNCs which contain geopolitical factors (Shi, Hoskisson, & Zhang, 2016). Nevertheless, it is stated that Chinese NOCs are profit-seeking (Ma & Andrews-Speed, 2006). Consequently, geopolitical hurdles can reduce their profit and NOCs should consider this matter when choosing their investment target.

Shi et al. stated four measures that influence NOCs foreign investment: geographic distance, political regime similarity, religious similarity, and resource complementarity. These parameters are stated as moderators. The geographic distance which is the distance between

two countries can modify the opposition a SOE can face. As distance reduces, opposition would increase. Autocratic political regimes perceive democratic regimes as a threat to their power since they can provide financial relations to specific conditions. On the other hand, democratic regimes can see autocratic regimes as a threat to peace and stability. Hence, political regime similarity can fuel acceptance of other state's SOEs. Religious similarity between two countries and being equal can decrease opposition from a target state. To what extent NOC's resources can be used by the target country can modify opposition the NOC would face in the target country.

Stated factors are discussed without considering the international system a country is involved in. When discussing the obstacles in an international context, we should have in mind that each factor should be treated in a different manner. Because each of these factors can be seen either as an opportunity in a specific situation. For instance, when a country is near major powers, it should balance the threat coming from two countries. If there is a threat from one power, stated parameters could be perceived as elements fueling opposition. However, in this case, another power's presence is welcomed by the target country due to the fact that balancing between two powers eases the target country to pursue its own goals. Hence, the presence of another country can be perceived as an opportunity.

#### **IV. Discussing Obstacles in Kazakhstan's Case**

Central Asia is stuck between two big powers. On the other hand, western corporations are present in the region too. Russia sought to enhance its influence in the region due to the fact that the region has geo-strategic importance (Pabst, 2009). China also seeks to enter the region because of the region's importance in a one belt one road initiative. For Kazakhstan, the presence of China is considered an opportunity for diversifying its supply routes which were traditionally dependent on Russia to export oil. It will reduce Russia's influence on Kazakhstan's based power balance game theory.

On the other hand, KMG which is central national oil corporation is crucial for the regime maintenance of Kazakhstan. It has a great role in power distribution between Kazakhstan's different hordes and tribes. A continuing balance between western corporations and Chinese and Russian corporations is crucial for Astana for maintaining its domestic power relations. As western countries demand privatization, the creation of a Kazakhstani oil industry was only possible by involving other authoritarian regimes (Ostrowski, 2008). Astana needs technology that could be provided only by western corporations. So, resource complementarity works in favor of western countries.

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## **CHAPTER V**

### **Crisis and conflict management from a humanitarian point of view**

## The Syrian Refugee Crisis in Lebanon: beyond a Humanitarian Problem

### *Abstract*

*Since its beginning in 2011, Lebanon had to suffer from the various impacts of the neighboring Syrian conflict. Nevertheless, one of the most obvious effects is the massive influx of Syrian refugees that hit Lebanon at the very beginning of the unrests. This reality put Lebanon on the top ranking for countries with the highest rate of refugees per capita, with an estimated 1.5 million Syrians.*

*Today and after 8 years, their presence is raising several issues: from healthcare to access to education; from protection and human rights to security problems; from stress on local infrastructure to the environment; but also from the relationship with the host communities to the protection of most vulnerable communities; and finally from demographic trends to the position of official Lebanon.*

*This conference presentation tries to give the audience all the dimensions of this long-lasting humanitarian concern, by both reviewing the relevant literature, and sharing some personal results after taking part of a field research in Lebanon in January 2019.*

**Keywords:** Syria, Refugees, Crisis, Lebanon, civil war, humanitarian, host communities.

### **I. Introduction: The Syrian Refugees**

Since its beginning in 2011, the Syrian conflict had several impacts on the neighboring countries. One of its most visible aspects is nevertheless the massive influx of civilian refugees that flooded mainly Turkey, Jordan and Lebanon (UNHCR, 2019). Other states such as Egypt and some EU countries were also affected but with relatively lower numbers. This influx resulted in record breaking numbers and is thus considered by some as the greatest humanitarian catastrophe of the 21<sup>st</sup> century (UN, 2016). These record breaking numbers that are worth mentioning here are three: more than 3.5 Million of UNHCR registered Syrian refugees in Turkey led this state accessing the top of the list of countries with the highest number of refugees in our modern world; 1.5 Million of Syrian refugees in Lebanon entitled it as the country hosting the highest rate of refugees per capita (Janmyr, 2017); and finally 1.3 Million Syrian refugees in Jordan made it the second on this list after Lebanon. Without minimizing the importance of the issues faced by both Turkey and Jordan related to their hosting of Syrian refugees, the following paragraphs focus on the various aspects of the Syrian refugees' crisis in Lebanon by showing the relevance of its peculiarity. This paper starts by showing the reader the previously mentioned peculiarity of the Lebanese case, then presents a descriptive overview of the refugees' situation in Lebanon, and finally enumerates the several issues related to their presence.

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## II. The Peculiarity of Lebanon

The relative demographic burden of the refugees is obviously way heavier on Jordan and Lebanon than on Turkey. This is due to the very high proportion of refugees in the overall population of these two small countries, and this, even if the nominal numbers are higher in Turkey. But unlike Jordan, Lebanon has a very peculiar socio-religious composition known for its pluralism and diversity. This small Levantine state is famous for hosting Christians (est. 40%), but also Shia and Sunni Muslims who have roughly similar demographic weights (CIA, 2019). This pluralism was translated institutionally by creating a very unique political system, namely a consociational confessional democracy (Dahrouge and Szalai, 2018). This system is characterized by the equal representation of all the sects in the institutions, based on quotas determined by their respective demographic weights. Any demographic imbalance opens the way for the questioning of the established status quo. Knowing that the vast majority of Syrian refugees are Muslim Sunnis shows undisputedly the high relevance of the issues related to their presence in this country (Eldawy, 2019). This is even truer if we mention the presence of approximately half a Million of—Muslim Sunni- Palestinian refugees who came after 1948, who are still deprived of any legal status. Indeed, their presence is the main cause for the non-ratification by the Lebanese state of the 1951 Geneva Convention on refugees. Furthermore, and for the reasons that can be deducted from this analysis, Lebanon inscribed in the preamble of its constitution that “There shall be no (...) settlement of non-Lebanese in Lebanon” (Leb. Const., Part 1, Pmbl. I). What we understand from this is that according to the Lebanese perception, it is the Lebanese state’s identity that is at stake. Moreover, we can sense the high concern of official Lebanon through its political elite, which considers quasi-unanimously the presence of these refugees as temporary (Janmyr, 2016). The fear of an eventual settlement is translated on the ground in two concrete measures. The first one is that in official discourses, Lebanon always refers to the refugees as being displaced persons rather than refugees (Janmyr, 2016). The second one is that since 2014, Syrian refugees are required to have a residence permit based on the well-known “Kafala”<sup>26</sup> system in order stay legally in the country. The latter pushed most of the refugees to fall into illegality due to the difficulty in finding a “Kafeel” as well as the relative high costs of the permit (200 USD per person per year).

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<sup>26</sup> The Kafala system is a legal status used to regulate the foreign workers in many Gulf and Middle Eastern countries. It basically binds the worker to its employer, namely the “Kafeel” who guarantees the legal responsibility of the worker and is responsible of him in front of the official authorities.



### **III. Syrian Refugees in Lebanon: a Concise Overview**

But beyond highlighting the stakes hanging on Lebanon, let us describe now the reality of the refugees on the ground. Lebanon shares most of its territorial borders with Syria. This proximity made it natural for a lot of deprived Syrians to seek refuge in Lebanon, especially in the bordering regions of North Lebanon (Akkar), and the Eastern Beqaa valley. Some of these regions' towns were so affected that their native populations were shortly overrun by displaced Syrians. Also, these regions are relatively poor and forgotten by the Lebanese central state. The influx of refugees often caused tensions and in some cases led to animosity triggered by the aids of Humanitarian organizations that served initially only the Syrians. Considering their geographic distribution on a micro level, we can observe that the refugees are settled in all kind of settlement, from –mostly illegal- camps, to garages, to flats –especially in urban and suburban regions- according to their respective socio-economic backgrounds. One of the most common patterns that were personally observed by the author are the reunion of fleeing families with their men who were previously working in Lebanon. The choice of both the settlement's type as well as the region itself are strongly affected by these dynamics. Wealthier families can afford the rental fees of a garage or a flat, whereas families coming from a much modest rural or even a Bedouin background would be resigned to settling in a tent... As mentioned previously, most of the refugees switched to illegality after the introduction by the Lebanese authorities the possession of a compulsory resident permit. This affected the mobility of these refugees and with it, their access to basic needs such as healthcare for instance.

### **IV. Multileveled Effects of a Long-lasting Crisis**

Finally, the long-lasting presence of the Syrian refugees is affecting Lebanon on many levels. The first issue is related to the stability and security of the small Levantine state. Indeed, in some cases, the state had to face the infiltration of some of the camps by dormant terrorist cells from several Jihadist organizations that are active in neighboring Syria. Second, the Lebanese state was since the first years of the refugees' crisis confronted to the growing economic burden on both the healthcare and the educational systems. Especially that the international response was far lower than the real costs. Thirdly, the Syrian refugees, by accepting lower wages than their Lebanese fellows, affected the Lebanese labor market which raised the unemployment rates (Eldawy, 2019). In addition to this, Syrian entrepreneurship initiatives –such as unregistered shops and mini-markets in some towns- are putting an extra pressure on the already weakened Lebanese economy (Soz, 2018). Finally, we can only mention

here the additional effects on the local infrastructure, as well as on the environment. Nevertheless some argued that their presence actually pumped some foreign capital into the Lebanese domestic economy with the massive influx of foreign aid that was spent locally, and with the Humanitarian organizations which were hiring from the local Lebanese labor force.

## V. Conclusive thoughts

In conclusion, we can only highlight the gravity of both the Syrian refugees' precarious situation in Lebanon, as well as the burden of their presence on the Lebanese state's moral legacy, identity integrity, security, and finally on its economic resilience itself. Studying in depth all aspects of their presence is definitely unavoidable in understanding Lebanon's both shape and destiny in the future.

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## **Human Trafficking in the European Union through Nigerian Victimology**

### ***Abstract***

*Human trafficking is one of the most challenging security issues for countries across the globe in the modern age. Besides high volumes of local, regional activities, there is a strong tendency to traffick from the Global South towards the Global North that is from economically deprived territories towards flourishing markets. The Sub-Saharan region, and specifically Nigeria, is a hub for traffickers, and a great number of recruited women and girls end up in Southern and Western European countries. Their exploitation often starts with traditional rituals in the home country, taking the oath during rituals to not reveal their situation to outsiders and to form a hopeless debt bondage with the criminals. Statistics and best practices are rare, as perpetrators work in highly organized and effective groups targeting the most vulnerable, many times undereducated girls. A more pro-active, human rights based approach would be necessary and political willingness to tackle this serious issue.*

**Key words:** *human trafficking, Nigeria, juju, poverty, EU*

### **I. Trafficking of human beings in the view of statistics and reports**

This brief paper covers the topic of trafficking in human beings within the European Union, with a special focus on Nigerian citizens, as they are overrepresented amongst third country national victims continent-wide. The European Commission's data collection report confirms (EUROPEAN COMMISSION, 2018) that based on their statistics, since at least 2010, Nigeria takes the lead as the country of origin in terms of non-EU national victims. The International Organization for Migration (IOM) estimates (CTDC, 2017) that more than 90% of the victims are female. There is great number of organized crime groups involved in trafficking as well run by Nigerians in Europe, thus the whole issue should be addressed on a political level, given that these circles are extremely well functioning and transnationally operated by countless sub-rings. Europol issued the most recent factual report (EUROPOL, 2018) on the criminal aspects with regard to under-aged victims ( the target group of the perpetrators are generally between the ages of 15 and 17 specifically in Nigerian cases) highlighting that these groups are also very active in other criminal activities as well, such as corruption, smuggling, counterfeiting of documents, drug trafficking, money laundering; this suggests that besides their long-time presence in Europe, criminals are clearly aware of the legal discrepancies and have routine MO to ensure the smooth operation of their business. In order to combat trafficking of mostly women and young girls, Nigeria and the UK signed a bilateral

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agreement in 2004, however experts question the real impact of the Memorandum, stressing that it is rather theoretical, an expression of interest of the Parties, and considered as an operational failure (IKEORA, 2018) which does not reflect the socio-cultural realities and there is a limited awareness of its existence.

## **II. The Nigerian context**

Edo State is the most affected one within Nigeria, as the majority of women exploited sexually in Europe start their dark journey here, primarily ending up in Italy, but also France, UK, The Netherlands, Austria and Germany are on the top of the list of destinations. Behind the numbers there are women and girls coming from poor families which, lacking the financial means, could not provide a proper education for them – usually girls are withdrawn from schools, and also the shortcoming of adequate formal training overshadows their future prospects on the labour market, making high paid jobs unavailable for them. This situation results in the underestimation of these women's activities, who are often illiterate too, pushing them towards the recruiters. However, poverty has decreased in general across Nigeria, in Edo State it has risen by more than 10% based on the latest official statistics from 2009/2010 (NATIONAL BUREAU OF STATISTICS, 2010). With regard to the above mentioned characteristics, there is a tendency to feminize poverty. The recruitment procedure usually starts with local people from the community, many times women, former trafficked persons or even family members are involved in roping in the girls. Mainly rural areas form the primary target of criminals, where children are raised in mixed faiths: traditional beliefs and Christian values. Due to this duality and the greediness or simply just the fear of poverty, priests of the traditional faith tend to co-operate with criminals subjecting the victims to rituals, the so-called juju, or voodoo, so the women take an oath to not to talk about their journey, pay the debts back which derives from the costs of the journey, the harbouring, reception and other additional services (DUNKERLEY, 2018). Once the exploitation has started at the destination country, the debt starts to rise again, since the money coming from prostitution has to cover their daily boarding costs and charge of further expenses. Identification and assistance of victims raise a challenge for practitioners and front-line officers, as victims are not willing to co-operate fearing the consequences of breaching the juju oath, or the retaliation by the criminals.

### III. Conclusion

The legal framework in Nigeria currently covers all forms of trafficking defined by the UN, however it is important to stress that before 2003 no comprehensive special law was in effect to protect victims and combat the trafficking in persons (KIGBU & HASSAN, 2018). A study raises another additional factor to the previously presented ones, that Nigeria considers the trafficking issue as a negative marketing feature for the country and this narrative reinforces the shame and abjection felt by the victims rendering them less co-operative (PLAMBECH, 2017). In sum it is clear that without a properly functioning support system, a definite political willingness to repel the criminals, which would mean a remarkably higher rate of prosecutions as well as stricter punishments, the trafficking of these women and girls will not decline. However, there are joint efforts to tackle trafficking and raise awareness amongst the target persons (CNN, 2019), this issue is way more complex, and requires stable, sufficient funds. Education is a key factor in the long run, just as the training of the professionals working with victims, thus along with a practical transnational co-operation of the authorities, a safer future could be a reality to the most vulnerable ones.

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## **The EU-Turkey Deal: An Assessment**

### ***Abstract***

*This paper provides a comprehensive overview of the EU-Turkey Deal (2016) and its contribution to the European refugee crisis since then in order to limit migration movements – mainly from Syria – to the EU. Since the outbreak of the civil war in Syria, Turkey has become the major hosting country for Syrian refugees, which makes the country also to an important transit-zone for many people, who are seeking for migration to the EU. Thus, the EU provides financial support and aid to the Turkish state, what enables Turkey to increase its border protection, as well as giving incentives for resettling. The aim of the paper is to measure the efficiency of the EU-Turkey agreement in the framework of the ‘Push-and-Pull’ theory, which is, indeed, the classic approach in migration studies. For this purpose, the theory will be tested by different case studies. The findings of this article show that the migration movements from Syrian refugees through Turkey have been tremendously reduced. However, the living conditions for Syrian refugees in Turkey remain harsh and the implementation of the new EU-Turkey policy can be only successful in the long-run, if push and pull factors can be sustainably reduced. Therefore, proper accommodation, nutrition, and health care locally are still the best way to prevent people from fleeing to Europe. In this context, the current EU-Turkey Deal can be only considered as a sufficient short-term solution, but not more. A long-term and sustainable approach is still required.*

**Keywords:** *Refugee, Turkey, EU-Turkey Deal, Migration, Push & Pull*

### **I. The EU-Turkey Deal**

#### **I.1. What is the EU-Turkey Deal?**

The EU-Turkey statement had been signed on March 18, 2016, in order to control and limit the continuous inflow of Syrian refugees to the EU through Turkey. Turkey has always been an important transit-country for people fleeing from conflict regions in the Middle-East to Europe and since the outbreak of the (civil) war in Syria, Turkey’s role as a geopolitical power in the region has accelerated. The agreement says, that all new (irregular) arriving migrants on Greek islands are sent back to Turkey. The same applies for asylum seekers, who had been declared inadmissible. For every irregular migrant, the EU accepts to resettle one Syrian legally. Furthermore, the EU-Turkey statement includes the following aspects: sea and land surveillance for irregular migration, activation of a Voluntary Humanitarian Admission Scheme, further development of Customs Union, and improvement of the Humanitarian situation for people inside Syria. In exchange, the EU has agreed on substantial financial support and visa liberalization for Turkish citizens. Under the Facility for Refugee the EU guaranteed 3 billion EUR and further 3 billion EUR by the year 2018 to Turkey. Nevertheless, the Facility for Refugees is supposed to be for concrete projects, such as a ‘Emergency Social

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Safety Net' for the most vulnerable refugees. Especially women, children, particularly orphans, and religious minorities such as Christians and Yazidis shall benefit from these actions. Last, Turkey has also accepted to take back all irregular migrants from Turkish waters and everyone, who is not in need of strong protection. Thus, the NATO has increased its activity in the Aegean Sea and smugglers are highly prosecuted. (EUR, 2019).

## **I.2. The Situation of Syrian Refugees in Turkey**

According to the UNHCR, there are currently 3,603,088 registered Syrian refugees living in Turkey (May, 2019). However, the real amount remains unknown, since not everyone is registered. In comparison to 2015 with 1.7 million Syrian refugees, the number of refugees has almost doubled. From the almost 2 million refugees in Turkey in 2015, 250,000 were living in one of the 25 refugee camps (the rest are spread across the country). The WFP was able to provide food and clean water for 154,000 people in 11 camps. (WFP 2015) According to the New York Times, in 2014 the refugee camps in Turkey were in pretty good condition. The Turkish government built at record speed container camps with at least minimum standards, including cleanliness, brand new brick paths, street-washing trucks, power lines, streetlights, housing maintenance and playgrounds for children. Furthermore, the camp in Kilis provided education for 2,225 students; sometimes at a higher standard than in the home school in Syria. (McClelland 2014) However, the situation outside the camps remained devastating. Many of the refugees were living on the streets or in shanties. In most cases, it is unknown where they lived. According to Onur Burçak Belli, a reporter from the FAZ and who observed the situation in Istanbul, Ankara, Adana and other Turkish cities, the standard of living for most Syrian refugees is much worse than in camps. She reported that children very often became the main income source for families. Indeed, child labor is not a new phenomenon in Turkey, but the level of exploitation was exceptional high since most Syrian children are traumatized and barely speak the Turkish language. Another issue was the rising tension within society because of the extraordinary high level of immigrants. (Topçu 2015).

The reason for the relatively high standard in Turkish refugee camps is not due to the efforts of the UNHCR, but due to Turkish state initiative. The Turkish government received guidelines (minimum distance between tents, etc.) from the UNHCR and then designed the camps on its own. This approach has the advantage that Turkey remains in control of every detail. Indeed, this procedure is cost-intensive, but also highly effective. While NGOs, who are usually running refugee camps, often have to deal with local bureaucracy, inefficient structures

(many countries are involved) and insufficient funding, a relatively wealthy state can fulfill the requirements easily. (McClelland 2014) The actual figures concerning the UNHCR funding requirements in 2017 confirm this observation. For the year 2017, the UNHCR requires funding of around about 900 million USD for Turkey, which is not even half of the required funding for Lebanon, although significantly more refugees are living in Turkey than in Lebanon. Nevertheless, the UNHCR struggles to receive the necessary funds. At the moment (2017), the UNHCR only covers 37% of its funding requirements. (UNHCR 2017).

Prior to the current situation in Turkey, the Turkish government had anticipated the upcoming crisis much better than other countries and was respectively far better prepared. While Jordan or Lebanon have had to struggle with epidemics, diseases and other urgent health issues, Turkey managed to establish a well-functioning and highly-effective health care infrastructure in order to respond adequately to the mass migration from Syria. Indeed, the Turkish state is economically much stronger when compared to Lebanon and Jordan. Therefore, the funding was not such a big issue as in other countries. (Sahloul, Sankri-Tarbichi & Kherallah 2012).

Although, the Turkish state covers the basic needs of Syrian refugees in camps, there are, of course, also some criticisms like food poisoning, insufficient distribution of basic goods (e.g. soap or toothpaste), tents are not protecting from rain, insults from Turkish soldiers, etc. In general, Özden (2013) had the impression that wealthier Syrians prefer to live outside the camps by renting apartments, while the not so wealthy stay in the camps. As a consequence, especially in Southern Turkey (close to the Syrian border) the costs of living and unemployment have increased which might lead to local conflicts between Syrians and Turks. (Cagaptay 2014) consequently, many of the Syrians are living in extreme poverty or becoming homeless after running out of money in a short period of time. Nevertheless, in comparison to 2012, the Turkish government has intensified its cooperation with international help organization, involving FAO, IOM, UNDP, UNFPA, UNHCR, and UNICEF in order to provide more assistance for refugee living inside and outside the camps. (Kirişç 2014) However, Turkey was overwhelmed of the inflow of Syrian refugees. At the beginning of the crisis, almost all refugees lived in camps. By end of the year 2014, approximately 80 percent of Syrian refugees lived outside the camps, which shows that also the Turkish government had distribution struggles before the refugee crisis in Europe had broken out. İçduygu stresses that Turkey should not left alone to solve the crisis but only sharing of the burden by the international community can significantly improve the situation of Syrian refugees in Turkey. (İçduygu 2015).

## II. Literature Review & Discussion

The classic article from Lee (1966), which introduced the famous push-pull theory, is still one of the most sophisticated works in the field of migration studies. In this model, push describes the causes of flight, while pull examines the attractiveness of the destination by certain factors. Push factors are socio-economic (hunger, poverty, demographic issues, etc.), political (war, dictatorship, discrimination, etc.) and environmental (natural disasters, scarce resources, etc.) based. Thus, pull factors include the following aspects: economy (booming economy, higher income, social welfare-system, etc.), society (security, housing, education, etc.), demography (sufficient space, social networks, infrastructure, etc.) and politics (freedom, rule of law, democracy, etc.). However, there are also some other thresholds and barriers which have to be passed before migration can occur between the country of origin and destination, such as (restrictive) immigration laws. Hence, by taking all the previously described factors into consideration, migration will very likely occur, when the destination offers significantly more advantages than the country of origin.

The latest works in the field of migration studies have extended the classic push-pull theory by identifying and adding new drivers of migration to the model. An example of this expansion is Nicholas Van Hear, Oliver Bakewell and Katy Long with their article “Push-pull plus: reconsidering drivers of migration” (2017). According to the authors, migration flows can be understood by taking the following categories into consideration: predisposing (structural disparities between origin and destination on the bases of macro-political-economy), proximate (direct bearing effects on migration, e.g. down- or upturn in economic), precipitating (outbreak of war, natural disasters, collapse of social welfare systems, etc.) and mediating drivers (presence or absence of infrastructure, communication, information). The decision whether one person decides to leave or to stay depends on the combination and the actual importance of these factors. The complexity of this model is to distinguish and evaluate between important and less important circumstances. Nevertheless, the authors conclude that proximate and mediating drivers show greater potential for intervention than structural and precipitating spheres. Furthermore, the authors identified some other dimensions of drivers, like locality (e.g. demographic or environmental pressures), scale (different social and geographical scales), duration or timeframe (different timescales from sudden to acute to chronic), and depth or tractability (drivers on the surface of society and hidden drivers). Again, the combination of these drivers is crucial in determining if migration happens or not. All these factors should not be considered in isolation, but rather in context. (Van Hear, Bakewell, Long 2012 & 2017)

According to Eurostat (2019) the amount of asylum seekers to the EU has almost halved from the year 2016 (1.2 million; establishment of the EU-Turkey Deal) to 2018 (640,000). However, the migration pressure still remains high and smugglers are changing their routes constantly. Thus, since the living conditions for Syrian refugees in Turkey cannot be improved substantially in the long-run, the EU-Turkey Deal is just a short-term solution. The new situation after the agreement has also led to the situation, that thousands of Syrian refugees are 'trapped' on Greek islands, without any perspective of entering the EU on a legal base. (MSF, 2019) While 'Push-and-Pull' is able to describe the factors of migration, the theory cannot explain the constraints of people, who are literally living in 'no-man's land'. Therefore, a new more sustainable and comprehensive approach is required in order to explain and improve the situation of those people.

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## **Measuring negative peace: The impact of ceasefires on conflict dynamics in Yemen (1989-2017)**

### *Abstract*

*How do ceasefires impact the conflict dynamics in civil wars and the commitment problem between the government and rebels? Previous research on ceasefires has not directly addressed these questions or lacked the rigorous data to do so. Similarly, research on ceasefires has only focused on bilateral ceasefires, and overlooked unilateral and non-state dyad ceasefires. To answer these questions, I apply a process tracing and a qualitative content analysis method. I triangulate data for this research from three sources: I built a novel dataset on all ceasefires in Yemen between 1989-2017, conducted interviews and undertook archival research. In the Yemeni case the preliminary results show that unilateral ceasefires tend to last longer and ceasefires between non-state actors can be strategic tools for insurgent groups to expand their territorial control. Third-party mediated ceasefires tend to break down on average in one day and lead to vertical escalation. Understanding the broader strategic role of ceasefires for conflict parties is important both for the academia and for policy-makers.*

**Keywords:** *ceasefires, Yemen, bargaining problem, civil wars, process tracing*

### **I. Introduction**

On 13 December 2018 the Government of Yemen (GoY) and Houthi rebels (Ansar Allah) concluded the Stockholm Agreement (SA) under UN mediation. The Agreement includes three separate deals, the most important being the ceasefire in the governorate of Hodeidah and the three ports of Hodeidah, Al-Salif, and Ras Isa. Yet, as of May 2019, signature parties haven't implemented the ceasefire. What can the international community expect from this agreement? More specifically, how do ceasefires impact conflict dynamics (measured as battle-related deaths, geographic spillover of conflict, conflict termination and duration)?

Ceasefires are special written or oral agreements between conflict parties to suspend violent hostilities from a specific point in time. They are a regular feature of all civil conflict. Conceptually, theoretically and empirically, ceasefires are a phenomenon that have been overlooked by current research on civil war. This seems puzzling, as in many cases ceasefires are crucial for understanding the dynamics of conflict, as they directly influence the intensity, duration and targets of violence. Nonetheless, the vast share of the literature on ceasefires deals with interstate conflicts. Ceasefires are also a vital conflict management tool, which clearly have important implications for negotiations, mediation, and peacekeeping in civil war.

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This dissertation builds on the literature on the bargaining theory of war (Fearon 1995, Wagner 2000) and the literature of peace agreement durability (Fortna 2004, 2009) and examines all ceasefires in Yemen between 1989 and 2017. Preliminary results suggest that written bilateral ceasefire agreements can reduce conflict intensity between signatories, especially if they are accompanied by third-party security guarantees (monitoring, verification, peacekeeper deployment). At the same time, ceasefires do not necessarily reduce country-level violence, since they can shift the geographical location of violence. Insurgents might cease violence in the specific area which the ceasefire agreement covers, but they can increase violence in other locations. The dissertation applies a qualitative case study methodology. To empirically test my argument, I construct a unique dataset of all ceasefires in Yemen from 1989 to 2018 and conduct twelve elite interviews with policy-makers who have extensive experience with ceasefire monitoring missions.<sup>30</sup> This paper contributes to the literature on the micro-dynamics of civil war, mediation, and negotiations. This extended abstract proceeds as follows: in the first section, I introduce the current state of research on ceasefires in intra-state conflicts and highlight the gaps. The second section introduces the research design and the data sources, the fourth section summarizes the preliminary findings, and the fifth section concludes.

## II. Literature review

Research shows that ceasefires can result from a critical juncture in the peace process, or emerge to provide the necessary space for humanitarian purposes (Smith 1995). At the same time, ceasefires are not exclusively positive: belligerents can enter into a ceasefire with more malign strategic intentions, such as buying time to regroup and rearm, or to improve their military position (Gartner & Melin, 2009; Toft, 2010, Luttwak, 1999; Mahieu, 2007; Kolås, 2011).

Research also shows that the mere signature of a ceasefire agreement does not mean that violence terminates (Jarman, 2004; Höglund, 2005; Kolås, 2011; Åkebo, 2016). In fact, rather than ending conflict, ceasefires are perhaps more likely to *transform* conflict dynamics. While research on inter-state conflict finds that ceasefires reduce violence (Fortna, 2003, 2004), there is only limited evidence for this effect in intrastate context. As civil wars often involve multiple rebel groups, we also need to expand the perspective to actors who are excluded from the

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<sup>30</sup> To adhere to transparency standards, I make all data available (open-source) once the coding will be finished (June 2019). To access the data at its current status and the interview guide, please contact the author ([julpal@prio.org](mailto:julpal@prio.org)).

ceasefire and how the violent behavior of those groups is impacted by a ceasefire. Violence perpetrated by extra-ceasefire actors is particularly important, since ceasefires might inadvertently contribute to conflict *escalation* rather than resolution. Most research tends to conceptualize ceasefires as an outcome of a negotiated or mediated process, and not a phase that moves parties closer to (or further from) a peace agreement (Bercovitch & Houston, 1993; Beardsley et al., 2006; Bercovitch & Fretter, 2007). However, most studies (Fortna 2003, 2004; Werner & Yuen, 2005; Chiba, 2015), conceptualize ceasefires as the end-point in a process, not a step in the broader peace process. Ceasefires can also increase bargaining challenges and hinder the process of conflict resolution. Paradoxically, by suspending violence, ceasefires can reduce the flow of credible information that the parties transmit through violence. They also reduce the “hurting” costs that act as a motivation for settlement. In such cases a ceasefire can freeze, but do not resolve the conflict (Mahieu, 2007; Chounet-Cambas, 2011) like in Nagorno-Karabakh.

To summarize the literature on ceasefires, research has identified a number of important insights regarding the onset of ceasefires, but there is a lack of systematic analysis on what happens *during* and *after* a ceasefire, especially in the context of civil wars. This is a significant gap in research, given that civil conflict is the dominant form of large-scale organized violence.

### **III. Research design: Data, Methodology**

This research focuses on processes, their origins and impact both on actor and conflict level. The main methodological approach is process-tracing, defined as “the analysis of evidence on processes, sequences, and conjunctures of events within a case for the purposes of either developing or testing hypotheses about causal mechanisms that might causally explain the case” (Bennett and Checkel 2014). Data for this research comes from three sources: The dataset on all ceasefires in Yemen is part of the ETH-PRIO Civil War Ceasefire Dataset. The dataset is the first to include all types of ceasefires found in civil conflicts as found in the UCDP Armed Conflict Dataset between 1989-2017.<sup>31</sup> The second source of data comes from twelve semi-structured elite-interviews conducted in Oslo in from August 2017 to January 2019. The third source comes from archival research conducted at the University of Oslo between August 2017 and January 2018.

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31 To learn more about the project, the sources, and the coding, see: <https://www.prio.org/Projects/Project/?x=1812>



#### IV. Preliminary findings

Since 1989 there have been 56 ceasefires in Yemen, of which 11 were declared unilaterally<sup>32</sup> and 10 ceasefires had been concluded only between non-state actors. In the Yemeni case, unilateral ceasefires have only been declared by the government. This is in contrast to other conflict where unilateral truces have been declared by insurgent groups, like in case of Colombia where in the FARC has declared multiple unilateral ceasefires. One possible explanation for this trend is the very nature of the Yemeni state: there is no monopoly over the use of force. The 56 ceasefires involved the following parties: The Government of South Yemen, Ansarallah, Sadiq al-Ahmar tribe, forces of General Ali Mohsen, Salafist groups, Joint Meeting Party (JMP) and the government of Yemen. Ansarallah is the most frequent participant with 29 ceasefires, followed by the Sunni Salafists (8), and the JMP (5). Since the March 2015 intervention of the Saudi-coalition the ongoing UN-led peace process between the Houthi rebels and the GoY experienced 9 bilateral ceasefires. Ceasefires in the Houthi-GoY dyad did not automatically led to fewer battle deaths. Preliminary results show that ceasefires are shaped by contextual (conflict intensity, length, number of conflict actors) and process variables (ceasefire type, third-party involvement, length, location).

Ceasefires in Yemen have clustered around three periods: 2004-2010, 2011, 2015. These periods largely overlap with peace processes. Between 2004 and 2010 the Houthis and that time president Saleh waged the highly localized six rounds of Sadaa wars in the northern governorates. The peace process at this period was initiated and led by Qatar. 2011 saw multiple ceasefires related to the ensuing violence during the Yemeni Arab Uprising. That peace process was initiated by the Gulf Cooperation Council (GCC) and intended to pave the way for the peaceful transition of power from Saleh to that time Vice President Hadi. The third cluster of ceasefires occurred after the 26 March 2015 intervention of the Saudi-Arabia led military coalition to reverse the territorial gains of the Houthis and to restore the internationally recognized government of Hadi. This period marks the start of both the internationalization and the substantial escalation of the conflict, which for today became the “worst humanitarian crisis” (UN OCHA 2018). This period differs from the previous two clusters which did not see external military involvement. Peacemaking attempts also shifted towards the UN Special

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32 An important distinction is between bilateral and unilateral ceasefires. In the dataset, a bilateral ceasefire is a mutual agreement between two or more actors. A unilateral ceasefire is if the cessation of hostilities is undertaken by only one group alone

Representative of Yemen. These clusters do not imply that all ceasefires were initiated as part of the respective peace processes, or with the purpose of engaging belligerents in peace talks.

From 2011 the number of non-state ceasefires have increased. This is particularly relevant if we take into account that the Houthis have expanded from their northern stronghold and reached the capital during the period 2011-2014. While, the Houthi-Saleh alliance and the resulting increase in military capabilities was the main driver of the Houthis territorial expansion, ceasefires with local tribes are also likely to contribute to this expansion. This finding illustrates that ceasefires are not universally aimed at enhancing peace processes or facilitating humanitarian access. In fact, they are often used as strategic tools by non-state actors in concert with military action to secure territorial expansion.

## **V. Conclusion**

For present-day Yemen, there are three key questions: First, how can external actors (especially the UN) ensure that ceasefire in Hodeidah will be fully implemented by the Houthis and the GoY? Secondly, the 2018 Stockholm Agreement limits the ceasefire only to the governorate of Hodeidah. Localized ceasefires have been repeatedly used in the Syrian conflict, because policy makers believe that many small-steps (i.e. multiple localized ceasefires), if they manage to hold, can create a spill-over effect and contribute to inter-party trust building. Yet, since the conclusion of the SA, violence between the Houthis and the GoY have increased in other governorates, especially in Taiz and Amran (Crisis Group 2019a, Crisis Group 2019b). The third question concerns armed actors outside of the SA. The conflict in Yemen is a fragmented war in which multiple violent non-state actors are competing. Neither the Southern Transitional Council (STC), nor the Islah party are part of the ongoing peace negotiations, yet they have been engaged in violent conflict both with the Houthis and with the GoY. This PhD dissertation shows that while we know a lot about some aspects of civil war peace processes, there is a lot more to be done.

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**CHAPTER VI**  
**Geopolitics and spatial planning**

## **Measuring retention and attraction potential of Hungarian middle size cities**

### **Abstract**

*The presence and the proportion of the young, educated population is a key factor of both urban economical competitiveness and demographical-social sustainability. The aim of the research is to compare the retention potential of hub cities (Dunaújváros, Gyöngyös, Kecskemét, Salgótarján, Székesfehérvár, Szolnok, Tatabánya) and to observe what development tendencies can be seen in these cities in the period of 2010-2017. A complex indicator is used to provide a new city ranking from the aspect of retention potential. According to our results, Székesfehérvár, Kecskemét and Szolnok perform the best in terms of their equipment; in terms of the other subindex, Kecskemét occupies the 1st place, while the 2nd is Dunaújváros and the 3rd is Gyöngyös; in the overall ranking Kecskemét occupies 1st place, while Székesfehérvár is 2nd and Dunaújváros is in the 3rd place.*

*Keywords: polycentric development, talent attraction, hub cities*

### **I. City competition, monocentric spatial structure and steps towards polycentricity**

Parallely, with globalisation trends, locality and cities are more important than ever. Greater cities are entering a global competition for the young, educated workforce. The presence of the young, educated population can be regarded as an indicator of success in a certain city, because this is the most mobile layer of society: young people after university graduation and before starting a family can easily choose the perfect location to live without major constraints (BROME, 2009).

At the same time, the presence and the proportion of the young, educated population is a key factor of both economical competitiveness and demographical-social sustainability. Several authors have pointed out the positive correlation between urban competitiveness and the quality and composition of the workforce available (BOURDIEU, 1986; PUTNAM, 1995; FLORIDA, 2002; GLAESER-BERRY, 2005).

In the global city competition there are only a certain amount of cities (mostly megacities) that are able to retain and attract the most talented young professionals. Small- and middle sized cities are lagging behind – in many cases these cities are affected by selective migration, so gradually they are losing their young, educated population. In many countries this process has led to a monocentric urban structure, which means both a decrease in competitiveness and a self-reinforcing process. To support the goal of equal territorial development, the theory of polycentric development was created (KLOOSTERMAN, 2001; WATERHOUT et al., 2005;

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BURGER et al., 2014) Even if not much detailed research has been carried out on the topic, polycentric development has become a magic word both in European, national and regional policy-making (TERRITORIAL AGENDA, 2011).

## II. Spatial characteristics of Hungary

Regarding the Hungarian urban structure, the most visible pattern is the obvious dominance of Budapest. The city with the second highest population (Debrecen) has ten times fewer inhabitants than Budapest. Still, Hungary does not lack small- and middle size cities. The problem is rather that these small- and middle sized cities are failing to provide the functions that regional centers should.

Several historical events have led to this uneven spatial structure (Treaty of Trianon, 1920; creation of Great-Budapest, 1950; National Settlement Network Development Concept, 1971). After the regime change, the LXV. law on local municipalities (1990) gave autonomy to municipalities and provided the legal framework of polycentric development, but the flow of the young, educated workforce to Budapest and to foreign metropolises continued (CSOMÓS, 2009). From the end of the 90s the concept of equal, polycentric development got more focus in policy documents (1999, 2004, 2014). These plans suggest a concentric spatial approach: Budapest is surrounded by an inner urban ring (hub cities) and an outer urban ring (competitiveness poles). While the hub cities are meant to cooperate with Budapest and each other to create a more coherent and cooperative metropolis region, the competitiveness poles are expected to provide their region with the important regional urban functions (SALAMIN et al., 2008).

In our research, as a pilot project - we have decided to first investigate the Hungarian hub cities. To research the relative position of these cities regarding their retention and attraction of the educated youth, we have developed a new complex indicator.

## III. Measuring retention and attraction potential – Methodology

<p><b>Research question</b></p>	<p>What tendency can be observed in the retention potential of hub cities for the period 2010-2017, with special regard to the young, educated population?</p>	<p>What is presently the retention potential of Hungarian hub cities, with special regard to the retention of young, educated population (based on 2017 data)?</p>
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<b>Research methodology</b>	„simplified” Benett’s complex indicator, decreased amount of variables	Dummy sub-index with 20 variables (30%)	Main sub-index with 50 variables (70%)
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Table 1: Research questions and methodology

The research questions and the methodology can be seen in *Table 1*. In addition, a policy analysis was also implemented to find out if the examined cities define themselves as hub cities and highlight in their policy documents the goal of talent attraction and retention. To define the variables of our complex indicator (see *Table 2*), at first, international talent attraction and retention-related ranking lists and their variables were collected and analysed as reference (e.g. The Global Creativity Index, 2002; IMD Talent Ranking, 2017; EU Cultural and Creative City Monitor, 2017; „List of places to live if you’re under 26”, 2018).

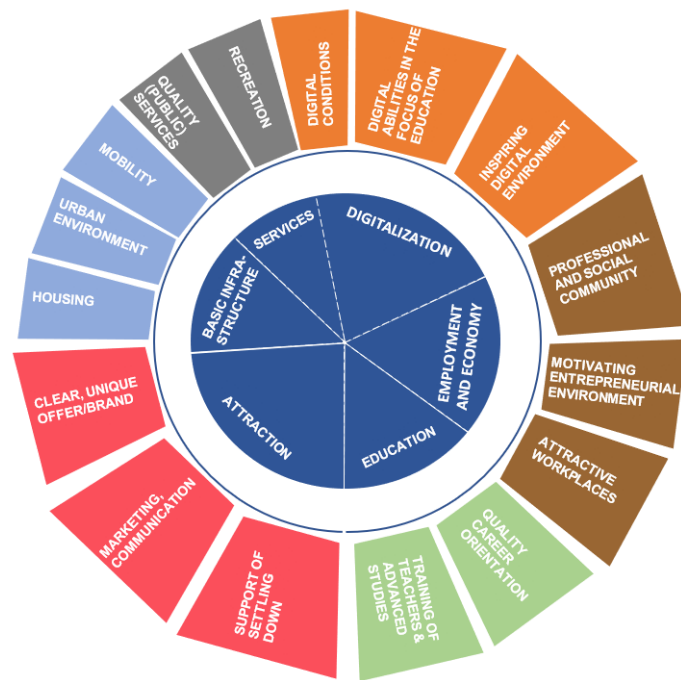


Table 2: Dimensions of the complex indicator

#### IV. Results

In the case of the examination conducted in time-series, the simplified complex indicator shows that Salgótarján had the weakest results in almost every year of the examined period, while Kecskemét and Szolnok performed almost every year at the top of the ranking list, and the upward track of Dunaújváros can also be observed. However, examining the development of the cities compared to the base year of 2010, Salgótarján shows the greatest improvement, followed by Dunaújváros.



In terms of the dummy sub-index, the results of the research shows that cities performed the best in the „employment and economy” and „digitalisation” dimensions, and the worst in the field of „education”.

In terms of the main subindex, the greatest variation in the performance of the cities can be observed in „education” and „attraction”, meaning to be the most divisive categories; while the the smallest variation is showed by „services”, and this category proved to be the least divisive one.

The lowest result-maximum can be found in the dimension of „basic infrastructure”, which means that no outstanding results were achieved in this category, owing to - mainly – the low performance of the cities in the field of urban environment. The most striking results, however, were observed in „digitalisation”, which are also associated with low standard deviation, and high average performance, so the cities have generally performed well in this dimension.

The complex indicator made it possible to define the ranking of the Hungarian hub cities on the basis of their talent retention and attraction potential. While in the Main sub-index, Kecskemét proved to be the best, in the the Dummy sub-index, Székesfehérvár occupied the first place, and in the overall ranking, Kecskemét ranks on the top, Székesfehérvár is the second one and Dunaújváros is the third. Salgótarján performs the worst in every type of the rankings (see *Table 3*).

	Main sub-index (70%)	Ranking	Dummy sub-index (30%)	Ranking	Aggregated complex indicator	Overall ranking
Kecskemét	73,5	1.	93,75	2.	79,6	1.
Székesfehérvár	62,9	4.	100	1.	74,1	2.
Dunaújváros	70,9	2.	68,75	4.	70,2	3.
Szolnok	53,1	6.	93,75	3.	65,3	4.
Gyöngyös	63,2	3.	62,5	5.	63,0	5.
Tatabánya	55,6	5.	62,5	6.	57,7	6.
Salgótarján	49,2	7.	31,25	7.	43,8	7.

*Table 3: Main results*

## V. Conclusions

It is an important finding, that the size of the city and the success in talent retention and attraction shows positive correlation in the case of the cities examined.

It also became visible as a result of policy analysis, that the goal of talent attraction is present only in an abstract way in policy documents. Policymakers and decision-makers are aware of the demographic challenge small- and middle-sized cities are facing, but can hardly implement the needs of the new generation in policy- and decision-making.

As a result of our research it can be stated that monocentric urban evolution has a long history in Hungary. Hungarian cities are not able to compete with Budapest, but hub cities can be the complementers of Budapest, while regional centers can strengthen their role in the present city structure.

In the future, an enlargement of the sample will be done, to investigate all the 55 middle size cities of Hungary with cluster analysis. The research will also be deepened by doing interviews with local decision-makers and local educated youngsters to reveal underlying factors in terms of talent attraction and retention in Hungary.

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## **Geopolitical Imperatives of Norway**

### ***Abstract***

*My paper tries to identify what are the geopolitical imperatives and challenges of Norway. The answer lies in the long history of the country. Norway's unions helped the relatively weak country remain semi-sovereign and was largely intact from conflict throughout the centuries. The country relied on other states to defend itself –from major powers while maintaining a strong and continuous state structure. Geopolitically the domination of the Norwegian Sea, and a strong presence in the North and Barents Sea enables it to utilize the huge oil reserves and secure the country's coastline. Newer additions to the Norwegian geopolitics are the territorial claims on the Arctic and Antarctic regions. These territories further improve the positions of the Norwegian fishing and offshore drilling industry. With the help of NATO and powerful allies, Norway as a small country could avoid losing its gains and preserve its sovereignty as it did for centuries.*

**Keywords:** Norway, Vikings, geopolitics, state-building,

### **I. The Rise and fall of the Vikings**

The Northern part of Europe including Norway had the most significant effect on the continent in the Viking age circa 800-1066. At the time of Viking conquests, Europe did not have strong kingdoms with efficient centralized governments therefore raids on the coastal areas were easily carried out by the Vikings. Their ships were superior and numerous churches and monasteries had valuable silver and gold items that could easily be taken. (STENERSEN–LIBÆK, 2007:23.)

The Vikings were free men trained for combat from a very young age. However, their main goal was to trade or to have their own farm to sustain themselves. They were entrepreneurs in a sense that they used raiding to acquire capital to invest in a ship, farm or business. The raids also meant that new lands were discovered by them that they could settle. (SHORT, 2018)

The reasons that ended the Viking age originate in the nature of the structure of the Viking and European society. Other Europeans lived under small kingdoms that could not defeat the fierce Viking warriors easily, and these small kingdoms were in conflict with each other at the same time. As time went by, the coastal monasteries were built with easily defensible towers and structures to dissuade raiders from attacking them, and some of these buildings were moved further inland in order to get out of reach. (SHORT, 2018) This made the Viking raids less profitable.

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The feudal system started to take shape on the continent with a more centralized power structure and a more efficient army system. The monarchs of Scandinavia wanted to consolidate their powers as well, and they tried to convert their subjects to servants who worked in the fields. The Roman Catholic Church tried to reduce the violence among Christians with edicts. As the Christianisation of Scandinavia took place a different attitude started to form towards death and battle. These processes did not stop the raids, but both factors meant that fewer men were trained for combat and it was harder to put raiding parties together. (ADRIEN, 2015)

Another important aspect of the decline of the Viking era can be found in the nature of the Norse society. The previous Viking settlers slowly assimilated into the territories and defended their land against other Viking raiders. This occurred in several places including Britain, Ireland, France and Russia as well. (ADRIEN, 2015)

## **II. Unification of Norway and Its Golden Age**

In the mid-9<sup>th</sup> century several chieftains and petty kingdoms started a struggle for power in Norway. The influence of the shaping European state system showed that a bigger and more centralized state was a more efficient one. After the battle of Hafersfjord (circa 870-900) Harald Fairhair unified Norway for the first time and set up a rudimentary state administration with stewards who were formerly chieftains. (STENERSEN – LIBÆK, 2007:23)

The unification did not upset the power structure of Norway and a growth period followed. Norway's golden age was the 13<sup>th</sup> century when the Norwegian king ruled over more territory than before or after. The strength of the kingdom relied on trade mainly with England. The most important Norwegian trading goods were salted herring, dried fish and timber. The population of the country increased rapidly which created a demand for more corn. German merchant ships proved to be better adapted to corn traffic than the Norwegian longships, and the Germans and the Hanseatic League became the more important trading partner rather than the British. (STENERSEN – LIBÆK, 2007:41)

## **III. Unions and Independence**

After the Golden Age of Norway, several internal and external problems made governing Norway as an independent state impossible. Succession rules created the situation that led to the formation of the Kalmar Union. Norway preserved the Council of State consisting of various noble and church men, but Sweden, Denmark and Norway had the same monarch. The Kalmar

Union prevented German expansion northward and countered the influence of the Hanseatic League. (IMSEN, 2007)

The other factor that hindered the development of Norway was the arrival of the Black Death and minor epidemics in the 14<sup>th</sup> century. Although Norway was ruled from Copenhagen and its written language became Danish, the people spoke a different dialect and the kings called themselves Kings of Denmark and Norway. The Norwegian identity and culture remained relatively intact. (STENERSEN – LIBÆK, 2007)

Denmark never fully incorporated Norway into its kingdom despite the long centuries of the union. In the beginning of the 19<sup>th</sup> century the rise of Napoleon disturbed the state structure of Europe. Denmark-Norway tried to remain neutral, but the struggle between Britain and France dragged the union into the conflict. Meanwhile Sweden joined Napoleon's enemies and was promised Norway as a price. After the defeat of Napoleon at the Battle of Leipzig the Peace of Kiel was signed in 1814 that ceded Norway to the Kingdom of Sweden. (KONGEHUSET.NO 2007)

The union with Sweden increased the positions of Norway compared to the union with Denmark. Norway could not have an independent foreign policy, but the King could not declare war or make peace without the consent of the Storting (the parliament of Norway) and could not appoint Swedes to official posts in Norway. The country could have its own flag, bank and its own constitution clearly stated: "*The Kingdom of Norway is a free, self-governing, indivisible and inalienable realm unified with Sweden under one king.*" (STORTINGET.NO 2018)

The protectionist trade policies of the 19<sup>th</sup> century created an unfavourable situation for the trade dependent Norway. The economy was dependent on foreign trade especially with the United Kingdom and partners outside Europe, while Sweden's economy was more tied to Germany. Furthermore, the Storting was the most powerful legislature on the Continent and to a great extent reduced the power of the king. This was the result of the continuous personal unions and the strong legitimacy of the Norwegian Parliament. The dissolution of the union was also initiated by the Storting. A plebiscite strengthened the decision where 99.95% was in favour of confirming the dissolution of the union. (KONGEHUSET.NO 2011) And Norway has been a sovereign nation since then.

#### **IV. Conclusion**

In order to understand the origins and the survival of the Norwegian state we have to go back in history for more than a millennium. Norway's unions helped the relatively weak country remain semi-sovereign and was largely intact from conflict throughout the centuries. The country relied on others (Denmark and Sweden) to defend itself from major powers while maintaining a strong and continuous state structure and never be fully absorbed to either kingdom. The relationship somewhat resembles the relationship between Hungary and Croatia. Hungary conquered Croatia in the 11<sup>th</sup> century and integrated it into the Hungarian Kingdom, but it remained as a separate entity and was never assimilated.

The geopolitical imperatives of Norway did not change since the unification of the country. Preserving independence was a crucial part of Norwegian history and thanks to the discovery of oil, it no longer needs the help of other countries. On the other hand, joining NATO was necessary in order to keep the country safe from foreign invasion.

Dominating the Norwegian Sea, and having a strong presence in the North and Barents Sea enables Norway to utilize the huge oil reserves and secure the country's coastline. The strong presence of the maritime and fishing industry was also a huge incentive not to join the European Union. Compared to other European countries, the seas surrounding Norway have few competitors so delegating fishing policies under the EU's jurisdiction could seriously threaten the Norwegian positions.

Norway maintains a close alliance with the Scandinavian countries in order to exert more influence, and it was its strategy in the previous centuries as well, since alone it is a very small country with a small population.

Newer additions to Norwegian geopolitics are the territorial claims on the Arctic and Antarctic regions. These endeavours closely resemble the Viking discoveries. Norway cannot penetrate lands by large amounts of force due to its small population so it has to find virgin territories that it could "discover" and claim for itself. These territories further improve the positions of the Norwegian fishing and offshore drilling industry. With the help of NATO and powerful allies, Norway as a small country could avoid losing its gains and preserve its sovereignty as it did for centuries.

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## **Researching Impacts of Land Acquisition on the Livelihoods of People in the Peri-Urban Areas of Vietnam**

### *Abstract*

*In the context, agricultural land is increasingly being lost because of developing industrialization. The recent evidence based on the livelihoods of people concerning the impacts of land acquisition and compensation is considerable, the topic has attracted growing attention worldwide, especially in the developing countries. Yet studies are of variable quality with some apparent weakness, notably uneven and limited investigation contexts. 36 studies published in the developing countries and 19 studies published in Vietnam were included in the review. Findings suggest that there are both advantages and disadvantages to land acquisition. The income of households increases in a short time while the long-term livelihoods are unsustainable because of unemployment and food security. This review also highlighted the research gaps, that is, different the impact of land acquisition is on the livelihoods of people in different regions in Vietnam.*

**Keywords:** *Livelihoods, land acquisition, land compensation, Vietnam.*

### **I. Introduction**

In the context of wasted agricultural land in developing countries, important concerns have been raised. The fact has shown that in order to increase agricultural production in developing countries, investment in agricultural sectors and rural areas is necessary. Direct land acquisition is also the method central to proposals for positive action in the area of land use (Kitay, 1985). Nevertheless, large-scale land acquisition also entails negative socio-economic impacts in developing countries where the majority of the population lives in rural areas and depends on land to create livelihoods (HRC, 2009). Land acquisition without a sustainable development solution will lead to farmers' impoverishment. Not only do they not have any productive land but they also have to move to urban areas to work as hired labour or export labour. This suggests that land acquisition is a question of economic development, it is also a question of society, population management, and the gap between rich and poor. In other words, the livelihoods of people will be impacted if the land is recovered. The questions are given that is this influence positive or negative? How is this influence? This paper answers these questions by summarizing the results of many previous studies not only in developing countries but also in Vietnam. After that, the authors show the gaps in research in this field in Vietnam.

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## **II. Methodology**

One of the parts of this research is desk research which refers to secondary data or that which can be collected without fieldwork. Qualitative methodology is applied in this study, that assists us to understand how land acquisition characteristics and the gaps of previous research. Meanwhile, quantitative method is to support our arguments and strengthen our case by providing statistical data from various sources. In general, this research explores both qualitative and quantitative approaches.

## **III. Household livelihoods and effects of land acquisition**

### **III.1. Household livelihoods and effects of land acquisition in developing countries**

In most developing countries, agricultural productivity contributes greatly to growth, employment, and livelihoods (DFID, 2002). In agricultural societies, land serves as the main means to not only create livelihoods but also to accumulate wealth and transfer it between generations (Deininger and Feder, 1998). Because of this, land plays a crucial role in the livelihood strategy of people in rural and peri-urban areas. These changes in the land would lead to significant impacts on their livelihoods.

Large scale studies in Africa showed the significance of common resources and a range of agricultural goods and services for livelihood security and household income, particularly for the most vulnerable segments of rural society (Shackleton et al. 2001; Ellis and Freeman, 2004). In India, although farmers and landowners have tried to increase their income from different sources, the land acquisition significantly reduced their income. Non-agricultural workers are less adversely affected than agricultural workers, whereas the average impact on all workers was negligible (Sarkar, 2007; Ghatak et al. 2013; Singh, 2012).

In some countries of South East Asia such as Indonesia, Malaysia and Philippines, farmers still face difficulties when governments acquired land for many purposes (McCarthy et al. 2012; Alias and Nasir, 2015; Borrás and Franco, 2005). In the past decade, in particular, the Mekong region has been transformed by a set of important interaction phenomena. The pace and scale of large-scale land acquisitions through foreign and domestic investment have fundamentally altered rural land relations and the land resource base itself in Cambodia, Thailand, and Vietnam (CDE, 2018).

### **III.2. Household livelihoods and effects of land acquisition in Vietnam**

In Vietnam, a large area of land has been converted for the purposes of developing economic and social components, with various impacts on both the state and society. In the face of pressures from rapid changes in the country's industrialization and urbanization, rural households also face threats to their livelihood security.

The research results about land acquisition in peri-urban of Hanoi, indicated the positive impacts of land loss on the income of household (Tuyen, 2013; Van Suu, 2014). However, their lives are still potentially risky and unstable. Some problems arose for peasants as a result of the process of agricultural land conversion included: a transition in labour, a decline in traditional foodstuff production, the use of compensation money, and future risks (Thanh, 2011; Minh and Kawashima, 2017; Thanh et al, 2016). In comparison, livelihood conversion after the land acquisition in Ho Chi Minh City was found to be more complicated due to higher income and compensation package in general. However, the real income of affected households declined after land loss (Minh and Kawashima, 2017; Ho and Vu, 2011).

Land acquisition has directly impacted on employment, the food security of farmers as well as local people and accelerated the process of stratification of rural society in Hung Yen (Dien et al 2012; Thuy, 2017). Although household livelihoods have been reconstructed after land loss, many issues are also emerging which may challenge equitable and sustainable development (Phuc et al 2016; Ty et al 2013). In addition, a number of studies on livelihood issues of people after losing land have shown similar results in some provinces such as Hoa Binh, Bac Ninh, and Quang Nam.

### **IV. Conclusions**

Overall, the following conclusions can be made on the basis of our review. We believed that there are positive and negative impacts of land acquisition and compensation on the livelihoods of people. Firstly, when land is recovered, the landholders have compensation. Thanks to this compensation, the income of households increases significantly in a short time. The results of household livelihoods after land recovery also diverse among regions because people's customs and personalities are completely different in each region in Vietnam. Secondly, there are almost no studies comparing the specific household livelihoods among regions of a country according to DFID's sustainable livelihood framework. Although several studies researched some key areas in the same country, each region showed a different livelihood outcome. Therefore, "How do the impacts of land acquisition and compensation on

people's livelihoods in the different regions of Vietnam differ?" is the question that needs to be answered in the subsequent studies.

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## **CHAPTER VII**

### **New perspectives for developing countries in world politics**

## Latin America and its contributions to the nuclear non-proliferation regime

### *Abstract*

*With the opening for signature of the Treaty of Tlatelolco in 1967, Latin America and the Caribbean became the first nuclear-weapon-free zones. This initiative was subsequently a reference for the preparation of the Nuclear Non-Proliferation Treaty (NPT), and for the creation of four Nuclear-Weapon-Free Zones (NWFZ). The actorness played by the region, through the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL for its acronym in Spanish) – established by the Treaty- in shaping norms within the nuclear non-proliferation regime contradicts the mainstream thesis that peripheral countries due to their limited capabilities can be exclusively "norm-takers" and not "norm-makers", especially on security issues. Undoubtedly, international power relations intervene over regimes building, but in what extent this determines the mechanisms chosen by peripheral countries to gain power and shape norms? We argue that countries in a peripheral position can be 'norm makers', but their path towards norms construction is different from the path taken by powerful countries, where material capabilities are an inherent part of their position. Given their reduced material capabilities in front of powerful countries, they tend to build power predominantly through immaterial aspects (norms compliance, peaceful identity and public shareholding initiatives). Therefore, by applying process-tracing method, this analysis will focus particularly on the case of Latin America and its actorness within the non-proliferation regime.*

**Keywords:** *Tlatelolco Treaty, Nuclear non-proliferation, Latin America, Norms, Nuclear-Weapon-Free Zones*

The Western predominance of International Relations has been harshly criticized by many renowned scholars such as Mohammed Ayoob and Amitav Acharya. The lack of theories to explain Third World phenomena, and in general, the low scholar attention that peripheral countries have received in this field has led to scholars to come to superficial and simplistic conclusions, hence, there is a thesis widely accepted that “norm-makers” are fundamentally powerful countries and weak countries are basically “norm-takers”. Nevertheless, the evidence overcomes this binary understanding.

The creation of the Latin American and Caribbean Nuclear Weapon Free Zone (LAC-NWFZ) through the opening for signature of the Treaty of Tlatelolco in 1967 has been a good example of how peripheral countries can contribute and challenge the international norm-making process. This was the first NWFZ established in an inhabited area and for long time, it was the only NWFZ in the world, approved even before the Non-Proliferation Treaty (NPT). The overwhelming inertia of the bipolar Cold War order, stirred up in the Third World the need to reinforce its autonomy. As Acharya recognizes: “Latin American countries, [...] have been ‘international rule innovators’” (ACHARYA, A. 2014; DOMINGUEZ, J. 2007), for example in

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human rights, non-interventionism, and in non-proliferation as this case is.

In order to explain the norm-making process forged by Latin American countries on non-proliferation, this study is going to apply some innovative concepts introduced by Amitav Acharya. The first one is *norm subsidiarity* defined as “a process whereby local actors create rules with a view to preserve autonomy from dominance, neglect, violation, or abuse by more powerful central actors” (ACHARYA, A. 2014). The second relevant concept is *norm localization*, which is “an active construction through discourse, framing grafting and cultural selection) of foreign ideas by local actors, which results in the latter developing significant congruence with local beliefs and practices” (ACHARYA, A. 2014). If we analyse these concepts we easily can conclude that there is a double process in norms making, the same agent might be a norm-taker when it localizes a norm, and then it might become a norm-maker through the construction of subsidiary norms.

The long-standing asymmetrical relations between Latin American countries and the United States has propelled them to implement some policies to counter-balance the power of US, in some points of the history. During the Cold War, Latin America became a *de facto* part of the American sphere of influence. Nevertheless, the Cuban Revolution, and the subsequent Missile Crisis, caused dramatic changes in the US foreign policy towards Latin America, and in the foreign policies of Latin American countries themselves. These countries were practically dragged into the Cold War dynamics. Additionally, during the 1960s a wave of popular governments came out in many countries in the region boosting the desire of autonomy from the Cold War logics but particularly from the US.

As Kalevi J. Holsti has highlighted, Latin America transited from a classical ‘war zone’ (19<sup>th</sup> century) to what he called a ‘no-war zone’ (20<sup>th</sup> century) (HOLSTI, K. 1996). This peaceful identity of these countries clashed with the idea of being involved in a war or in a nuclear confrontation between the two superpowers. This mix of identity, triggering event and type of governments led to a group of presidents to propose the creation of a regional NWFZ in 1963.

However, we should remember that the first time a country proposed the conformation of a NWFZ was in 1957, when the Minister of Foreign Affairs of Poland, Adam Rapacki called to conform such a zone in Central Europe which included Poland, Czechoslovakia, the German Democratic Republic (GDR) and the German Federal Republic (GFR). But in Latin America that idea was finally put in motion.

At the proposal moment, only the International Atomic Energy Agency (IAEA) existed (besides other bilateral arrangements to impulse nuclear energy in the frame of the ‘Atoms for



Peace' US program). The peaceful path of Latin American countries contributed to the *norm localization*, but not only the limited material capabilities also influenced over the resonance of the non-proliferation norm in the region.

The underlying willingness of the five presidents who proposed the denuclearization of Latin America (Adolfo López Mateos, from México, João Goulart from Brazil, Jorge Alessandri from Chile, Víctor Paz Estenssoro from Bolivia and Carlos Julio Arosemena from Ecuador) was to avoid any nuclear attack or confrontation in their territories and through this Treaty limit any superpower's nuclear ambition. In this sense, the Treaty worked as a *subsidiary norm*. As Acharya understands, these norms emerge as a reaction to “the marginalization and exclusion from the global norm-making process” (ACHARYA, A. 2014). Additionally, they undermined the legitimacy of the powerful countries' policies on this domain. In fact, one of the objectives of the Treaty of Tlatelolco was to draw the attention from superpowers about nuclear disarmament and nuclear technology transference for peaceful purposes to the Latin American states.

After four years of negotiation -delayed due to a wave of putsches- in 1967, the Treaty was opened for signature and the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL) was founded. Brazil, Argentina and Cuba didn't ratify until the 90's when the two first came back to democracy and in the case of Cuba did so in 2004. Although these initial internal reluctances, the experience of Latin America on non-proliferation was a reference for building other Treaties such as the NPT itself, and those of Rarotonga, Bangkok, Pelindaba and Semipalatinsk for creating the NWFZs in the South Pacific (1985), Southeast Asia (1995), Africa (1996), and Central Asian (2006) respectively. Recently, the government of Mexico has contributed to the creation of a NWFZ in East Asia.

The Treaty of Tlatelolco has spread the non-proliferation norm outside its borderlines in a multifarious way: by the introduction of articles in the frame of the NPT; by promoting the cooperation among NWFZs, by gaining presence in bureaucratic bodies of disarmament and through bilateral meetings for non-proliferation policy advice. Notwithstanding, it should be observed that the OPANAL and the government of Mexico have acted as a *de facto* tandem in all of the afore-mentioned tasks, that sometimes has been criticized by big members as Argentina.

The international impact of the Treaty of Tlatelolco cannot be neglected and it demonstrated the agency capability of peripheral regions, but its results and effectiveness are still unclear and this is one of the most challenging aspects to overcome. The recent declarations of Eduardo Bolsonaro, deputy and son of the president of Brazil, who said that his country

should have nuclear weapons in order to be a more respected country in the world, has set an inescapable debate over the reversibility of the non-proliferation path of Latin America.

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## **Governance Indicators and Government Performance, the Ghana Experience**

### ***Abstract***

*One unique thing that has gained currency in the governance space in recent times has been Governance indicators and Governance performance. The indicators, are used the world over in determining the overall performance of governance in various countries of the world. The Worldwide Governance Indicators project carried out in 2010, based on a study conducted from 1996 to 2017, came out with seven indicators, which serves as the benchmark for states in their governance space. These are Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. Placing the indicators in perspective, the paper looks at the Governance indicators and Government Performance in Ghana since 1993, when the Fourth Republic was ushered in. This research is conducted as a desk study and the author has relied mainly on secondary data, analysis of secondary information and documentary examinations of field reports in Ghana, news materials, academic literature, books and research findings. Some recommendations have been proffered for consideration as part of the conclusion. The Study revealed that Ghana is generally doing well on the indicators there is more room for improvement, however corruption is something that more ought to be done on it to uproot it.*

**Keywords:** *Governance Indicators, Governance Performance*

### **I. Introduction**

Successful governance is typically driven by an effective and efficient public administration with the governance institutions taking ultimate responsibility for the implementation of favorable government policies. When there is broad base participation by the citizenry in policy formulation, implementation and evaluation, governance tends to be successful (Harrold, 2000: McFerson, 2009). One unique thing that has gained currency in the governance space in recent times has been Governance indicators and Governance performance. The Worldwide Governance Indicators project carried out in 2010, based on a study conducted from 1996 to 2017, came out with six indicators, which serves as the benchmark for states in their governance space. These are Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption.

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## **II. Materials and methods**

This study, being a desk study, reviewed secondary data on governance indicators and governance performance in Ghana since the Fourth Republican Constitutional rule was introduced. Articles from news materials, academic literature, books and research findings were reviewed for this study.

## **III. Results and discussion**

Governance is defined as the “traditions and institution by which governments are selected, monitored and placed” (The World Bank, 2009). Again, “governance is so broad that it covers almost everything such as the definition of rules, enforcement mechanisms and organisations offered building institution for market”. (Kaufmann and Mastruzzi, 2010). They further argued against any attempt to narrow the phenomenon of governance to specific areas such as rule of law, or the extensive debates among scholars over the “thin” versus “thick” definitions where the former focuses narrowly on whether existing rules and laws are enforced.

Juxtaposing Ghana’s Twenty-six years of democratic governance against the World Governance Indicators one can say some amount of progress has been made as far as the above six indicators are concerned.

Chapter 5 of the Ghanaian Constitution guarantees the fundamental human rights and freedoms of the citizenry and its opening statements as enshrined in the chapter speaks for its sell, “the fundamental human rights of the citizenry shall be respected and upheld by the Executive, Legislature and Judiciary and all other organs of government and its agencies”. Chapter 12 on the other hand guarantees Freedom and Independence of the Media. Article 162 sub-section 1, 2, 3 and 4 states inter alia that, Freedom and independence of the media are hereby guaranteed.

*“Subject to this Constitution and any other law not inconsistent with this Constitution, there shall be no censorship in Ghana. There shall be no impediments to the establishment of private press or media; and in particular, there shall be no law requiring any person to obtain a licence as a prerequisite to the establishment or operation of a newspaper, journal or other media for mass communication or information. Editors and publishers of newspapers and other institutions of the mass media shall not be subject to control or interference by Government, not shall they be penalized or harassed for their editorial opinions and views, or the content of their publications”.*

However, recent development in the country on the media front calls for concerns owing to the fact that Ghana in 2019 has fallen on the World Press Freedom Index rating. Ghana used to be the first in Africa for press freedom for four consecutive years. If there is any phenomenon that has gained prominence and widely talked about, that has been corruption. However, with the introduction of the democratic rule and the plethora of regulations, corruption should have been nipped in the bud, but that has not been the case. Ever since democratic rule was introduced, even though Ghana is considered to be one of the more stable countries in the sub region of West Africa, corruption is seen to exist in all aspects of the Ghanaian government, and there is often a lack of accountability. It is an open secret that culprits often escape punishment. The judiciary and police are perceived as the most corrupt institutions in the country. (Rahman, 2018) He further revealed that corruption is real in the Ghanaian extractive industry.

In a nutshell, the overall performance on the indicators for the years 2016 and 2017 is shown in the table below, which gives a fair idea of how Ghana has performed on the governance indicators ever since the phenomenon was introduced.

<b>Indicator</b>	<b>2016 Percentile Rank</b>	<b>2017 Percentile Rank</b>
<b>Control of corruption</b>	51.9	49.0
<b>Government</b>	45.2	49.0
<b>Political Stability and absence of Violence / Terrorism</b>	41.0	49.5
<b>Regulatory Quality</b>	45.7	49.5
<b>Rule of Law</b>	55.8	59.1
<b>Voice and Accountability</b>	67.5	67.5

**Source:** Overview of Corruption and Anti-Corruption in Ghana 2018

#### **IV. Conclusion**

Considering the level of political awareness among the citizenry, and the role of Civil Society Organisations (CSO's), Ghana may do well in the next couple of years' time on these indicators. According to (Gyimah-Boadi, 2007), "development in Ghana under the Fourth Republic helped confirm-that not all is a "basket case"; and Black African nations need not confine themselves to the basket case category of nations". He further added "Ghana's democratic governance in the last twenty-six years confirm that autocratic rule is not necessarily African" and that if the current dispensation of democratic rule is maintained and well protected, democratic governance can work in Ghana and largely Africa.

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## **The EU and Libya: Divide of strategies**

### ***Abstract***

*The focus of this research is directed towards the various approaches by EU MS towards Libya in the post 2011 era. Firstly, it will be argued that during the years since Qaddafi's removal, the EU was the biggest outer influencer of intra-state developments. Secondly, it will be outlined that although the declared foreign policy comprises common goals that are often articulated in the union's official documents and statements, the behavior of certain member states suggest that there is no joint interest. Finally, the existing literature of neo-realist thought on the topic will be examined in relation to state behavior to determine if there are similar patterns. In supporting these arguments, qualitative and quantitative methods will be utilized. The aim of the research is to prove that these different strategies conducted in a parallel manner are counterproductive and most likely hinder any resolution.*

**Keywords:** *Libya, European Union, Security, Offensive Realism*

### **I. EU – Libya relations**

To start with, it would be inaccurate to claim that the European states and Libya have ever shared deeply rooted common interests. Precisely, attained geographic, trade and security-motivated agreements did not materialize as part of joint directives. Nothing could better exemplify this than the numerous sanctions imposed by the European side throughout the past decades. Indeed, European states had their concerns after the coup of 1969 but the idea of diversifying oil resources and utilizing commercial opportunities were too tempting and palpable to oppose. Certainly, the nature of international relations was fundamentally different at that time, and European states did not thrive to create unnecessary tensions. Soon, with the birth of the Common Foreign and Security Policy (CFSP), a more aligned approach appeared in European diplomacy with a more coherent thought on security and expectation of good governance. In addition, the EU pursued to build up a status of regional hegemon and so created the Euro-Mediterranean Partnership (EMP), the Union for the Mediterranean (UfM) and the European Neighborhood Policy (ENP). The initial focus was on fostering stability, security and prosperity close to EU borders but the challenges of the new era have demanded an extension to these principles. The case of Libya was special in the sense that the country only possessed an observer status in the EMP – UfM due to its unwillingness to meet criteria on good governance and security, as well as the presence of operative sanctions. Hence, there was a need for signing a separate bilateral accord, a Framework Agreement. As part of this agreement, a lower expected standard was set for normative values, making it possible to initiate negotiations

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on higher scale trade agreements. After 9/11, the Libyan party became more willing to cooperate with the West and took responsibility for previously committed actions. Soon, sanctions were lifted and realignment commenced, bringing evoked bilateral relationships between European states and Libya. Italy was the biggest European advocate of lifting arms embargoes in 2004 with an eye already on increasing border control capabilities. Soon, Libyan border patrol and police units were using modern European weaponry and received trainings funded by the EU. These were leading to the setup of Frontex.

Based on the past decades' actions, there are three types of interests from the EU States' side that can be differentiated: security, commercial and normative. All of these have played their part in the past decades' actions towards Libya. Nevertheless, tendencies over the preference towards any of them might differ state by state. The role of security is certainly of crucial importance. Some argue that the post-9-11 era is predominantly governed by a security-focus. However, this seems to be an inaccurate argument for several reasons. Firstly, European states directly and significantly contributed to the creation of power vacuum in Libya by their role in NATO's *Operation Unified Protector* (HAESBROUCK, 2016). In addition, trade deals conducted do not reflect a major shift towards the preference of security over economic interests. Thirdly, the lack of sense of security would consequently imply joint measures by MS that would eventually replace current discrepancies, but there is no sign of this as of now.

Examining from an organization level perspective, the EU pursues to be a regional and global champion of spreading normative values. High Representative Mogherini presented the EU Global Strategy (EUGS) in 2016, in which she emphasized the need to promote citizens' interests, defense of peoples, integrated approach to conflicts, etc. Although EUGS specifically draws an appeal to citizens and states of the EU to unite against threats that are too big for any single state to tackle alone, the political discussion often suggests a deep opposition among MS.

## **II. Varying approaches among Member States**

O'Donnell states that a security dilemma persists among European states (O'Donnell, 2013), which not only hinders effective defense of MS against outer threats but also mean a disadvantage in enforcing the EU's will in the international community. Libya's example perfectly supports both of these arguments because simultaneously conducted but differing policies by opposing but at the same time allied states hinder any sort of settlement of the ongoing conflict, which directly poses security risks for the EU. No two states' opposition embodies better this matter than the one between France and Italy.



Precisely, the fundamental opposition between France and Italy has brought alternative paths and approaches to the fore; the Libyan civil war became a European political matter. The issue of undocumented mass migration has been in the center of thought for Italian politicians already before the outbreak, but obviously, the role of Lampedusa became much more critical subsequently, when the lack of authority eliminated every barrier for sub-Saharan and other groups, qualifying Libya as the perfect transit route. In the meantime, the Macron-led government officially supports the UN's agenda and stands with the Tripoli government, but on the other hand, it openly backed Haftar and attempted to mediate his accession to power up until the recent events. For many, these actions do not offer potential in seeking the solution as Tripoli would never accept him. For others, these efforts are part of a selfish agenda by which France tries to strengthen its geographical and military position in the region while also gaining access to important natural resources, including uranium. In addition, the past year's actions suggest that French foreign policy considers Haftar as the reality of the ground for which reason; no serious condemnation was directed towards the General following his recent attack on Tripoli. It is important to clarify that no comprehensive change of directive occurred with the change of French government throughout the past years. The Francois Hollande-led government officially supported cooperation and Haftar was an invited guest in the Elysée Palace on several occasions during that time. Only the visibility of support faded to an extent, but the incumbent President's goals in Libya do not fundamentally differ compared to those of his predecessor. An accurate analysis may ascertain that France has a pragmatic approach and it seeks to maintain the best possible relationship, especially with its allies, the other EU MS. Hence, the Elysée recognizes Sarraj as the official partner, but it still has covert goals raising questions. On the other side, Rome faces lifted stakes and tries to decrease the pressure posed by migration from and through Libya. As part of this, its participation in and contribution to Operation Sophia is second to none of the MS, and its annual spend on relevant measures is on a constant rise. The case of Italy reflects an example where declared and real foreign policies have a significantly greater overlap.

In an EU context, one can easily leave the fact that we are still living in an anarchic world structure out of scope. Nevertheless, neo-realist thought offers a state-behavior and state-relations-based approach and it ascertains that survival will always be the single most important goal for any state. A good way of ensuring survival is by increasing own capabilities, power, and avoid losing ground in comparison to rivals. Thus, states need to be on guard against relative losses of power, which could enable other states to threaten their own survival (Snyder, 2001). Obviously, speaking in terms of the EU, it is not about state survival—more about loss

of influence and relative power on the benefit of other MS. However, the rationale behind operates the same way.

### **III. Conclusion**

The EU's goals remain unchanged: immediate truce, zero-escalation and support towards the UN mediation. Nevertheless, while Mogherini and other leaders and MPs raised their voices for these, it is very likely that Haftar received confirmation from European states, with France being the prominent supporter. Theoretically, alliance politics should prevail. Notwithstanding, offensive realism provides arguments that are interestingly applicable within an EU – outer state context. One may say that selfish interests outweigh morality for these states. Nonetheless, those criticizing the EU approach for its lack of treating tribe-relations in Libya also have a point. History teaches us that an effective handling of tribe matters can successfully forge Libya united. Qaddafi's four decade long reign is a perfect example for this, but also the subsequent years where no effective mediation took place on this matter. As this article emphasized, Italy and France are the most important European actors in the Libya context. Not surprisingly, these same two states laid the most emphasis on regional and tribe-level settlements.

As a concluding thought, it is likely that European States will remain the biggest influencers of the Libyan proceedings. Whether Italy's or France's aspirations will succeed to a higher extent remains to be seen, but the Libya case evoked neorealist characteristics in the 21<sup>st</sup> century and in a European context, which qualifies it as a unique case study.

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**CHAPTER VIII**  
**New approaches of economic growth**

**Startup Nation Case Study - Modern Science Diplomacy as a  
Tool of Geographic Specific Branding and  
Economic Development**

**Abstract**

*The question of our study is: how can countries which are small in size and poor in natural resources and minerals break out from the bondage of geography? In the age of globalized markets and dependency on international economic trends, the country brands or according to Jaffe (2018) recently rather metropolitan images of regions have become key factors. As Csizmadia (2016) highlights attracting foreign direct investment (FDI), talents, entrepreneurs and researchers to settle down, and fostering the establishment of R&D centers and high-value added workplaces are all heavily important goals of purposeful nation branding strategies.*

*Israel is a great example for well designed branding activities. Numerous governmental and non-governmental players are forming a mature ecosystem in maintaining and developing the Startup Nation brand. The high tech export of the 71 years old 9 million citizen and 20.000 sqm scope state represented over 45% of the 102 billion USD in total exports of goods and services in 2017 ([www.cbs.gov.il](http://www.cbs.gov.il), 2019).*

*Our study attempts to outline and provide an overall picture of the innovation dominated elements of the Israeli Public Diplomacy (Hasbara) based on synthesizing personal interviews of study visits and secondary information.*

**Keywords:** *innovation, nation-branding, geo-economics, Israel*

**I. The Model of Innovation Centric Nation Branding**

**I.1. Branding and investment in R&D**

The main goal of geopolitical and geo-economic strategies - referring to Tim Marshall's book published in 2015 - is to "break out of the captivity of geography" (Marshall, T. 2015). Namely to avoid factors that threaten the security of states and hinder their economic development, such as unfavorable climate and relief, unprotected borders, lack of strategic depth - and the listing is not over at all.

In the narrow but 424-kilometer-long country, economic actors need to adapt to different climatic and terrain conditions. The northern part is dominated by agricultural production, the high-tech industry and the service sector is concentrated in the central region, while the infrastructure of the army is located in the sparsely populated southern regions. The country has no strategic depth, at its narrowest point it is only 15 kilometers wide, while its maximum width is only 114 kilometers. The quasi-island state is isolated since it has minimal or no trade relation with its neighbors. Furthermore the country is poor in raw materials, minerals, and has limited

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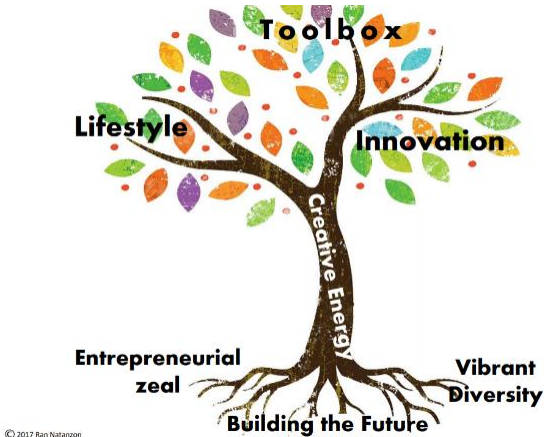
territories of cultivated area. In export of goods produced, there is also significant limitation of land transportation meaning the focus is on air delivery, waterage and digital transportation.

Thanks to the World Wide Web, low-cost, high-yield, export-oriented products targeting the global market can be instantly sold without the need for containers, packaging materials and complicated customs procedures. It soon became clear that investing in innovation, research, development and software engineering has enormous economic potential - not to mention the contribution to the national security capabilities – mentioned Porath (2018) at our visit at the Israel Innovation Authority.

### I.2. Governmental efforts and the ecosystem

All the players working professionally on the positive international perception of the "Startup Nation" and "Silicon-wadi" are divided into informal and formal networks –according to Gottesman (2018).

The nation branding strategy is killing two birds with one stone. On the one hand it is an immense support in attracting foreign investments and talents. On the other hand it is proved to be an excellent solution to fight against the negative perception of the Middle East and Israel. This approach is called "broadening the conversation" (Natanzon, R. 2018). The narrative of the Israeli brand is the following: Building the future; vibrant diversity; entrepreneurial Zeal (*Figure 1*). These are accompanied by the elements of the special cultural medium: questioning the hierarchy; chutzpah; accepting failure; and the „you can do it” attitude.



1. figure: Elements of the Israeli branding  
Source: Presentation of Ran Natanzon (Head of innovation & Country branding, Public diplomacy Division Ministry of Foreign Affairs of Israel): Brand Israel

The Ministry of Foreign Affairs (MFA) is the central actor, which looks at the country brand building as non-tourism marketing but works closely with the Ministry of Tourism. (Figure 2) The MFA has recently created the "Creative Energy", while the Ministry of Tourism introduced the "Land of Creation" slogan.



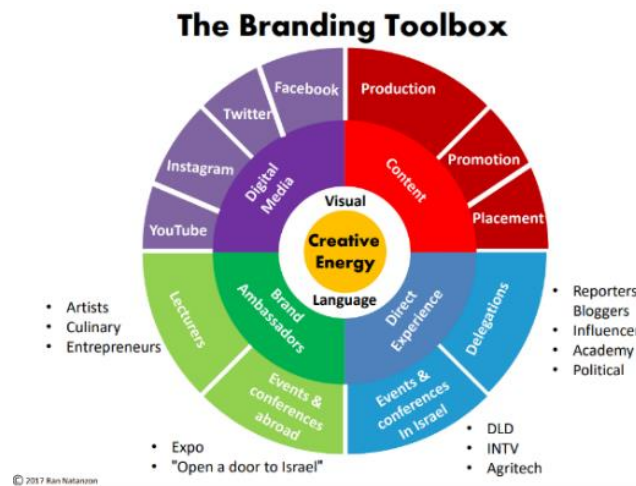
2. *figure:* Izraeli branding ecosystem  
*Source:* Ran Natanzon, Brand Israel

The MFA supported bottom-up initiatives by financing the translation of the bestseller by authors Senor-Singer (2011) „Start-up Nation: The Story of Israel's Economic Miracle” into many languages. Their tasks are (Natanzon, 2018):

- Leading the branding of Israel: consolidation of the strategic process, managing the creation of the visual language, developing a toolbox for implication of the strategy. (Figure 3)
- Consolidation of policy papers. (Figure 4)
- Developing network with the innovation ecosystem.
- Monitoring global and Israeli trends and introducing them to international organizations and global media.
- Organizing the visits of business and media delegations.
- Presenting Israeli branding and innovation to senior government & business audiences.



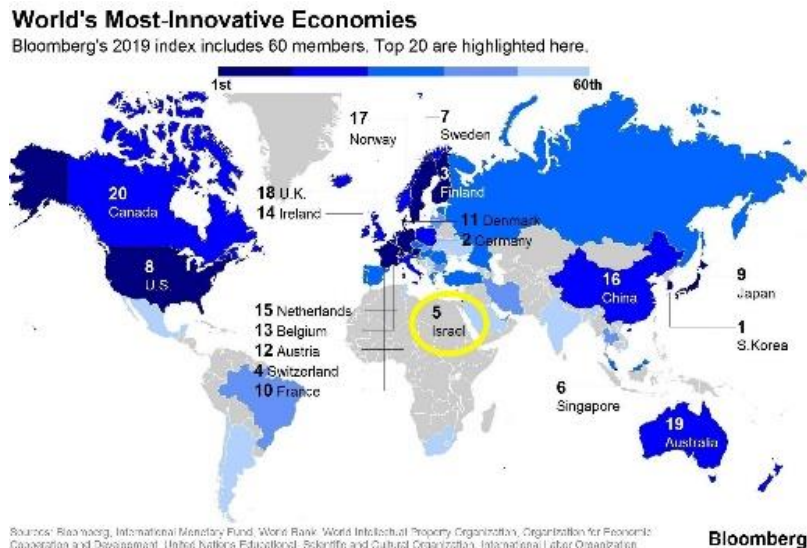
3. *figure:* Visual language of the Nation brand  
*Source:* Ran Natanzon, Brand Israel



4. *figure:* Toolbox of nation branding  
*Source:* Ran Natanzon, Brand Israel

The MFA also puts a strong emphasis on training their diplomats. Later they can contribute to the promotion of the innovative-economy-focused country brand at their missions. In addition, foreign diplomats accredited to Israel are also involved in innovation hasbara programs. For example, by study tours which ensure that participants send reports to their headquarters about the state's outstanding research and development results and communicate Israel's willingness to cooperate in exchanging models and best practices.

The MFA considers it important to be involved in different innovation rankings and they do their best to communicate the results: Global Creativity Index (# 3), Country Brand Index (# 26), or Happy Planet Index (# 11). At Bloomberg January 2019 ranking Israel was the fifth among World's Most Innovative Economies. (Figure 5)



5. *figure*: World's Most Innovative Economies ranking  
 Source: Ran Natanzon, Brand Israel

According to the MFA's senior representative, it is an important guiding principle to deliver the messages with a human face, to provide direct experience for recipients, to start a dialog – avoid appearing as one-sided slogans; to build partnerships, and to use micro-marketing. He mentioned that the challenge is the difficulty of finding USP<sup>43</sup>/ESP<sup>44</sup>, maintaining and expanding platforms, partnerships and interest.

The International Development Cooperation Agency (MASHAV) which belongs to the MFA has been active since the 1950s, initially in the developing world to reduce hunger, disease and poverty through technology transfer and training. Today, MASHAV is also working with a number of countries in the developed world, including Hungary ([www.embassies.gov.il/budapest](http://www.embassies.gov.il/budapest), 2015) and other countries of the Visegrad group ([www.skill-society.org](http://www.skill-society.org), 2018). Every year the Agency implements a large number of its programs in Israel, with hundreds of foreign people, most of whom recall the activities as life-long experiences and are grateful for the study tours. Immediately after landing at the airport, the narrative is provided by MASHAV, thus contributing to the building of a conscious country brand.

### **I.3. Tel Aviv Non-Stop City**

In addition to the slogans and complex promotional strategies coordinated by the Ministry of Foreign Affairs, the Tel Aviv - Nonstop City brand is also heavily involved in the development of an international perception of Israel.

<sup>43</sup> Unique selling proposition

<sup>44</sup> Emotional selling proposition



The Municipality defines it as an extension of the city's vision - positioning itself among the top twenty metropolitan regions that are globally dominant. "Competent Identity" defines innovation and the "non-stop" character that permeate every aspect of life (www.tel-aviv.gov.il, 2019).

#### **I.4. Smart humanitarian actions and country branding**

Lemelshtich (2018) explained that Israel puts a special emphasis on taking part in urgent crisis intervention actions that are seriously affecting the population. The specialty of their contribution is that in all cases the problems are being solved with the provision of special human capacity and the implementation of their latest military and civil technological developments. The organization known as-Zaka<sup>45</sup> is the one which most often joins rescue teams followed by very heavy-press coverage.

## **II. Conclusions**

As Kandel (2018) mentioned in our interview, a new form of tourism has recently been born. Innumerable startup nation study tours are targeting Israel to find the secret sauce, their success in research, development and innovation related achievements. The authors believe that the too rarely examined element is the promotional and branding strategy together with the informal and formal networks. Results and image are in interaction and by the implementation of good policies and actions, nations facing challenges such as Israel can escape the prison of geography and become attractive destination for individual talents and multinational corporations.

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<sup>45</sup> Acronis. Zihuy Korbanot Ason, ie Identification of Disaster Victims

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## **The Role of Foreign Direct Investments in the Transition of Central Asia**

### ***Abstract***

*After the collapse of the Soviet Union, five new states emerged in Central Asia which had to consolidate their statehood and reshape their political, economic and social systems. Their transition has not been completed yet and needs further efforts and heavy investments. This transition happens in times of major geopolitical changes: China is rising, Russia is trying to regain influence in the neighbourhood and Europe is searching for new energy sources in the region to diversify its imports. The aim of the presentation is to highlight the role of foreign direct investments in the transition of Central Asia and show how it relates to the global power shift. Research methodology is literature review and statistical analysis. Results seem to approve the starting hypotheses, that foreign direct investments considerably contributed to the development of the Central Asian countries, and are mainly motivated by the natural resources of the region and the non-tradable services connected to them.*

**Keywords:** *foreign direct investments, Central Asia, transition*

### **I. Introduction**

Five independent countries were established in Central Asia after the break-up of the Soviet Union: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. These countries had to create and strengthen their statehood and reformulate their political, economic and social systems. Their transition has not been completed yet. It requires considerable effort and investment during a period of sweeping change in the world with China on the rise and Russia seeking to regain influence in the region.

The topic of the paper is to present the role of foreign direct investment (FDI) in fostering development in the five newly established countries of Central Asia. It is highly relevant due to Central Asia's geopolitical importance based on its strategic geographical location between Europe and Asia, rich resources in energy and minerals and its role in the new connectivity efforts led by China. Central Asia is an important partner of the European Union (EU) and just in May 2019 the EU has renewed its strategic vision about the partnership with the independent countries of this region.

The research question in the paper is: "What is the nature and role of FDI in the development in the five countries of Central Asia?" The starting hypotheses are: H1 – FDI contributes to economic development in Central Asia after the fall of the Soviet Union, when

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these countries attained their independence. H2 – FDI is mainly linked to the natural resources of the region, and because of that it is strongly concentrated.

The methods used include a literature review and statistical analysis. Excellent insight into the history, political regime and international relations of Central Asia is provided by Gyene (2017) starting from the expansion of the Russian Empire to date. The characteristics of the new independent states of the region is highlighted by Gyuris, Szabó (2019). The topic, ‘Why the EU matters for Central Asia?’ is discussed by Boonstra, Panella (2018), while China’s Emergence in Central Asia is described by Hudec (2018). Statistics are based on IMF (2018) and The World Bank (2017, 2019).

## **II. FDI in Central Asia**

Central Asia provides many advantages for FDI. Besides its natural resources and market size its proximity to major markets, stable and peaceful environment, young and growing population, high human capital and relatively developed infrastructure are worth mentioning.

FDI inflow into the five countries of Central Asia increased fivefold between 1993 and 2017. It amounted to USD 1417 million in 1993, and USD 7064 million in 2017 at current prices. This period can be split into different phases: from 1993 to 2000 FDI inflow was relatively stable, between 2001 and 2005 it increased, with a peak in 2004 and a decline in 2005, from 2006 till 2009 FDI inflow sharply increased, but after the crises, since 2010 it is very volatile showing up- and downturns frequently. Based on this trend it seems, that FDI inflow is more influenced by the huge investment projects than by the global economic cycle. *Figure 1* shows net FDI inflow into the countries of Central Asia between 1993 and 2017.

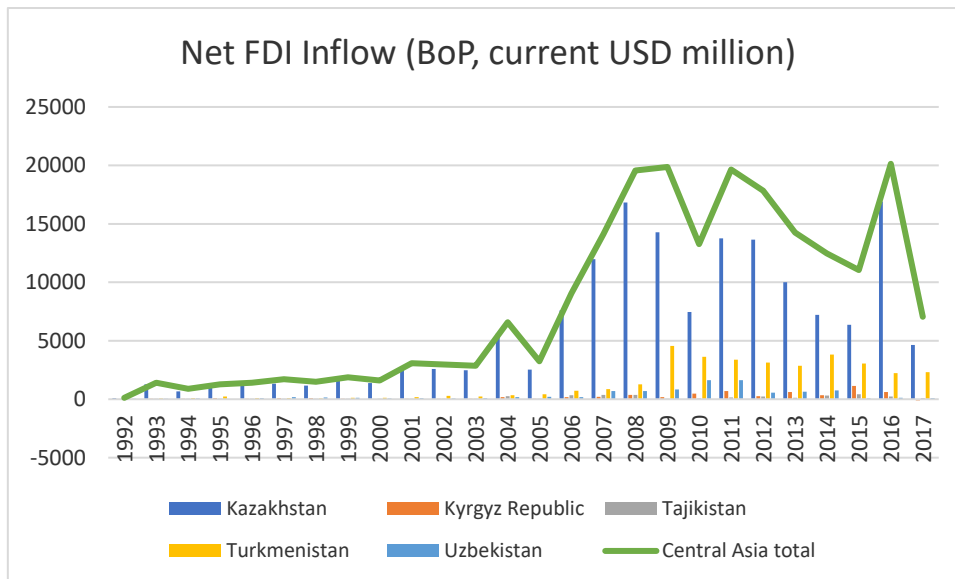


Figure 1: Net FDI Inflow into Central Asia

Source: Edited by the author based on data from World Development Indicators

Compared to GDP, FDI inflow into the region was quite volatile between 1992 and 2017. In Kazakhstan FDI inflow varied between 13.01 and 2.86 percent of the GDP, 17.13 and -1.42 in the Kyrgyz Republic, 13.10 and 0.32 percent in Tajikistan, 22.52 and 2.39 percent in Turkmenistan and 4.16 and -0.18 in Uzbekistan. The average net FDI inflow during the period of 1992 and 2017 was the highest in Kazakhstan and in Turkmenistan (7.17 and 7.14 percent respectively). Net FDI inflow compared to GDP is shown in *Figure2* below.

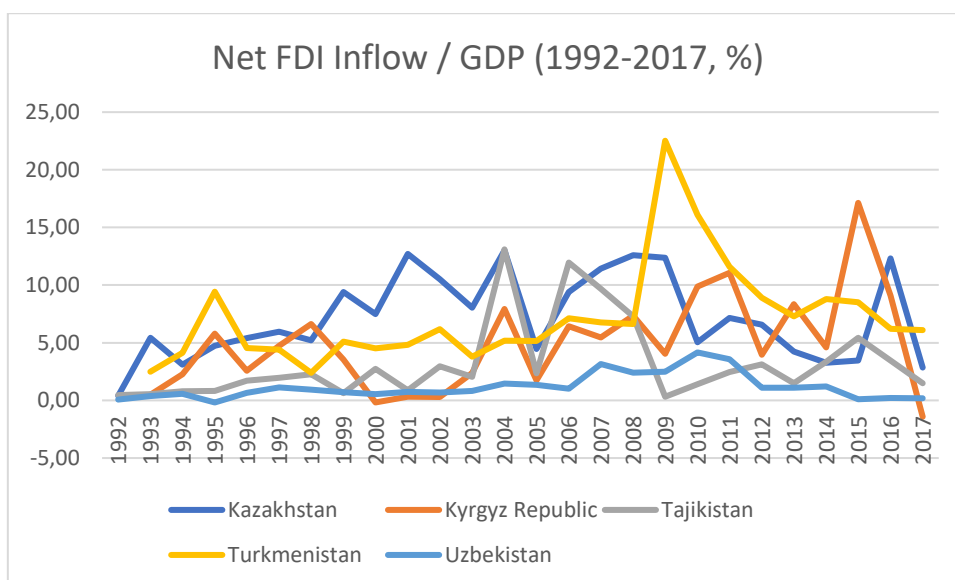
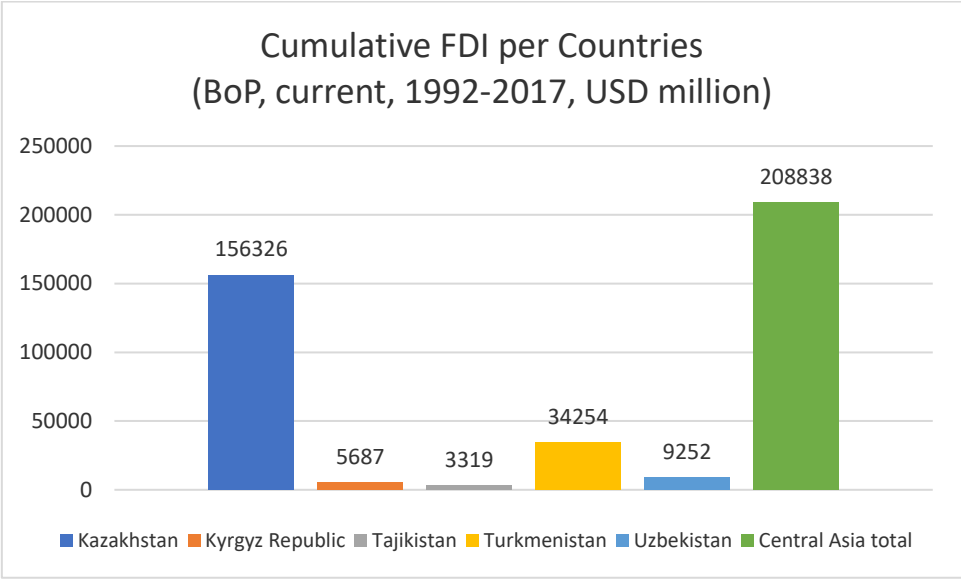


Figure 2: Net FDI Inflow per GDP into Central Asia

Source: Edited by the author based on data from World Development Indicators

During the period between 1992 and 2017 Central Asian countries altogether attracted less than 1 percent of the total FDI inflow of the world<sup>47</sup>.

Kazakhstan is by far the largest recipient of FDI with 74.86 percent of the cumulative FDI inflow into Central Asia between 1992 and 2017. Turkmenistan is also an important recipient with 16.40 percent, while the other three counties received less than 5 percent each and less that 9 percent altogether. *Figure 3* presents cumulative FDI inflow per countries of Central Asia.



*Figure 3: Cumulative FDI per Countries of Central Asia*  
 Source: Edited by the author based on data from World Development Indicators

According to sectors and country of origin, inward FDI is heavily focused on natural resources and related services, especially in countries that are rich in hydrocarbons and minerals, and to less extent to non-tradable sectors, such as trade, communication, and finance in others. Investment in non-tradable services usually support investments in natural resources.

Key investors into Central Asia are Russia and China and the EU, but their involvement is different. Russia is the major investor, China’s investment activity is increasing, while the EU focuses mainly on Kazakhstan. There are some other big investors outside the region, like the US, Canada, Switzerland, Republic of Korea, Iran, UAE etc.

Kazakhstan is the only country from Central Asia that has an FDI outflow. It was relatively small between 1992 and 1999, amounting to USD 13.44 million during that period, but it started to increase considerably from 2000, and from 2007 even more sharply, resulting

<sup>47</sup> Between 0.08 and 0.86 percent during 1992 and 2017, except for 2009, when their share amounted to 1.45 percent in the total FDI inflow of the world. Source: World Development Indicators.

in a cumulative FDI outflow of USD 37,228.77 million between 2007 and 2017. As the major partner countries of the FDI outflow are the same as for the FDI inflow, it might be assumed, that it is a form of profit repatriation.

### **III. Main Findings and Conclusions**

Based on the research results, it can be stated, that FDI contributed to the development of the Central Asian countries. Its share compared to GDP fluctuates strongly year by year, seeming to reflect huge investment projects. FDI inflow is heavily concentrated in Kazakhstan and to less extent in Turkmenistan. It proves, that natural resources – comprising of gas, oil and minerals – are the most important drivers of FDI inflow, while population and market size is much less important. It is also evident, that FDI is less concerned with the authoritarian nature of the government in some countries of Central Asia. It can be concluded, that the main findings verify the initial hypotheses partially. More detailed research would be needed to reveal the impact of FDI on the economic growth, exports, business culture, and the labour market in Central Asia. The results contribute to a better understanding the nature of FDI in Central Asia, and its role in the development of this strategically important region.

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