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The EU Economic Crisis – Reflections in the Opinions of Citizens and Experts

Nicoleta Corbu, Oana Ștefăniță*

Abstract: *Perhaps one of the most important challenges that the EU is currently facing is that of building public support for the Union project as the economic crisis develops, confidence in the EU future is weakened and member states turn to their own boundaries. Therefore, this research aims at identifying the public opinion on the economic future of the European Union in the particular context of the euro crisis, given the fact that utilitarian considerations represent a key driver for the Europeanization process. At the same time, we compare expert opinions about the impact of the crisis on the future of the European Union, as well as the perceptions of ordinary people. To accomplish the research goals, we conducted expert interviews with 11 of the most prominent economic experts in Romania and a national survey (N = 1002)¹. The study supports the perspective that citizens' opinions about the economic evolution of the European Union are largely based on their sociotropic and egocentric economic assessments. The crisis influences the perspectives on the EU, but only by tempering optimism, turning it into a moderate view. This result can be extended to other Central-Eastern states as well, due to their resembling paths. Also, experts indicate various scenarios when referring to the impact of the crisis on the EU's future, but beyond the variations, the prospects are neither optimistic, nor pessimistic, but rather moderate.*

Keywords: *European Union, economic crisis, euro, the EU's future, Central and Eastern Europe, Europeanization*

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¹ The data reported in this article were collected by the research team of the grant "The Euro Crisis: Public Debate, Media Framing and Social Perception" financed by the Center for Research in Communication, National University of Political Studies and Public Administration, coordinated by Nicoleta Corbu (research team: Alina Bârgăoanu, Elena Negrea, Mădălina Boțan, Denisa Oprea, Oana Ștefăniță, Flavia Durach, Adina Marincea). <http://meps.centrucomunicare.ro/en/projects-og.html>

Introduction

The article aims at understanding the impact of the crisis on people's expectations and estimations about the future of the European Union. At the same time, we compare experts' opinions about the impact of the crisis on the future of the European Union, as well as the perceptions of ordinary people. To this end, we conducted expert interviews with 11 of the most prominent economic experts in Romania and a national survey (N=1002), with the purpose of identifying economic experts opinions about the future of the European Union and people's opinions about the EU future in the context of the economic crisis. The research was constructed so as to allow for a comparison between the opinions of elites and ordinary people. We believe that, within the public sphere, both experts and ordinary people should be heard, in order to be harmonized and to create a real debate space.

Especially in the euro crisis context, there is a growing need for citizen involvement, for critical debate on EU topics, for deliberation in order to form public opinions that should have an impact on present and future policies. However, for people to be able to debate and get involved the EU should become a largely discussed topic in national media, and all the events, measures and decisions at the level of European institutions should be disseminated at a large scale. At the same time, elites' views and people's attitudes and opinions regarding the changes, the policies or the expectations regarding the EU's future should be equally covered, since both dimensions have important contributions to developing and consolidating a Europeanized national public sphere. The Europeanization of national public spheres is an essential milestone within the Europeanization process and it contributes to reducing the current deficiencies and flaws in EU policies, especially the democratic and legitimacy deficits. Additionally, it constitutes the framework for political integration by providing a common space for debate and opinion formation (Crowley & Giorgi, 2006: 1-2).

The euro crisis, the intensification of transnational relations within the process of globalization, the growing power of supranational bodies and, at the same time, the return to nation-state protectionism, the mixture of identities are all factors that make the process of Europeanization a lengthy and difficult one. Perhaps one of the most important challenges is that of getting public support for the Union project in the context of the current crisis which has diminished the level of confidence in EU's future and has led Member States to retract to their own boundaries when it comes to measures and economic recovery, to increase the valorisation of the national problems over those of Europe. Therefore, poor economic conditions determine citizens to "punish" those in charge by withdrawing their support (Van der Eijk, Franklin, Demant, Van der Brug, 2007: 2-3).

Since the process of European integration was mostly based on economic instruments, the recovery of the economic situation is mandatory for continuing the Europeanization process. However, adverse economic conditions determined by the sovereign debts including a high level of unemployment, low output rates, lack of investors, low growth and austerity measures do not seem to maintain people's optimism or their tolerance for ineffective measures. The crisis might prove to be a catalyst for positive changes, but also a high risk factor if citizens retrieve their approval and their confidence in the EU (Tsoukalis & Emmanouilidis, 2011: 3). This will only make Europeanization more difficult and a political union or a consolidated European identity will be almost unreachable.

From this perspective, media involvement in maintaining citizens' supportive attitudes could be a valuable resource for the European communication process, although in times of crisis media coverage increases negative reports on the situation. In this regard, people evaluate the EU's economic situation and future based on their country's economic estimates and on their personal economic assessment, influencing in the end the real evolution of the economic process (Wu, Stevenson, Chen, Güner, 2002: 21-23). Therefore, the importance of elite and citizen perspectives on the EU economy is increasing and it influences the continuation of the European project.

In this context, we tried to understand the impact of the crisis on people's estimations about the future of the European Union and on experts' opinions about the effects of the crisis on future EU perspectives. This is particularly important since among the EU's communication goals, the Commission emphasized the need to establish a relationship with the European citizens and to initiate a dialogue with them, as there is a strong need to correlate the voice of the Union with that of its citizens, to evolve with the help of popular support (http://ec.europa.eu/ipg/basics/policy/index_en.htm). Within the context of crisis, this goal is harder to accomplish.

Furthermore, the result can be extended to the situation in the Central-Eastern states, which had comparable economic paths after the fall of the communist regime (<http://knowledge.wharton.upenn.edu/article.cfm?articleid=2174>), and where the level of optimism regarding the EU's future is higher than in other member states, especially in Bulgaria and Romania (http://ec.europa.eu/public_opinion/archives/eb/eb77/eb77_first_en.pdf). Therefore, our research could provide valuable input on the support of people and elites for the European project in times of crisis. This approach could offer insight not only for Romania, but also the Central-Eastern area.

The Euro Crisis: Understanding the Context

Continuing the EU project, improving EU communication and developing a Europeanized public sphere are all steps that seem ambitious in the context of the present euro crisis which, if not handled with maximum responsibility, may determine the collapse of the euro and, implicitly, the disintegration of the economic union. The euro crisis has a great impact, as the EU is an important global player and one of the economic superpowers, on international trade negotiations, policy development, and peacekeeping missions. Although the EU is not a military superpower, hence the dependence on the U.S., it maintains its status through its economic power as one of the largest exporters of goods and services. Therefore, the euro crisis has a strong impact because it affects the sector from which the EU derives its primary power (Fraser, 2007: 1-5).

The European Union has managed to consolidate its status of an economic entity and a unitary actor through the single currency. The current crisis might undermine this status. The adoption of the common currency has brought benefits such as the elimination of transaction costs within the eurozone and of exchange rate uncertainty or risk, the enhanced price transparency and reduction of price discrimination, the stimulation of trade or labor market flexibility (Mulhearn & Vane, 2008: 69).

However, the economic crisis highlighted some weaknesses of euro adoption and mainly economic problems that were overlooked such as breaching the limits of the

Stability and Growth Pact and accepting the increases in budget deficits without taking immediate action to reduce them. Problems evolved, the sovereign debt became a general concern and later measures taken for cutting budget deficits led to a negative impact on employment and growth. Moreover, the severe crises in Greece, Ireland and Portugal began to raise questions about eurozone survival (Arestis & Sawyer, 2012: 3) Even though the Greek crisis was somehow in the spotlight, the problems of the eurozone were determined by the large imbalances between the euro states from external surpluses to deficits, by differences in terms of labor costs and by increased variances in growth rates (Arestis & Sawyer, 2012: 10). All these led to the current crisis during which austerity measures have become burdensome for all Member States and people are becoming estranged from the EU. Negative debates in media also led to a decrease in citizen confidence in EU measures and plans for the future, thus impeding the Europeanization process.

However, the single currency is not a cause of the crisis, especially since it has enjoyed real success in its first years. In fact, it is estimated that the crisis would have been much larger without a common currency. The lack of a single currency would have led to a ripple effect of monetary devaluations, with no guarantee that the countries would have been able to cope with the crisis. In this regard, there is also the possibility that public opinion regarding the European Union might yet change in a positive way as citizens realize that their nation states could not have faced the crisis without the help and measures of the EU. Therefore, citizens might see EU integration as a safer way of dealing with financial issues (Verhofstadt, 2012: 222-224). Despite this possible positive aspect of the crisis, European integration is still affected if the main focus is on the political area, as the tension between a collection of nation-states and a political union consisting in a federal entity becomes stronger. The crisis emphasized the need for a unified reaction and for political coordination especially from a geopolitical perspective since the EU has to act as a single political actor (McNamara, 2010: 22). Also, experts underlined the fact that an important cause of the euro crisis was the EU's lack of competence in harmonizing national economies with different levels of competitiveness and various levels of financial difficulty. Therefore the issue represented by the lack of "political regulatory capacities" at the EU level has to be solved, perhaps within a constitutional project (Habermas, 2012: 1-3).

The crisis has also highlighted the need for real reform within the Union in order to assist the current policies in capitalizing on the mechanisms of globalization. Member States cannot compete individually with major economic powers. Moreover, if the economies can be united into a single market, there is also a need for a single political path. The crisis should be overcome not only at the economic level, but also at the level of the national paradigms, since the markets transcend national views. The economic crisis might have made the citizens skeptical about a possible evolution as a whole or a successful EU project, but their confidence needs to be restored (Verhofstadt, 2012: 230).

Thus, the measures to overcome the euro crisis, to rescue the eurozone, to increase the competitiveness and the economic force in the context of global interdependence, to reinforce flexibility, openness and adaptation to change are all necessary to save the European project. Also, developing a political union and a cohesive level of identity are steps that the EU will have to take to be able to keep its status of a key global player within the current evolutionary processes. Overall, one can see the high importance of the topic and the need to explain the implications of the euro crisis at the level of citizen expectations and support for the EU and for the Europeanization process.

The Europeanization Process: Media and the Euro Crisis Influence

The concept of Europeanization has received significant attention from scholars and researchers starting with EU adhesion and integration requirements. The concept consists of processes of “a) construction, b) diffusion and c) institutionalization of formal and informal rules, procedures, policy paradigms, styles, ‘ways of doing things’ and shared beliefs and norms which are first defined and consolidated in the EU policy process and then incorporated in the logic of domestic (national and subnational) discourse, political structures and public policies.” (Radaelli, 2004: 3) The process is associated with the pressure of being an EU member and of having to synchronize with other Member States and it involves the diffusion of Europe-wide norms. It has an essential role in assuring the convergence of institutions and policies and in constructing a European identity (Hughes, Sasse, Gordon, 2004: 27). It also includes the influences of boundary elimination and of the common market which is seen as the mechanism that enables the destruction of differences within the EU space, the homogenization process especially at the level of political institutions (Eder, 2004: 97-98). Thus, the process of Europeanization has a significant impact on domestic processes, policies and institutions by determining changes at the level of Member States through new practices, norms, rules and procedures determined by the European system of governance (Börzel & Risse, 2000: 2). Europeanization can also be understood as a societal interpenetration since European societies become more and more convergent and mixed as a result of the common currency, migration, multiculturalism, common norms, educational exchanges, media broadcasts with European distribution (Delanty & Rumford, 2005: 18). Also, national media have a major role in distributing information and news about issues and events taking place at the EU level because people would otherwise be unable to participate in debates, to assign political accountability at the level of EU institutions and actors, or to strengthen the sense of a common identity (Schifirneț, 2011: 34-35).

Regarding the significant role of media in the process of Europeanization, there are differences in the way that European subjects are covered or broadcasted, and thus, according to the level of Europeanization of public communication, three models have emerged: *the emergence of a supranational European public sphere*: implies interaction among European institutions and actors on European subjects through the means of a Europe-wide media; *vertical Europeanization*: implies communicative linkages between the European and the national levels; *horizontal Europeanization*: implies communicative linkages between different Member States (Koopmans & Erbe, 2004: 6-7).

By mixing the vertical and horizontal dimensions of Europeanization, Michael Brüggemann and Katharina Kleinen-von Königslöw develop another four models of Europeanization: *comprehensive Europeanization*: both levels, vertical and horizontal Europeanization are present; *segmented Europeanization*: focuses on the vertical level, meaning an increased attention paid to EU as an entity, and not to member states; *Europeanization aloof from the EU*: focuses on the horizontal level, on communicative exchanges among member-states; *parochial public sphere*: in this case it cannot be identified neither a vertical, nor a horizontal Europeanization in the national media (Brüggemann, Königslöw, 2009: 29-30). Therefore, the Europeanization process can develop by an increase in reporting and broadcasting European topics in national media.

All in all, the crisis also has an important influence on the Europeanization process, either sustaining or obstructing it. Considering the fact that citizens tend to evaluate the economic situation of their nation (sociotropic evaluation) according to their personal economic situation (egocentric evaluation) (Boomgaarden, Spanje, Vliegenthart, de Vreese, 2011: 355), the crisis might determine the outcomes and influence them in a negative manner. By extending this type of evaluation from the national level to the level of the European Union, the projection might be similar and therefore, the effects of the crisis both on egocentric and sociotropic evaluations might result in negative evaluations of the EU and its future. Implicitly, euro-scepticism will increase and the Europeanization process will be obstructed.

Additionally, in times of crisis, people tend to return to their own boundaries and pay more attention to national problems and to national solutions. However, another scenario is possible for the states with emerging economies that entered the EU in the last two waves since, in their case, the EU was perceived, until the crisis, as a messianic entity, a savior and a solution for lagging development (Pelinka, 2009: 23). After facing the economic problems caused by the crisis, these Member States might still turn to the EU for solutions of recovery and might still perceive the EU's future as more positive than that of their countries. In this case, the crisis might turn to be a catalyst for European integration. In this regard, knowing the results of the prospective evaluations of citizens and experts on the EU future is a basic step in determining the state of the Europeanization process or the popular support for the EU project.

Methodology and Measurements

On March 1st, 2012, 25 Member States of the European Union signed the Treaty for Financial Governance, as a response to the challenges brought about by the severity of the crisis in the eurozone. In this context, European issues become more prominent than before in the media, raising a particular interest in the future of the European Union. Therefore, the article tries to understand the impact of the crisis on people's expectations and estimations about the future of the European Union and also to compare experts' opinions about the impact of the crisis on the future of the European Union with ordinary people's perceptions.

The research questions guiding the study were:

RQ1. What are the economic experts' opinions about the future of the European Union, in the context of the economic crisis?

RQ2. What are the people's opinions about the future of the European Union, in the context of the economic crisis?

In order to answer the two research questions, we conducted 11 interviews with top level economic experts in Romania – the president of the Bucharest Stock Exchange; the head economist of the division of Economic Studies of the Romanian National Bank; a consultant of the NBR governor; a chief economist for the National Bank; the European Affairs Minister; the president of the Economic Commission, industries and services within the Senate and former Minister of Economy and Finance; a Secretary of State in the Ministry of Finance; an economic analyst; an editor at the Wall-Street; an editor-in-chief for a financial newspaper and a managing editor for a financial magazine. The interviews were taken from

the 25 March to the 11 April, 2012². Experts were asked about the impact of the euro crisis on the future of the European Union, about predictions regarding the evolution of the European Union in the near future, and about estimates regarding the public opinion of the European Union and possible changes due to the crisis.

The public opinion was measured using a national survey (N=1002) on European related topics, conducted between the 28 and the 30 April, 2012³. We aimed to construct a predictive model regarding people's estimations regarding the economic situation in the European Union in the near future. The wording of the question on the dependent variable was: "On a scale of 1 to 7, where "1" means "much worse" and "7" means much better", if you think about the economic situation in the European Union, do you think it will get better or worse in the next 12 months?". The independent variables were related to regular socio-demographic data considered to have impact on people's attitudes towards the EU in general, to which we added three EU related variables in the first predictive model, "European identity", "EU knowledge" and "Impact factor". The European identity was recoded as a dummy variable (from an originally ordinal one), clustering as "European" all answers containing a European dimension ("I feel first Romanian and then European", "I feel first European and then Romanian", and "I feel only European"). "EU knowledge" measured, on a 10-step Likert scale, people's own estimations about how much they know about the European Union in general. The impact factor was measured following Habermas's idea of the extent to which people become conscious of the impact that common European decisions has on their life standards: "the more the national populations realize, and media help them realize, how deeply the decisions of the European Union pervade their everyday lives, the more interested they will become in making use of their democratic rights as citizens of the union." (Habermas, 2011, <http://www.guardian.co.uk/commentisfree/2011/nov/10/jurgen-habermas-europe-post-democratic>). The wording of the question was "To what extent do decisions made at the level of the European Union influence your life, in general", and was measured on a 5-step Likert scale.

People's estimations of their level of knowledge about the EU was relatively low (M = 5.30, SD = 2.15) In fact, the level is probably even lower (we take into consideration the fact that respondents may be inclined to give a higher response due to their aspirations, not necessarily due to reality). This is the reason why we considered that people's estimations about the economic future of the European Union were closely related to their predictions about Romania's economic situation in the near future (sociotropic evaluations) and/or to their predictions about their own economic situation in the near future (egocentric evaluations). We added each of the variables to construct two predictive models incorporating these dimensions.

² Parts of the interviews were previously discussed in Bărgăoanu, A., Durach, F. (2013), "The Crisis of the European Union and its Reflection in the Romanian Public Sphere. Recent Findings", in *Romanian Journal of European Affairs*, 13(1), pp. 5-24.

³ Findings based on the data collected in the survey were also discussed in Bărgăoanu, A., Durach, F. (2013), "The Crisis of the European Union and its Reflection in the Romanian Public Sphere. Recent Findings", in *Romanian Journal of European Affairs*, 13(1), pp. 5-24.

Findings

The national survey results showed that people's opinion about Romania's economic future (sociotropic evaluations) and about themselves (egocentric evaluations) is neither optimistic, nor pessimistic, but rather moderate, with a more optimistic prediction about the European Union. On a scale from 1 to 7, the mean for how people see the economic situation in the next 12 months, the mean for the EU future was 4.30 (SD = 1.64), indicating moderate optimism concerning the future of the EU. At the same time, predictions about Romania and the situation of its citizens showed ambivalence, with a mean of 3.52 (SD = 1.74), and 3.73 (SD = 1.79) respectively.

As far as the future of the European Union is concerned, people do not build their opinions based on general knowledge about the EU and its problems (very low correlation level $r = .115$, $p < .01$), but rather in connection with their opinions about the economic future of the country ($r = .527$, $p < .01$), or about their own economic future ($r = .419$, $p < .01$). In other words, people do not know much about the European Union, but they (still) perceive the EU as a better and safer place than the nation state, with bigger chances of positive evolution in the near future. At the same time, their optimism is strongly correlated with a moderate attitude toward the economic future of the country and of themselves.

In order to understand to what extent people form their opinion about the future of the EU in relation to knowledge about the EU and sociotropic and egocentric predictions, we run three regression models (OLS) that predict people's opinions about the economic future of the European Union. (see Table 1).

The first model does not take into account sociotropic and egocentric evaluations, but only standard variables generally related to how people form opinions about the EU in general. As results show, gender is (and remains for the other models) a strong significant predictor; thus, women are more optimistic than men when thinking about the future of the EU. The strongest predictor in the equation is "European identity", which means that people who consider themselves European (usually as a second identity, after the Romanian one) are more inclined to foresee a better future for the EU. Knowledge about the European Union is a significant predictor, but weaker than the other two significant predictors. The explanatory power of the model is very weak (R squared = .036).

Table 1. Regression models (OLS) for EU economic prediction

	Model 1		Model 2		Model 3	
	B	Beta	B	Beta	B	Beta
(Constant)	4.294**		3.121**		2.467**	
Impact factor	-.043	-.034	.002	.001	-.003	-.003
European Identity	.455**	.138	.315**	.095	.299**	.090
EU knowledge	.084**	.111	.065*	.086	.018	.024
Education	-.057	-.061	-.066*	-.070	.002	.002
Gender	-.403**	-.121	-.407**	-.123	-.258*	-.078
Income	-.001	.004	-.001	-.025	-.001	.001
Personal economic prediction			.346**	.379		
Romania economic prediction					.479**	.502
Adjusted R square	.036		.174		.276	

** $p < .01$; * $p < .05$

However, adding egocentric evaluations of the economic future to the model increases its explanatory power by more than 13%, and adding sociotropic evaluations increases the explanatory power by 23%.

In short, people's opinion about the general direction of the EU's economic evolution is largely based on their evaluations about Romania's economic evolution and their own economic situation, and only to a small extent on their knowledge about the European Union. The general knowledge about the EU is low, with a mean of 5.30 out of 10 in self reported appreciations ($M = 5.30$, $SD = 2.15$). This is to say that people generally assess their economic situation and the country economic situation in terms of future trends, and consequently form an opinion about the economic future of the European Union based on these two predictors, generally situating European predictions to a higher level of optimism.

Even though the results of the last Eurobarometer released (July 2012) show a decrease in Romanians' optimism related to the EU, Romania remains one of the most optimistic countries in the EU regarding the future of the Union. A possible explanation is related to the fact that people usually tend to see the European Union as a stronger and safer player in the economic game, with better chances of economic success than their country or themselves.

Turning to experts' opinions about the economic future of the European Union, and the impact of the crisis on the future of the EU, there is no general consensus. Economic experts evaluate the European project in relation to the economic situation, and see positive effects (4 out of 11 experts), negative effects (3 out of 11), or changes of perspective, neutrally evaluated (4 out of 11).

In terms of the positive effects of the crisis on the future of the European Union, experts refer to a stronger financial union, capable of becoming a strong economic power to compete with the US or China, a stronger economic and political power (the crisis will regenerate the political unity of the EU), an increased solidarity among state members and citizens, as well as a great opportunity of growth through lessons learned.

"Europe can become a stronger financial and economic power, as powerful as the US or China." (C. Ș., managing editor, financial magazine)

"The European Union will not have a problem in staying united, because everybody needs a larger economic space." (L. A., president, Bucharest Stock Exchange)

"I hope there will be a positive impact, because Europe will learn a lesson here, and will not transfer the task of solving financial problems we are dealing with at present to future generations" (V. V., president, Economic Commission within the Senate, former Minister of Economy)

"It is possible that the present exercise of pan-European solidarity, if properly managed and explained, will lead to the rebirth of the euro-optimism." (V. L., chief economist, the National Bank)

Negative effects mentioned during interviews are related to the weak points of the Union: the lack of a united political and military system, the danger of colonialism, the rise of nation states which are not as open to solidarity during the crisis as in good times. "Bad future. Either the EU will become a German Empire and function as an empire in the future, or it will fall apart. It is the general problem of empires. This is an empire of a very special nature, created by mutual agreement, but it can no longer work in a functional way as it is." (I. Ș., economic analyst)

“If Greece falls at a certain point, the whole European project is in great danger” (A. V., consultant for the NBR governor)

“The crisis affects the European project. I do not think that the European Union will fall apart, but I believe that its survival will be much worse than we anticipated.” (R. S., head economist, division of Economic Studies, National Bank)

Four interviewees considered that it is very hard to estimate (at such an early stage) the impact of the crisis on the future of the European Union. Predictions about the future are only seen as possible scenarios that might change the structure of the European Union: a smaller European Union, an imperialist power, a Union divided by internal boundaries between areas with different rhythms of development, a possible exclusion of Greece or other countries from the eurozone or the Schengen Area etc.

Generally speaking, there is no agreement among experts about the future of the EU. It is impossible to see an optimistic or pessimistic overall prediction about the future. However, only one expert mentions the possibility of the EU’s fall in the near future.

When asked about how they think the crisis changed people’s attitudes toward the European Union, most of the interviewees (6 of 11) agreed that the crisis attenuated euro-optimism, but not to the point of changing it into euro-skepticism. (We should mention that the Standard Eurobarometer 76 was released before the last 3 interviews were conducted, and seems to not have impacted the experts’ answers regarding this particular matter). Myths about the EU diminished (EU viewed “as a Santa Claus all generous to Romanians); people became more conscious about the need of collective action to solve internal problems: euro-enthusiasm turned into a moderate (and more sensible) euro-optimism. Europe is still perceived as a sort of saviour: “The EU is still the train that moves us forward” (A. V., consultant for the NBR governor). The European Union is perceived in terms of “a better alternative” to the general situation of Romanians: “Romanians hate themselves, so they perceive the European Union as a self deliverance, a sort of mirage...” (R. S., head economist, division of Economic Studies, National Bank).

Four experts consider that the crisis did not change people’s attitudes in any way. If anything, in the long term, people will more strongly perceive the benefits of being part of the European Union. One expert proposes a different point of view, considering that people do not understand much of the crisis situation, in Romania or in the European Union.

Regardless of their knowledge on EU issues, people still perceive the Union as a more prosperous place than their country, while at the level of elites there is neither consensus, nor a prevalence of optimism. However, elites go beyond the economic dimension when developing scenarios for the future and they emphasize the political aspects as well. In the optimistic perspective they refer to the EU as a stronger financial and political actor due to lessons learned and due to changes imposed by the crisis, while in the neutral perspective the scenarios include structural changes in the Union. The negative perspectives outline EU deficiencies in the political system, namely its lack of unity, the lack of a military system and the danger of colonialism through the rise of the states with strong economies. The EU has to conduct changes and adapt to new realities, but as long as it benefits from popular support, it can still continue in a form or another. Therefore, by mixing the citizens’ and elites’ views of the EU, the predictions remain moderate but include a touch of optimism especially when compared to the prospects for Romania.

Discussion

The European Union faces several changes and it is the subject of a set of challenges both at the economic level, through the measures that the EU has to implement in order to save the euro zone, and at the communication level when relating to its citizens, as it has so far proved unable to approach the ideal of a political union, of a European identity at the individual level or to address the democratic deficit with media support at the level of transnational communication. However, it seems that the crisis is an essential challenge since it may diminish citizens' trust in European leaders' ability to solve the crisis and therefore, in the very future of the Union. In addition, elites could also lose confidence in the future of the project and, along with the withdrawal of citizen support; this diminishing confidence would result in the collapse of European measures. Therefore, determining the impact of the crisis on citizen and elite expectations regarding the future of the European Union is an important contribution for estimating the general support for the project, the possibility for developing a European identity and for the EU to evolve into a political union.

Through our research, we tried to identify people's opinion about the economic future of the European Union in the particular context of the euro crisis. Utilitarian considerations, along with national economic satisfaction, are a key supporting force since citizens who perceive the EU integration as financially beneficial to themselves or to their country tend to support the Europeanization process more (de Vreese, 2010: 196). However, in times of financial recession and austerity measures, this support might decrease substantially and consequently, affect the evolution of the EU project. Therefore, sociotropic evaluations – those of a nation's economic state, and egocentric evaluations – those of citizens' personal economic situations (Boomgaarden, Spanje, Vliegenthart, de Vreese, 2011: 355) influence the economic evaluation of the EU as well as the views on the future of the project. In this case, the research findings showed that people's sociotropic and egocentric evaluations are neither optimistic, nor pessimistic, but rather moderate, while in regard to the EU's future, they show moderate optimism which is strongly correlated with the moderate attitude toward the economic future of the country and of their own. Also, the evaluations were based only to a small extent on their knowledge about the European Union and its problems and to greater extent on their opinions about the economic future of the country or about their own financial future.

The economic evaluations can be influenced by their knowledge on the matter, by media coverage of the crisis and by their own experiences. Media coverage is supposed to be greater in crisis periods as bad times are perceived to be more newsworthy than good times (Fogarty, 2005: 151). However, media influence can be diminished as, unlike other areas, the economy allows for personal experience and observation in people's everyday lives through unemployment issues or job satisfaction, market gains or losses, tax variations, inflation or other realities of the economic dimension that shape their perceptions (Hester & Gibson, 2003: 76). In addition, it is acknowledged that people do not need to know precise economic facts in order to make reasonably accurate judgments about the state of the economy, as they have quite an acute "overall sense of macro-economic improvement and decline" (Sanders, 2000: 276). In the present case, the citizens proved to have little knowledge of European issues, therefore their evaluations regarding the future of their own economic state and of the national economy were decisive inputs in making assessments and estimations about the EU's future.

Another observation is that people have more positive predictions for the EU than for Romania's economic future. There was also a correlation between the level of optimism and citizens' sense of European identity. This indicates that people who consider themselves European besides Romanian are more inclined to feel optimism regarding the EU's future. Furthermore, they are more likely to relate to a sense of being European if they perceive EU membership as beneficial, if there is a positive impact factor at the level of their country or of their lives. An instrumental approach towards the idea of a European identity, the references to costs and benefits, the pre-eminence of the civic dimension of the identity (Frunzaru & Corbu, 2011: 40) make the appropriation of an identity very exposed to variances in the economic context. Thus, the negative impact of the crisis might translate into a decrease in the adoption of a European identity.

However, as shown above, Romanians still feel optimistic about the EU's future, especially when compared to the evaluation of our country. The crisis influenced the perspectives on the EU but only by tempering optimism, turning it into a moderate view, not into pessimism. This way, a positive evaluation of EU membership in terms of costs and benefits supports the civic European identity. Furthermore, this sense of identity decreases the pessimism as there is the belief that, with the EU's help, the crisis will be overcome.

This scenario is encountered in our country as Romania is part of the EU enthusiastic countries and even though the crisis affected the positive views, people still perceive the Union as a better place than their country, with bigger chances of evolving positively (http://ec.europa.eu/public_opinion/archives/eb/eb77/eb77_first_en.pdf). In this regard, the crisis produced resembling effects at the level of citizen perceptions in the Central-Eastern states since this bloc contains developing countries (<http://data.worldbank.org/about/country-classifications/country-and-lending-groups>) that entered the European Union in the last two accession waves, former communist states with comparable economic paths that perceive the EU as a chance to bridge the gap between themselves and the developed countries.

In what concerns the experts' views, there is no general consensus as they are positive, negative and neutral in equal number. They seize a possible positive impact of the crisis in terms of financial cohesion as this obstacle might bring a stronger economic and political power thanks to an increased solidarity among member states. In what concerns the possible negative impact, they emphasized the danger of colonialism as the states with economic power impose measures and decisions, and the danger of returning to the prevalence of nation states since, in times of crisis, states are inclined to save themselves rather than the whole. Regarding the citizens, the experts evaluated correctly that the crisis attenuated euro-optimism, but not to the point of euro-skepticism.

Overall, at the level of our country, people lost some of their enthusiasm and confidence regarding the Union, but they still give credit to the EU future. Experts are quite moderate as well. They hope that this crisis will bring the states closer to each other in their attempt to save the Union, although they share some fears regarding the status of leadership of some countries. However, the optimism was higher at the level of citizens' perspectives when compared to elites' estimations. These aspects can also be extended for other EU optimistic countries in the Central-Eastern bloc, where history and economic issues made citizens perceive the EU as a chance at development.

Conclusions

The present paper tried to understand the impact of the crisis on people's expectations and estimations about the future of the European Union and also to compare experts' opinions about the impact of the crisis on the future of the European Union with ordinary people's perceptions. The research took place in a special context as, one month before conducting the analysis; EU Member States signed the Treaty for Financial Governance in response to the challenges brought by the severity of the crisis in the Eurozone. Consequently, the issue of difficulties and negative consequences of the crisis came to dominate media attention. This likely increased the impact of the crisis at the level of citizen perceptions.

The research questions targeted economic experts' opinions about the future of the European Union and people's opinions about the EU's future in the context of the economic crisis. Therefore, we conducted expert interviews with 11 of the most prominent economic experts in Romania and a national survey (N = 1002). Especially in the euro crisis context, there is an increased need for citizen support, but at the same time, in periods of economic difficulties the support is withdrawn, and negativism increases. At the level of the EU, these consequences have a greater impact as the Union is facing a lack of public support already, as well as democratic and legitimacy deficits.

However, the results showed that people have little knowledge about EU topics and that they make evaluations based on utilitarian factors. Their opinions about the economic evolution of the European Union are largely based on their evaluations of their own and Romania's economic disposition, and only to a small extent on their knowledge about the European Union. The statement that people usually tend to see the European Union as a stronger and safer player in the economic game, with better chances of economic success than themselves or their country proved to be valid as people are more optimistic when it comes to the EU's future and economic evolutions, rather than the future of Romania or their personal situations. The crisis did lower enthusiasm, but Romanians are not pessimistic regarding the EU's future and, from this perspective, at the national level the Europeanization process is not jeopardized. This is consistent with other EU enthusiast countries and developing states from the Central-Eastern bloc that see a chance of growth in EU integration.

Economic expert perspectives are differentiated into negative and positive estimates. While a part of them try to see the positive in the effects of the crisis and hope for more cohesion and support among member states, others express their fears regarding a possible domination of the states with more economic power, especially Germany, or regarding the possible withdrawal within national borders.

Overall, experts indicate several possible scenarios about a smaller European Union, an imperialist power, a Union divided by internal boundaries between areas with different levels or rhythms of development or a possible exclusion of Greece or other countries from the Eurozone or the Schengen area. However, the key aspect is that beyond these variations they still refer to a Union and they give credit to the future of the European project. In all the unfolded scenarios, the European Union might face some changes, but it will not collapse or disintegrate. Whether expressed or not, optimism is still present and the crisis has added only a touch of moderation. Furthermore, due to former EU enthusiasm levels

and economic similarities, the crisis in the Central-Eastern states did not affect the integration process, and the level of confidence in the EU's future was not considerably diminished. The European Union remains the chance to reach progress in a global economy if the crisis issues are solved, for many people. However, in order to remain an important actor and ensure the project's success in the future, the European Union is conditioned by its political and identity development.

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Transatlantic Economic Relations and the Prospects of a New Partnership

Florin Bonciu*

Abstract: *The paper analyzes the international context in which negotiations between the European Union and United States on a Transatlantic Trade and Investment Partnership have been launched in July 2013. This context includes both the repeated failures of the Doha Round negotiations as well as the previous attempts and achievements of the European Union and United States to create a transatlantic partnership. The author considers that the current circumstances are more favourable for the successful finalization of the transatlantic partnership but, at the same time, stresses the sensitive issues that may delay or divert the negotiations. The paper concludes that there are many possible immediate positive consequences on economic growth and creation of jobs of the Transatlantic Trade and Investment Partnership as well as a high potential to expand its implementation in North America through NAFTA and in some other countries that have free trade agreements with either the European Union or the United States.*

Keywords: *Transatlantic Trade and Investment Partnership, free trade area, European Union, United States, TAFTA, NAFTA, economic integration, post-Doha Round negotiations, globalization*

JEL classification: *F13, F15, F53, F55, F68*

World context: from Doha Round to free trade agreements

The decision taken in February 2013 by the leaders of the European Union and United States to initiate the establishment of a new framework for their economic relations under the form of a trade and investment partnership (in fact a free trade agreement with a broader agenda) is not a singular option in the present context of the world economy.

On the contrary, one can note that the repeated failures of the multilateral negotiations on international trade within the frame of the Doha Round have determined many important actors of the world economy to look towards negotiating free trade agreements¹. This trend towards free trade agreements has been noted even since 2003, after the Cancun

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¹ Ian F. Fergusson, World Trade Organization Negotiations: The Doha Development Agenda, Congressional Research Service, December 12, 2011.

negotiations failure, when the idea of switching the attention towards bilateral negotiations has emerged as an imperfect but functional option, in anyway better than stagnation.

The understanding of the causes that led to the failure of Doha Round negotiations may explain clearer why the free trade agreements represent a solution for a long period of time in the foreseeable future. Started in November 2001 the Doha Round negotiations had a comprehensive list of objectives including, besides trade related matters concerning manufactured and agricultural goods and services, aspects concerning competition, intellectual property rights and foreign investments². Some initial estimates showed that the success of Doha Round could have determined important gains at world level, gains estimated at about 280 billion US dollars per year. Unfortunately, the large number of participating states in the negotiations (155 states) correlated with the principle „ nothing is agreed until all is agreed“ which was applied in the negotiations led, quite normally, to a list of repeated failures.

The states participating in the Doha Round encountered major differences of opinion at least in two areas:

- **trade with agricultural products**, particularly referring to agricultural subsidies provided by some countries or organizations such as the European Union;
- the so-called **Singapore issues** which referred to four issues regarding: trade and foreign investments; trade and competition; transparency in the field of public acquisitions; aspects referring to trade facilitation³.

Regarding these fields of negotiations, in time, a number of divergent positions were stated among various groups of participants as follows:

- Divergences between developed states and developing states, members of the so-called Group of 20 – G20⁴. The leaders of this G20 are India, Brazil, China and South Africa⁵;
- Divergences between the United States and the European Union, particularly on agricultural subsidies used by the European Union;
- Divergences between developed and developing states on the one hand and the smallest and poorest countries, members of the so-called Group of 90 – G90, on the other hand⁶.

The divergences mentioned above were accompanied by a lot of others which were less prominent.

Anyway, the substantial differences in the levels of development of the participating states as well as the differences in the approaches used by these participants make highly

² World Trade Organization, Annual Report 2002 – The Doha Development Agenda.

³ The Singapore Issues, Doha Round Briefing Series, Vol. 2, No. 6 of 13, August 2003.

⁴ The G20 is a group of 23 countries: Argentina, Bolivia, Brazil, Chile, China, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, Zimbabwe. The Group is named after the date of 20 August 2003 when a number of developing countries decided to present a common position at the 5th WTO Ministerial Conference that was held in Cancun, Mexico, in September 2003 in response to the common position on agriculture presented by United States and European Union.

⁵ Nicola Bullard, G20, The Developing Nations Coalition, *Focus on Trade*, No 98, April 2004.

⁶ The G90 group of countries was established on the occasion of the WTO Ministerial Conference held in Cancun, Mexico in September 2003. G90 reunites countries from African, Caribbean and Pacific Group (ACP), the African Union and the group of Least Developed Countries (LDC).

unlikely a multilateral agreement under the WTO umbrella, at least in the foreseeable future. In such a context, the bilateral negotiations represent the next best thing, not at all an ideal or preferable solution.

We can comment that from the long term perspective on the world economy, perspective that seems to lead to an ever increasing level of globalization, a small step ahead (that is bilateral free trade agreements) is better than no progress at all.

If we analyze the situation in the world economy as regards the free trade agreements or negotiations on this topic, we have to distinguish some nuances. The principles and content of the free trade agreements are clear, but the number of parties involved can make a lot of differences. Therefore, one can note that free trade agreements may be:

- free trade agreements as such, concluded between two states (such as the Japan – Mexico free trade agreement, entered into force in April 2005 or the USA – Singapore free trade agreement, entered into force in January 2004);

- free trade agreements which are still bilateral, but one of the parties is in fact an organization of economic integration that reunites more states. An important example in this respect is the China – ASEAN free trade agreement, entered into force on January 1, 2010. This agreement is on the first place in the world regarding the total population involved and on the third place in the world as Gross Domestic Product of the signatory countries. Another example of this kind is the free trade agreement between European Union and South Korea, entered into force provisionally on July 1, 2011. This agreement is on the second place in the world, after North American Free Trade Agreement, regarding the Gross Domestic Product of the member countries.

In the larger context of the regulations on world trade, we can say that the bilateral agreements where one of the parties is an organization that reunites more countries represent, in fact, multilateral agreements. To the extent that such agreements are concluded and fully implemented they may represent important building blocks or stepping stones towards future world level regulations.

The fact that by mid 2013 there are open negotiations on free trade agreements between:

- European Union and USA;
- European Union and Japan;
- European Union and India;
- European Union and MERCOSUR

To mention only the ones that involve the European Union reflects a major interest showed by the large global actors for this form of international trade regulation.

Transatlantic economic relations in a new perspective

In February 2013 a new stage in the evolution of the transatlantic economic relations has begun with the announcement of a **Transatlantic Trade and Investment Partnership - TTIP**⁷ having as final objective the establishment of a free trade area between the two entities. The effective launch of the negotiations took place in July 2013 and according to the official statements, in the best case scenario, the Transatlantic Partnership will be concluded by the end of 2014. While this date seems much too optimistic, it reflects an ambitious political goal that has to be taken into consideration.

⁷ Statement from United States President Barack Obama, European Council President Herman Van Rompuy and European Commission President José Manuel Barroso, MEMO/13/94 Event Date: 13/02/2013.

This new approach towards the liberalization of trade relations, but also towards the coordination and further stimulation of transatlantic economic relations is not really a new one, but rather a continuation of several stages that succeeded during the past 23 years. At a conceptual level, the idea of a transatlantic integration and even of a transatlantic federation is much older, dating from the inter-war period⁸.

A brief chronology of the contemporary stages of the transatlantic integration approaches includes moments such as:

- In 1990 the USA and European Community signed a Transatlantic Declaration;
- In 1995 the two parties signed a New Transatlantic Agenda;
- In 1998 a Transatlantic Economic Partnership was signed;
- In 2007 the Economic Transatlantic Council was established in view of eliminating obstacles and improving trade relations between the United States and European Union⁹.

If we look at this list, the 2013 announcement of the Transatlantic Trade and Investment Partnership represent a rather logical and expected continuation.

The **Transatlantic Trade and Investment Partnership** will represent, in case it succeeds to be finalized, the largest free trade area in the world. As Karel De Gucht, trade commissioner of the European Union showed, the size of this free trade area will influence not only the two partners, but also the whole system of regulations and trade at a global level¹⁰.

The importance and the impact at a global level of this Partnership results from the fact that the European Union and United States of America represent together about 50 % of the World Gross Product and about 30 % of world trade. The bilateral trade with goods and services carried out daily between the European Union and United States represents over 2 billion Euros (estimate figure for 2012)¹¹.

At the same time, the stock of investments made by the USA companies in the European Union and the European Union companies in the USA amount to 3000 billion dollars¹², while the jobs created by all these investments amount to around 6.8 million (data for 2010)¹³. The high level of development of the two parties is proved by the fact that together they represent about 50 % of World Gross Product, while their cumulated population represent just 11.8 % of the world population¹⁴.

The impressive economic dimensions of the transatlantic relations are the result of the fact that the development of the post-war transatlantic relations was based on the existence of common values and approaches, as well as on the close inter-conditionality of the objectives of prosperity and security of each party. Starting from these premises we can

⁸ Clarence K. Streit, *Union Now - A Proposal for a Federal Union of the Democracies of the North Atlantic*, Harper & Brothers Publishers, New York, London, 1939.

⁹ Philip Whyte, An EU-US trade deal: prospects, benefits and pitfalls, Public service Europe, 2013, <http://www.publicserviceeurope.com/article/3123/an-eu-us-trade-deal-prospects-benefits-and-pitfalls>.

¹⁰ Karel De Gucht, Transatlantic Trade and Investment Partnership: Opening free trade negotiations with the United States, Document SPEECH/13/147, Event Date: 21/02/2013.

¹¹ Final Report High Level Working Group on Jobs and Growth, February 11, 2013.

¹² Philip Whyte, An EU-US trade deal: prospects, benefits and pitfalls, Public service Europe, 2013, <http://www.publicserviceeurope.com/article/3123/an-eu-us-trade-deal-prospects-benefits-and-pitfalls>.

¹³ Office of the United States Trade Representative, European Union, <http://www.ustr.gov/countries-regions/europe-middle-east/europe/european-union>.

¹⁴ Gabriel Felbermayr, Mario Larch, Lisandra Flach, Erdal Yalcin, Sebastian Benz - Dimensions and Effects of a Transatlantic Free Trade Agreement Between the EU and US, IFO Institut, Munich, February 2013

anticipate with a high degree of certitude that the transatlantic relations will continue to represent an important economic pole of the world economy during the 21st century.

The deepening of the transatlantic cooperation and integration by means of the **Transatlantic Trade and Investment Partnership** has the following objectives¹⁵:

- The further opening of the economies of the United States and European Union for mutual economic relations;
- The further elimination of tariff, non-tariff and other barriers for bilateral trade and investment;
- The increase of the harmonization of standards and regulations related to trade and investments;
- The support of participation to the globalization process of companies (including small and medium sized ones) from both economies;
- The increase of cooperation in reaching common targets related to the well functioning of the world economy.

According to international experts, in case this Partnership is concluded, it will be the largest trade agreement ever negotiated and it will generate, just by eliminating tariff barriers an increase by 0.5 % of the Gross Domestic Product of the European Union and by 1 % for the Gross Domestic Product of United States.

The estimated increase by 0.5 % of the Gross Domestic Product of the European Union may seem a minor achievement, but if we take into account that the budget of the European Union represents about 1 % of the Gross Domestic Product then we understand that only this partial increase will be equivalent with half of the European Union budget.

At the same time, the achievement of the objectives of the Partnership will create at least 13 million new jobs in the two economies. These results are envisaged starting from the fact that at present the European Union and United States have the largest and most important trade relations in the world between two economic entities and also the most integrated economic relations.

The favourable present global context for the negotiations regarding the Transatlantic Trade and Investment Partnership

The announcement of the negotiations for the establishment of a Transatlantic Trade and Investment Partnership at the beginning of 2013 and the effective start of these negotiations in July 2013 are taking place in a global context that is rather favourable to this approach. The constructive character of the present global context can be better understood in comparison with the first attempt to establish such a Partnership in 1995. That first attempt lacked a substantial supportive reaction.

In 1995 the launch of the idea of a Transatlantic Partnership seemed opportune because the North American Free Trade Agreement (NAFTA) just started to be fully operational and the GATT Uruguay Round had been successfully completed. At the same time, after 1990

¹⁵ Simon Lester, The Challenges of Negotiating a Transatlantic Trade and Investment Partnership, *Free Trade Bulletin* No. 51, Cato Institute, February 26, 2013.

– 1991 the Cold War was over and the launch of a new Transatlantic Partnership seemed to be a good idea¹⁶.

In 1995 there was a proposal for a **Transatlantic Free Trade Agreement (TAFTA)** which got a rather substantial political support from important personalities such as Klaus Kinkel, the Foreign Affairs Minister of Germany, John Major, the Prime Minister of Great Britain and Malcolm Rifkind, the Foreign Affairs Minister of Great Britain, Alain Juppe, the Foreign Affairs Minister of France, Joseph Lane Kirkland, the president of the largest trade union organization in the United States AFL-CIO¹⁷.

Among the reasons why the year 1995 did not hold a favourable context for the idea of a Transatlantic Partnership we can name the following:

- In 1995 the World Trade Organization has been launched as a successor to the General Agreement on Trade and Tariffs (GATT) and as a symbol of the multilateral approach to international trade. Under these circumstances, the proposal for a Transatlantic Free Trade Agreement could have meant that the United States and European Union support a bilateral approach rather than a multilateral one;

- The subsidies and restrictions related to the agricultural sector were so large and comprehensive that it seemed very unlikely to expect a liberalization in that particular area;

- The tariff barriers for transatlantic trade were rather low and therefore from that perspective a substantial effort to further reduce them was not justified;

- The explicit political focus of the United States in the 90's has been towards the Pacific area and therefore the American politicians were afraid to send a signal that they offer some privileged attention to the Atlantic area;

- Both parties acknowledged at that time that the main barriers for the trade between the European Union and United States referred to non-tariff aspects, related to various regulations and standards. Such barriers are not automatically eliminated in case of the establishment of a free trade area.

Different from the international context of the 1995 period, the present context seems to reunite much more elements in favour of such a proposal for a Transatlantic Partnership.

A first reason why the current international context is favourable to this approach is represented by the short and medium term unfavourable economic prospects for the European Union (particularly the Euro zone countries) as well as by the rather fragile economic recovery of the United States. This situation put the idea of a Transatlantic Partnership in a favourable light, as a lasting solution for getting out of crisis by further transatlantic economic integration due to scale effect, new orders and new jobs that may appear due to this construction.

A second reason may be represented by the fast track of China towards the prominent position of largest economy in the world. Such a relatively fast happening prospect attracts a lot of attention from the part of United States and European Union and viable solutions are seriously considered. A possible response to the rise of China can be the increase of

¹⁶ Charles Ries, Is it Time to (Re) Consider a TAFTA?, U.S.-EU Responses to Globalization – Working Papers, Johns Hopkins University, Center for Transatlantic Relations, <http://transatlantic.sais-jhu.edu/partnerships/eu-us-partnership.htm>.

¹⁷ Bloomberg Businessweek, Remember Nafta? Well, Here Comes Tafta, May 07, 1995, <http://www.businessweek.com/stories/1995-05-07/remember-nafta-well-here-comes-tafta-intl-edition>.

competitiveness of both United States and European Union by means of the transatlantic economic integration which will imply not only liberalization of trade, but also of investments, as well as a joint correlation and coordination of trade and investment regulations.

A third reason is, without any doubt, linked to the failure of Doha Round negotiations. This outcome has as result the orientation of the global players towards regional free trade agreements as long as no global agreement is available or envisaged in the short term.

The importance of transatlantic economic relations in a global context

In order to assess the potential results of a Transatlantic Trade and Investment Partnership we can enumerate some of the quantitative aspects of the current transatlantic economic relations. Starting from these present dimensions we can only estimate that as result of the Transatlantic Partnership will significantly boost these dimensions due to synergies and increases of efficiency that will appear.

If we put the current economic dimensions of the transatlantic relations against the background of the world economy we obtain the following picture:

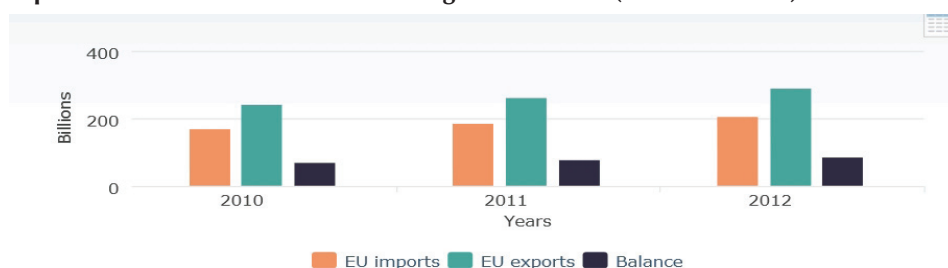
- In 2012 the economic activities that took place due to relations between the European Union and United States generated sales of 5300 billion dollars and provided 15 million jobs in the two entities¹⁸;
- Investments made by United States in European Union were 3 times larger than investments made by United States in Asia;
- Investments made by European Union in United States are over 8 times larger than investments made in China and India combined;
- The economic dimension and the characteristics of the transatlantic economic relations are given to a large extent by the mutual investments. As a result of these investments about one third of the transatlantic trade is represented by intra-company trade (between mother companies and their affiliates), generated as a result of mutual investments;
- At a global level the United States and European Union represent the most important trade partners for the vast majority of the countries of the world.

The evolution of the economic relations between the European Union and United States during 2008 – 2012 period is analyzed in the following. These economic relations include both trade in goods and services as well as mutual investments.

An important component of these economic relations is represented by the trade with commodities which is presented in Graph no. 1.

¹⁸ Daniel S. Hamilton, Joseph P. Quinlan, *The Transatlantic Economy 2013: Annual Survey of Jobs, Trade and Investment between the United States and Europe*, Volume 1, Washington, DC: Center for Transatlantic Relations, 2013.

Graph no. 1. Evolution of trade with commodities and balance of trade between the European Union and United States during 2010 – 2012 (in billion Euros)



Source: EU's trade balance with the United States, DG Trade, Statistics 26 April 2013

As results from Graph no. 1, during the 2010 – 2012 period the trade balance was in favour of the European Union. The reciprocal importance of the European Union and United States as a trade partners in 2012 is reflected in Table no. 1

Table no. 1. Reciprocal share in imports and exports with goods and services of European Union and United States in 2012

Partners	European Union %	USA %
United States	Exports: 21 %; Imports: 19 %	-
European Union	-	Exports of goods: 17 %; Exports of services: 25 %; Imports of goods: 11 %; Imports of services: 31 %

Source: Office of the United States Trade Representative

The trade deficit of the United States in relation with the European Union amounted to 115.7 billion dollars in 2012, level that marked an increase of 15.9 % compared to 2011. The exports of the United States in the European Union amounted to 265.1 billion dollars in 2012, level that marked a small decrease of 1.2 % compared to 2011 but a substantial increase of 57 % compared to the year 2000.

The imports of United States from the European Union amounted to 380.8 billion dollars in 2012, which represented an increase of 3.4 % compared to 2011 but a 67 % increase compared to year 2000¹⁹.

An important component of the trade between the European Union and United States is represented by the trade with agricultural products. This component is important as value but also very sensitive from a political point of view. The US exports of agricultural products to European Union amounted to 9.9 billion dollars in 2012. The European Union market is on the 5th place as importance for United States.

¹⁹ Office of the United States Trade Representative, European Union, <http://www.ustr.gov/countries-regions/europe-middle-east/europe/european-union>.

The United States imports from European Union amounted to 16.6 billion dollars in 2012. The European Union is the 2nd supplier of agricultural products to the United States (after Canada).

At present the trade relations between the European Union and United States are affected much more by non-tariff barriers than by tariffs which have an average level of 3 – 4 % (with notable differences in the sense of much higher values for agricultural products due to the provisions of the Common Agricultural Policy of the European Union).

The non-tariff barriers are much more numerous and with a much higher impact in acting as limits to trade flow between the two entities. Karel De Gucht, the trade commissioner of the European Union stated that the equivalent effect of these non-tariff barriers is that of some tariffs with values between 10 – 20 %, in function of the nature of goods and services²⁰.

The reduction and even elimination of such barriers will generate, without any doubt, significant results. It was estimated that only in the automobile industry the harmonization of regulations regarding emissions and safety would eliminate the need for vehicle producers which make the same model to produce different versions for the United States and for the European Union. Only this single fact will reduce the production cost by several hundred dollars per unit²¹.

Among the non-tariff barriers existing at present there can be mentioned: the banning by the European Union of the imports of Genetically Modified Organisms; complex customs procedures in the United States, particularly after September 11, 2001; different standards concerning consumers' protection and security; limits in foreign ownership of companies (for instance in the United States for sea transport companies); the existence of subsidies, for instance in the aviation industry in the European Union; restrictive regulations in public procurement²².

Although when considering the trade in goods the European Union has an advantage over the United States, when it comes to trade in services, the situation is more balanced, with just a small surplus in favour of the United States.

In 2012 the United States exported to the European Union services representing 194 billion dollars, an increase with 2.8 % compared to 2011 level and with 108 % compared to the 2000 level²³. In the case of trade in services the United States recorded in 2012 a surplus with the European Union of 55.4 billion dollars, a level with 6.5 % higher than in 2011.

An even more important aspect that reflects the high degree of integration of the economies of the European Union and United States is that of the sales of services made in the European Union by affiliates with majority ownership by US companies, sales that amounted, in 2010, to 499 billion dollars. At the same time, the sales of services made in United States by affiliates with majority ownership from the European Union were of 382

²⁰ Karel De Gucht, Transatlantic Trade and Investment Partnership: Opening free trade negotiations with the United States, Document SPEECH/13/147, Event Date: 21/02/2013.

²¹ Nicholas Kulish, Jackie Calmes - Obama Bid for Europe Trade Pact Stirs Hope on Both Sides, February 13, 2013, The New York Times Europe.

²² Philip Whyte, An EU-US trade deal: prospects, benefits and pitfalls, Public service Europe, 2013, <http://www.publicserviceeurope.com/article/3123/an-eu-us-trade-deal-prospects-benefits-and-pitfalls>.

²³ EU's trade balance with United States, DG Trade, Statistics 26 April 2013.

billion dollars. In the same context of discussion, that of transatlantic economic integration, it is worth mentioning that 50 % of the trade relations between the European Union and United States is represented by intra-company trade (that is between mother companies and their respective affiliates).

Besides trade, in today's globalized world economy, the foreign direct investments represent another key element. We can even appreciate that in the case of the European Union – United States economic relations, foreign direct investments represent the backbone of the partnership. According to statistics, the foreign direct investment stocks (the cumulated value of foreign direct investments) owned by European Union companies in the United States and by United States companies in the European Union amounted to about 3700 billion dollars in 2011.

In 2011 the stock of foreign direct investments owned by European Union companies in the United States was about 1600 billion dollars while the stock of foreign direct investments owned by United States companies in the European Union was around 2100 billion dollars. The European Union member countries with the largest investments in United States are: Great Britain, Netherlands, Germany and France.

Main targets and expectations regarding the Transatlantic Trade and Investment Partnership - TTIP

The European Union and United States are already mature and well regulated markets which represent in both explicit and implicit ways reference markets for the rest of the world. Anyway, because of the size of these economic actors and also due to the complexities of their economies there is considerable room for improvement in their production and trade activities. The importance of these improvements is not directed only to the two entities because there is also an important „demonstration effect“ which the new transatlantic regulations may have upon other large players such as China or India. This „demonstration effect“ is the more important as the Doha Round negotiations carried out under World Trade Organization umbrella could not be successfully finalized.

Regarding the areas of improvement in the transatlantic economic relations, the High Level Working Group on Jobs and Growth has noted 3 important intervention areas²⁴:

- a) Access to markets;
- b) Regulation issues and non-tariff barriers;
- c) Rules, principles and new cooperation methods for joint solving and capitalization of opportunities at a global level.

In the following we are going to analyze and comment these 3 areas of intervention that have been announced. Given their different current status, they do not have an equal share in the timetable of negotiations. For instance, the “Access to markets” area is already in an advanced operational state and requires just some adjustments and improvements of existing situations. For the other two areas there are a lot of topics to be negotiated and the stakes are high as the potential benefits for the two participants are significant, as well as the implications for the rest of the world.

²⁴ Final Report - High Level Working Group on Jobs and Growth, February 11, 2013.

Access to markets

In the field of **access to markets** the Transatlantic Partnership has to identify all obstacles related to tariffs, services, investments and public procurement and find solutions for their removal. The major objective is, simply stated, to achieve a much better regulatory environment than the existing one.

In case of **tariffs** the final objective is to completely eliminate all tariffs in the bilateral trade between the European Union and United States. This is to be done in two unequal stages: a larger proportion of existing tariffs to be eliminated at the time of entering into force of the Partnership, and a gradual elimination, but in a relatively short time, of the remaining tariffs for the most sensitive products and services.

In the field of **services** the objective is to consolidate the highest liberalization level existing at present, looking at the same time for solutions for the reduction or elimination of barriers for services that are regarded as sensitive. Given the nature of the term “services”, the two parties have to define rules regarding transparency, objectivity, licensing and certifying mechanisms, as well as implementation procedures.

The Partnership has to include measures for the consolidation and improvement of **the liberalization and guaranteeing of investments** made by companies from each of the two parties. This process will start from the highest standards agreed upon until present times.

In the field of public procurement the objective is that of substantially improving the access of companies from each party to the public procurement programs of the other party, at all levels, based on granting national conditions.

Regulation issues and non-tariff barriers

As it was mentioned above, an important part of the negotiations will be dedicated to the reduction or elimination of non-tariff barriers that have at present the largest limiting effect upon transatlantic economic relations. The administration costs of technical regulations as well as the time needed to monitor their observance have to be reduced. At the same time the high levels of health, environment and security protection have to be maintained.

A particular issue related to this area of negotiations refers to the need to avoid in any way the limiting of the global innovation and competitiveness of companies from the European Union and United States as result of non-tariff barriers.

A difficult task will be that of harmonization and mutual recognition of standards and regulations between the two parties. The difficulty is given by the existence of some significant differences that have to be reconciled.

Among the key aspects to be negotiated under this area there are the following:

- **SPS-plus chapter (Sanitary and Phitosanitary Issues – SPS)**. The two parties will start from the existing regulations under World Trade Organization framework (WTO SPS Agreement) and will add new requirements only to the extent they are needed for the protection of human life, of plants and animals. The criteria and requirements have to be transparent for each party. In this area the parties demand and expect fast and continuous improvement results.

- **TBT plus chapter (TNT - Technical Barriers to Trade)**. In this case the two parties will also start from existing World Trade Organization regulations and will try to reduce

the number of redundant tests and certifications. An important objective is represented by the mutual recognition of certification agencies from the European Union and United States. The two parties will also cooperate in order to define standards and evaluation procedures accepted at a global level. The two parties aim to engage in early consultations in case of new regulations.

- Provision of an institutional and legal framework for future cooperation in the field of regulations.

In order to identify pragmatic approaches to these issues the two parties initiated in 2012 consultations with the business environment, governmental and non-governmental organizations. This process of consultations will be a permanent component of the regulatory mechanism.

Because time is of essence in finalizing the negotiations and tangible results (that is jobs and economic growth) are desired to be obtained soon, the two parties will organize periodical high level meetings in order to assess the progresses made.

Rules, principles and new cooperation methods for joint solving and capitalization of opportunities at a global level

Due to the share and influence of transatlantic economic relations in the world economy, the Transatlantic Partnership will include some rules and principles with not only bilateral, but also multilateral implications. Among these global reaching implications there are the following:

- **The intellectual property rights.** Both the European Union and the United States promote a high level of intellectual property protection. This position includes the existence of enforcement mechanisms and an enhanced cooperation between parties involved.

- **Environment and labour related issues.** European Union and United States support high levels of environment and labour protection. The negotiations will start from the provisions of the European Union on sustainable development and the United States provisions regarding environment and labour protection.

- **Trade and investment activities witnessed substantial changes at a global level** in the past years. New production mechanisms based on complex production chains emerged. The crisis determined anti-competition activities like granting subsidies and incentives to public companies, restrictions on exports of certain raw materials, requirements related to location of investments, etc. The European Union and the United States have similar approaches on these issues and they can act together by including specific provisions on these issues in the transatlantic partnership.

In order to have a global impact and to secure their competitive capabilities in the world economy, the European Union and United States are aware that a number of topics have to be included and properly treated in the transatlantic partnership so that the two entities can generate a higher impact and influence on the rest of the participants in the world economy. Among these topics there can be mentioned:

- Stimulating trade and simplifying customs procedures beyond the provisions of the World Trade Organization;
- Solving competition policy issues, particularly the cases when public entities and even private companies receive subsidies and other forms of assistance from their governments;
- Avoiding and eliminating positive discrimination of local economic agents at the disadvantage of foreign actors;
- Provision of free access on the raw materials and energy markets;
- Support for small and medium sized companies;
- Providing transparency for the regulations, procedures and mechanisms.

All of the above have to be considered as a starting point in the transatlantic negotiations. To the extent that new areas of interest or particular obstacles will be identified, these will become also part of the negotiations.

It is very likely that some third parties (large global players like Japan, China, the Russian Federation or some developing countries) may have reactions vis-à-vis the negotiations and these reactions will also have to be taken into account as both the European Union and United States operate in the global economy and can not insulate from that global framework.

Last but not least, the public opinion may have reactions to the negotiations and these reactions are very sensitive for both the industrialists and politicians. This is why, besides pure technical issues related to negotiations, good communication with the general public and with the rest of the world may bring a significant contribution to the success of these negotiations.

Conclusions

The announcement in February 2013 and the launch in July 2013 of the negotiations on the **Transatlantic Trade and Investment Partnership – TTIP** may be regarded as timely because both United States and especially the European Union need to stimulate economic growth and to send positive messages to the business environment and general public. Given the fact that structural changes in the two economies in order to stimulate growth and competitiveness are not feasible in the short run, a project that aims at improving the existing situation based mostly on negotiations and political decisions is very attractive.

Although optimistic official statements foresee the finalizing of the Partnership in about 2 years (2013 – 2014), there are many sensitive issues that can not be easily overcome. The first and most evident refers to agriculture. In the European Union agriculture has been a controversial issue with its trading partners and not only since the launch of the Common Agricultural Policy in 1962. Even if in time there were a lot of adjustments and concessions, for the period 2014 – 2020 agriculture will continue to receive about 37 % of the community budget, a fact that will imply subsidies and tariff and non-tariff barriers. On the other hand, in United States the farmers also receive subsidies in various forms which can represent in certain cases up to 40 % of their income²⁵.

To these financial aspects we have to add the divergent positions adopted by the

²⁵ Ouyang Shi, EU-US FTA talks could spell trouble, China Daily, April 4, 2013.

European Union and the United States vis-à-vis the Genetically Modified Organisms, as well as a number of different agricultural standards. All these aspects make agriculture a difficult negotiating area. In our opinion it is not impossible that, should it be the case for some irreconcilable differences to emerge during the negotiations on agriculture issues, we may see that this negotiations chapter will be, partially or as a whole, left aside of the Transatlantic Partnership, such a decision being based on the principle of achieving as much as possible in the shortest time possible, without blocking the whole process.

Other sensitive areas are represented by the regulations on food products, pharmaceuticals and cultural goods and services. The harmonization of regulations in such areas require a considerable time, anyway longer than 2 years.

In our opinion, only the significant increase of the social dissatisfaction and unrest as result of high unemployment and lack of perspectives in many European Union member states may determine politicians and businessmen in Europe to accept the solution represented by the **Transatlantic Trade and Investment Partnership – TTIP** as a quick and partial economic fix, able to alleviate social tensions at least by offering positive expectations supported by some visible and concrete measures.

This opinion is partially based on the estimation that the small and medium sized enterprises from the European Union will be among the main beneficiaries of the Transatlantic Partnership because United States represents the main non-EU market for European SMEs with international activity. This fact means that the Transatlantic Partnership has the potential to boost European SMEs activity which in turn will translate into creating a significant number of new jobs²⁶.

An important aspect related to the **Transatlantic Trade and Investment Partnership – TTIP** refers to its expansion potential to other countries, first of all NATO countries or countries with which the European Union or United States have free trade or even customs union agreements. Some notable examples are easy to be found. Canada is part of NATO and part of North American Free Trade Agreement. Turkey is part of NATO and has a customs union agreement with European Union since December 31, 1995 (with some limitations regarding agriculture, services and public procurement).

Also Mexico is part of the North American Free Trade Agreement (NAFTA) but, since 1997 is also part of an Agreement for partnership and economic and political cooperation with the European Union, agreement that includes some free trade provisions. At the same time, the European Union has started in 2009 negotiations with Canada on a Comprehensive Economic and Trade Agreement (CETA). This Agreement is in 2013 in an advanced stage of finalization²⁷. If all these aspects are taken into account we can rather speak about a European Union – NAFTA agreement as long as all three members of NAFTA (United States, Canada and Mexico) either discuss or already have some free trade agreements.

This possibility of extending the provisions of the **Transatlantic Trade and Investment Partnership** beyond the two negotiating parties encounters some criticism from the part of those who fear that this partnership represents an important step ahead towards a world government as it was conceived in 1939 by Clarence Kirschmann Streit in his book *Union*

²⁶ European Commission, Commission Staff Working Document: Impact Assessment Report on the future of EU-US trade relations, Document SWD(2013) 68 final, Strasbourg, 12.3.2013.

²⁷ European Commission, Trade policy with Canada, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/canada/>.

Now. He supported the establishment of a federal state similar with United States of America that was to include the states in Western Europe, USA, Canada, Australia, New Zealand and South Africa²⁸. His ideas had quite a large audience and led to the establishment in 1939 of an organization, the Federal Union, to which it was added in 1949 the Atlantic Union Committee, an organization with an important role in the establishment of NATO. Since 2004 the activities of the Federal Union have been continued by Streit Council for a Union of Democracies²⁹, an organization that supports the deepening of the transatlantic integration with the possible participation of other democratic developed countries, such as OECD member countries.

The successful finalization of the **Transatlantic Trade and Investment Partnership** could represent a model to be followed by a similar project involving the Pacific area countries: the **Trans-Pacific Partnership – TPP**. This project includes countries which are much more diverse than the ones **involved** in the transatlantic partnership.

These far reaching global implications may strongly support the idea that the **Transatlantic Trade and Investment Partnership** brings important chances that contribute not only to the short and medium term improvement of the social and economic situations of the participating entities, but also to the design of the new architecture of the world economy beyond 2020.

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²⁸ Clarence K. Streit, *Union Now - A Proposal for a Federal Union of the Democracies of the North Atlantic*, Harper & Brothers Publishers, New York, London, 1939.

²⁹ Streit Council for a Union of Democracies website, <http://streitcouncil.org/>.

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Rim versus Non-Rim States in the Arctic Region: Prospects for a Zero-Sum Game or a Win-Win One?

Ana-Maria Ghimiş*

Abstract: *The present paper aims to develop a critical approach on one of the most urgent energy security challenges: the Arctic region. Until recently, it was considered to be a frozen desert, upon which no one raised any legal demands or interests. The global warming, the technological development and the increased need for energy resources had transformed the frozen High North into a very hot spot, where states like US, Canada, Norway, Denmark or Russia started an energy race that threatens to escalate. The Arctic became a strategic area given its opportunities: besides the energy resources, new commercial routes could become available for a longer period of time. But, due to legal uncertainties, the lack of coherent and direct legal procedures of international law, the Arctic game is an open one, in which any state can intervene and ask for a solution that is suitable for its interests. This aspect complicates even further the already unstable region. Some of the actors see the region as an international area, as a common good, where everyone has the right to explore or exploit, while the rim states see the Arctic in sovereign rights terms. Therefore, the game tends to complicate as non-rim players (the EU, China, Japan, NATO and South Korea) want to intervene in the region and try to influence its development.*

Keywords: *Arctic, game theory, non-rim states, zero sum game, win-win game*

Introduction

The international system is facing nowadays a new period of transition that can be characterized by instability, uncertainty and even insecurity, that could lead to the establishment of a multipolar system. Economy becomes a key factor of power, and, logically, the threats to its emergence, development and sustainability continue to appear. The number of states involved in the race for establishing the international status-quo has also increased as we enter a multipolar system. Having said that, a state can be threatened by another one (economically speaking) when other state is blocking the first's access to some strategic resources that automatically affect its development. The second state gained a relative advantageous position, which would generate a balance of power that is inimical

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for the other. Traditional energy resources are limited, therefore the entire relationship, be it bilateral or multilateral, transforms itself into a zero sum game, in which there is only one winner, the gain being actually the loss of the other.

The aim of the present paper is to analyse the impact of the new comers upon the security of the Arctic region and upon the international balance of power. These players have the potential to change the strategy of the rim-states towards a more cooperative one within a restricted group. The methodological approach consists of document analysis (direct - official documents, strategy, declarations, international treaties and international law; and indirect analysis - research documents), and conceptual analysis.

As for the theoretical approach, I choose to use the prospects of game theory, which will offer the most glibly interaction results regarding the race for the Arctic. Given the fact that the international system is anarchic (Waltz, 1979), the unit of analysis in this case will be the state. Issues of particular importance will be its interests, how does it perceive other states, how it is perceived by other states, which is its strategy regarding the Arctic region, which are its capabilities, how can its interaction with other players be characterized (attraction, combat, rivalry, mating, trade, communication or even partnership) (Axelrod, 1997).

The Arctic Region- a disputed area

The Arctic region cannot be naturally delimited, but we can use the Arctic Circle as a directional point - the latitude 66 degrees 33 minutes north. In geopolitical terms, the Arctic was seen as a linking area between the Eurasian continent and the American one. At the same time, it was a frozen desert, which could not be used for navigation, and which could hardly be explored. Given these reasons, no state claimed sovereign rights over some Arctic territories.

The Industrial Revolution, the technological development and the fact that states' economies are dependent on energy created a race for resources in the Arctic. This race became achievable given the fact that "by 2040 average global temperature rise is 1.3 ° Celsius above the 1990 average" (Gibbs). Although scientists hoped that the Arctic ice will recover during the winter season, the ice continues to melt. This fact could generate an Arctic free-ice in the summer season in five years time (Williams, 2008). This rising temperature has mainly three major effects over the Arctic region: firstly, it will influence in a negative way the ecosystem; secondly, the Arctic waters will be navigable a significant part of the year, fact that makes it a new strategic point of maritime powers and not only and lastly, scientists now have the possibility to conduct more expeditions that will enable them to know more about what lies beneath the Arctic waters. Until now, scientists discovered that in the Arctic region can be found huge volumes of energy resource. According to US Geological Survey's 2008 analysis, these volumes represent 13% of oil resources (approximately ninety billion barrels) and 30% of world's natural gas resources¹. Hence the politics or the game in this region could be determined by energy politics.

Five different states try to legally prove that they have sovereign rights over the Arctic Ocean coastline. These countries are: the Russian Federation, Norway, Denmark (through

¹ USGS Fact Sheet 2008-3049. *Circum-Arctic Resource Appraisal: Estimates of Undiscovered Oil and Gas North of the Arctic Circle*. Available at: <http://pubs.usgs.gov/fs/2008/3049/fs2008-3049.pdf>, accessed on 14 October 2012.

Greenland), Canada and the United States of America. The increasing importance of energy resources coupled with unsolved disputes, given the long lasting decision process from the International Court of Justice, could create a Prisoner's Dilemma framework. Given the nature of the disputes, if the rim states do not want to cooperate, then the Arctic will certainly become a zero sum game, in which there will be only few winners. This fact could increase the insecurity of the Arctic, because the possible benefits are too large. At the same time, even the international law could create a zero sum situation in the Arctic, considering the fact that following the legal status of the Arctic, everyone has the right to exploit the Arctic resources, because it is an international territory as it can be followed in the text of the Resolution: "*The exploration of the area and the exploitation of its resources shall be carried out for the benefit of mankind as a whole, irrespective of the geographical location of States, whether landlocked or coastal, and taking into particular consideration the interests and needs of the developing countries*"². These provisions could be applied to the areas beyond the 200 miles or in the case of an International Court's decision, in which no rim state gains sovereign rights over some Arctic territories. If the situation is not settled, we can imagine the scenario of the Arctic where it could become Garrett Hardin's pasture (Hardin, 1968), in which the tragedy of commons will be developed because all states will try to exploit the common good and they will do it fast, in order to stop others to take it. There will be a true timely race in which oil losses, huge environmental damages and energy security instabilities will be the costs. States will continue until all oil and gas resources will be exhausted. In this situation no state will be a winner given the consequences. But the international law is still binding; therefore states should take into consideration the environment protection laws. At the same time it remains to be seen how many of those states have the required technology (icebreakers and nuclear powered are necessary for power projection and presence in the region the entire year) (Ebinger and Zambetakis, 2009) in order to be able to exploit energy resources from the Arctic, fact that could create the premises of a win-win game.

The Arctic area represents an interest for many more players than the five fore mentioned. Recently, numerous non-rim states have also manifested their interest for the Arctic region due to imprecise and flexible international law provisions. Additionally, entities like China, Japan, South Korea, NATO, and the EU became interested in the Arctic. If they succeed in entering the present five players' game of the Arctic, the structure of the game will certainly change, because it will have more players, fact that will allow some of them to free ride and a new scenario would be available. At the same time, every state will need to elaborate more strategies and will have to take into account more interests. This perspective of the new comers in an already highly disputed area is not in the interest of any of the coastal states, thus rationally they would try to cooperate between them in order to stop others from entering the game. In this way, the Arctic could become a win-win disputed area, in which all parties have a common interest (to keep others out), even if it is a compromise solution. This would be an optimistic scenario, because the defection costs could be too large to choose such a strategy. This is a plausible perspective, given the fact that China,

² 1970 UN General Assembly Resolution 2749 (XXV): Declaration of Principles Governing the Sea-Bed and the Ocean Floor, and the Subsoil Thereof, Beyond the Limits of National Jurisdiction, available at: [http://cil.nus.edu.sg/rp/il/pdf/1970%20UN%20General%20Assembly%20Resolution%202749%20\(XXV\)-pdf.pdf](http://cil.nus.edu.sg/rp/il/pdf/1970%20UN%20General%20Assembly%20Resolution%202749%20(XXV)-pdf.pdf), accessed on 16 March 2012, pp.1-2.

for example, is adding more pressure on an already unstable situation and states like Russia or US would perceive China's entrance in relative terms and will find cooperation among them more beneficial.

The first move on this Arctic game was made in 2007 by the Russian Federation's expedition in the Arctic waters, when the two Russian submarines planted two Russian titanium flags, symbolically claiming that region (Dittmer et al, 2011). In game theory terms, Russia's move can be interpreted as a defection, taking into account that it acted unilaterally, putting in jeopardy the interests of the others. The Arctic is a private good for Russia. Although the action did not have any legal result, at symbolic level Moscow's demands were clearly established as well as its view and interests over the Arctic.

The group of five is not so large that the defection of one player could not be identified. Given the interests of other states, like Canada, the defection was officially punished by soft security action. The Canadian Foreign Minister, Peter MacKay, (cited in Omestad, 2008) declared: "*This isn't the 15th century! [...] You can't go around the world and just plant flags and say, 'We're claiming this territory' ". Given the fact that the international system is still perceived by states as being anarchic, the reaction of both players is predictable and even understandable. Through this declaration, Canada reveals its high interest in the Arctic and also moves the game into a new possible direction - a win-win one, in which all rim states must negotiate, or, at least, must not defect because the costs are great and Canada will punish the defector (Axelrod and Keohane, 1985).*

Hot Spots

As afore mentioned, the five rim states are: Denmark, Canada, Norway, USA and Russia. All these actors are coastal states (Denmark through Greenland). It is very important to mention that the Arctic does not represent a situation in which every state is against every state. They have competitive interests, as Axelrod and Keohane (1985) said, but in specific areas where the legal framework allows it and where players know their chances of winning. No single player could have sovereign rights over the entire Arctic, because this would clearly generate a zero sum game, in which all but one loose. In such a situation the chances of a win-win game would be very low, as many would choose to defect and to follow their own interest.

All five rim states claim specific parts of the Arctic region and they can be organized in groups of dispute, thus it is not a situation in which every state is for itself. As the first dispute group, we can identify Russia and Norway. The disputed area in this case is the Barents Sea. It was a 40-year old boundary dispute, which was successfully settled in 2010, when both parties created the prospects of a win-win game through their cooperative strategies (Bennett, 2011). They both chose to compromise in some areas and left others unsolved in order to achieve an equal beneficial result. In the rational game terms they both adopted a mini-max strategy, in which they chose a smaller gain. In this case, we can say that Russia and Norway succeeded in breaking the prospects of prisoner's dilemma and created a mixed game (win-win and zero-sum), in which they cooperated over the boundary, but they still compete over the energy resources (Jensen and Rottem, 2010). Adopting a cooperative approach, Norway influenced the behaviour of Russia that became more cooperative as well. In this way the incentives for defection would be too large. If every state believes that

all other states are cooperating or are willing to cooperate, they will cooperate as well. States do not have and generally do not need a complete relationship based on harmony between them. Therefore, we can identify a win-win situation in some areas, but a zero sum result in others (Axelrod and Keohane, 1985). The result of this kind of strategy is the following: after several years of negotiations, the Russian Federation agreed to cooperate in what regards all military, commercial and fishing ships that are coming from either side. Ships are allowed to cross these waters as long as they respect the environment and do not explore or exploit the natural gas and oil resources (Beary, 2008). On the other hand, this cooperative behaviour could influence the future interaction between the players. They could develop a win-win result by considering energy resources the property of both or by creating a cartel situation. In the best case scenario, Russia and Norway will take into consideration the interest of the other players developing a balanced behaviour and they will respect the environmental law, creating a truly common good. In the worst case scenario, Russia and Norway will find themselves under Hardin's tragedy of the commons, transforming a tool good (that theoretically does not face such outcomes) into exhaustible goods that falls under tragedy of the commons' prospects, triggering an environmental disaster (Hardin, 1968).

The second group of dispute is between Canada and US. Although they are known to be strategic allies especially within NATO, they disagree over Canada's maritime frontier in the Beaufort Sea. They are developing a relationship based on competition over the statute of the Northwest Passage as well. The Arctic is seen by the Canadians as part of their national territory, as it is part of "our Land" (Cit in Klaus Dodds, 2010). In accordance with its grand rhetoric, Canada chose to defend its Arctic territories, because "Canada's Arctic is central to our identity as a northern nation", given the huge reserves of energy resources, cooper and zinc deposits, diamonds and silver (Zellen, 2009). The Canadians consider the passage as part of their national internal waters (as they are subject to the full sovereignty of the coastal state with no associated right of innocent passage through them). In this sense, in 2009 The Canadian House of Commons renamed the Passage the Canadian North West Passage, thus establishing unilaterally its sovereignty over it (Arctic strategy documents - Canada and the Arctic). On the other hand, USA continues to consider it an "international strait" hence no single state has legal rights over it. It must be open for every country, thus it is a public good. In legal terms it would fall directly under the international law provisions, scenario that predictably is not accepted by the Canadians, mainly because of the fact that a different standard, that of transit passage applies. This standard will allow "submarines to operate submerged, even though they are required to proceed on the surface and fly their flags under innocent passage rules. It also allows the passage of aircraft, while innocent passage does not" (Parker and Madjd-Sadjadi, 2010). Under such conditions Canada will not be able to deny the passage of ships through the Northwest Passage. Washington and Ottawa did not come to an agreement regarding the method that will be used to settle this dispute: US is in favour of the median line method, while the authorities from Ottawa sustain that the frontiers do not need adjustments or that the frontiers had already been established in 1825 through the Treaty between Russia and Great Britain. According to this agreement the border between Alaska and the Yukon Territory is at 140 degrees West longitude, therefore they are in no need to re-establish some borders.

Most importantly, the dispute between Canada and US does not fall under UN jurisdiction, thus the solution is a bilateral agreement within which they reach a win-win solution.

Although the US and Canada are considered natural allies, the Arctic region prospects has the potential to possibly develop new scenarios. In this respect, US and Canada would most likely remain allies, given their long history of cooperation and their dispute would solve peacefully, but Canada could consider also Russia as an ally and can try to develop a win-win solution with it, because a more navigable Arctic will be beneficial for both players. This scenario was already implemented given the fact that Canada is negotiating with the Russian Federation “*over allowing the latter’s powerful fleet of nuclear icebreakers to keep a sea lane open in all seasons*” (Underhill, 2007).

Other disputing dyads include: Russia and US over the fact that Russia has not ratified yet the frontier settlement with US in a region very close to Alaska (Omestad, 2008); another dyad of dispute is Denmark and Canada over the legal status of Hans Island, which is located in the Nares Strait between Greenland and Ellsmere Island. Strategically, this piece of land is not quintessential, but it could be a point of cooperation, or a point of dispute that will influence states behaviour over other issues (Young, 2009).

Last, but not least the most popular dispute is over the underwater mountain, Lomonosov Ridge. The disputing parties are: Russia, Denmark and Canada that can raise legal claims each from its own side (Giusti and Penkova, 2008). The mountain is strategically important because beneath it scientists claim that lay enormous hydrocarbon deposits. Given the gains, this dispute has the potential to become a zero sum game, in which the gain of some will be the loss of others. In the case of energy resources, if some states have sovereign rights over them, they are seen as private goods (exclusive and rival) (Miroiu, 2007), thus the emergence of the zero sum game. At the same time, “*technology will hold up Arctic resource development,*” as Geir Utsko (an Arctic executive) declared. Given the prospects, players could change their zero-sum strategies and become more cooperative. From all five rim states only Russia, Canada and US have developed the necessary technology. Russia is by far the most prepared state in this regard, having more than 20 icebreakers. It is followed by Canada with 20 and US with one that is functional (Ebinger and Zambetakis, 2009). In this case, if, for example, Denmark obtains at the International Court sovereign rights over the mountain, it cannot exploit the energy resources because it does not have the technological capabilities. But, it can also block the others from using them given the fact that it has sovereign rights (if Denmark uses them, others cannot use them anymore, because they are private goods). But, in this case it has not the technological capabilities to use them, therefore its strategy will change, rationally speaking and the prospects of the game also. It can choose to sell the exploiting rights to another state, for example Russia. In this case it will be a win-win situation between the two and a zero sum game between them and Canada.

Another possible outcome that will change the zero sum result is through the creation of an international consortium between directly involved states (in this case Canada, Russia and Denmark). In this case they will establish through cooperation which will be the profits, the rights, what they are allowed and what they are not allowed to do. It will be a win-win game, but once again there is the possibility of what Garrett Hardin (1968) described through its example with the pasture, because “*freedom in a commons brings ruin to all.*” Rationally, states will look out for additionally relative gains of power therefore they may choose to defect and to exploit more oil or natural gas faster. The energy resources are not exhaustless; therefore they will be drained soon. In this case in particular neither oil nor

natural gas are public goods, rather than that, they are tool goods, but the behaviour of states, given their desire for relative power gains, will lead towards a tragedy of commons as well. They can cooperate, but they do not trust each other. The win-win solution through the establishment of an international consortium in which states share the profits is not the best outcome, because even a tool good, which theoretically is not a collective good, can trigger a tragedy of commons.

Legal Framework

One important piece of evidence regarding the fact that rim states tend to cooperate rather than to defect is the fact that all five of them are following the same legal provision, with the amendment that US has not yet ratified it. They are using the United Nations Convention on the Law of the Sea (UNCLOS) *“to establish Exclusive Economic Zones or to make submissions for sovereign rights to resources on the main basin of the Arctic Ocean”*(Heininen, 2011).

Following the articles of UNCLOS *“a state can demand exclusive economical rights over a distance that is no larger than 200 miles”* (Dodds, 2010). Within an Economic Exclusive Zone, a state has the following sovereign rights: to explore, to exploit, to conserve and to manage all living and non-living resources of the water, sea-bed and subsoil³. The exception at this rule can apply only: *“if a country can prove that its continental shelf is crossing away from the 200 miles, [then] it can demand similar rights over the larger area”* (Article 76/ UNCLOS). If a state proves these aspects, it will have sovereign rights for exploiting and exploring non-living resources of sea-bed and subsoil and sedentary species⁴.

Another aspect that increases the level of insecurity of the region is time, because maps are developed in time taking into account the harsh conditions from the High North. Future and the fact that the game can be played indefinitely is extremely important, as game theorists are suggesting (Miroiu, 2007). Firstly, states do not know when this race will end. Secondly, they do not interact only in the Arctic region. The international system is far more complex and interlinked; therefore, rationally they know that a defection here could influence the outcome of other games in other regions. Thirdly, they do not know precisely the oil and gas quantities that lay beneath the Arctic Ocean. They rely in their assessments on perception, rather than knowledge. All these aspects are suggesting a possible increased level of cooperation between the rim states.

But, this opposite situation (the zero sum game emerging and states competing among them) could also happen as the International Court must give an answer in maximum ten years time since a state made its claims. It can give exclusive sovereign rights to one or few rim-states, which is well known by the players, given the fact that they are rational. In this sense they can perceive the Arctic game as a finite game, hence their strategy may change and they could develop conflicting interests and choose to defect if they think that they do not have real chances of winning and a game like Prisoner’s Dilemma will be the Arctic framework. This dilemma entails a game in which the common good is not achieved because of the individual rationality. It could be easily solved, but neither of them confesses,

³ Economic Exclusive Zone and Continental Shelf. Available at: www.dfo-mpo.gc.ca/oceans/canadasoceans-oceansduncanada/images/maritime-eng.jpg, accessed on 13 March 1012.

⁴ Idem

because they cannot speak to each other, therefore they do not trust each other. Therefore they tend to defect (confess), rather than to cooperate (do not confess) (Krusch, 1994).

The Arctic New Comers

The possibility of the new comers to enter the Arctic race could change the structure and therefore the outcome of the game. Overall, having more players will make more difficult to detect the defector, the benefits will be divided among many more players than five, the decision process will be laden given the high diversity of interests and the possibility of a tragedy of common will be much higher if the international bodies do not give a concrete answer and, last but not least, alliances could change more often, fact that will jeopardize the regional stability of the Arctic. In this sense, they will develop a win-win game within their own group and a zero sum one between the five and the new comers. One possible scenario is that Canada, Russia, US,

Denmark and Norway will find more incentives to cooperate among them, if other players threaten to enter the Arctic. Another possible scenario is that these states will encourage new comers to intervene in the Arctic in order to promote their interests or to stop other rim-states from endangering their interests there. They might find cooperation with the new comers more beneficial, than within their group.

We can define as being new comers China, Japan, South Korea, the European Union and NATO. The EU and NATO will be considered as one player each. These international organizations have as member states also rim-states like Denmark in the case of the EU; and US, Canada and Norway in the case of NATO. In this situation the structure of the game could change if they found more easily to cooperate to each other than to other states like Russia. They could develop a limited win-win result among themselves and a zero-sum one against Russia for example. At the same time, even though they developed a relationship based on amity, these countries are on positions of competition.

NATO

The involvement of the North Atlantic Treaty Organization in the Arctic region is for sure at stake, given the fact that four of the five rim-states (US, Canada, Denmark and Norway) are members of NATO, especially if some of them have expressively requested for its intervention. This organization acts as a global player with equal responsibilities in terms of stabilizing military threatening imbalances that could lead to the development of unstable regions. Therefore, it can claim that it has the legitimate right to be involved in the High North and that the allies have certainly the interest to involve it, as Russia is continuing its military development strategy.

NATO involvement is desired by Norway or US, because the allies could feel threatened by Russia's defecting strategy in the Arctic which is seen as a common competitor. In order to stop a zero-sum outcome among all five rim-states, four players develop a win-win game among them and a zero-sum one between Russia and their group. At the same time, such an action might trigger a new arms race under the premises of the security dilemma. Within this framework, Russia would feel threaten by NATO military presence in this region and could respond properly creating a regional insecurity pattern (Holte, 2009). For example,

in March 2012, took place the „Cold Response 2012”, a NATO military exercise: 16,000 soldiers from 15 member states were displayed at Norway’s Nordic border. It represents the most notable example of interest in the High North from a new comer⁵.

NATO involvement in this region can be interpreted as a positive result coming from the allies that are also rim-state, like: US, Canada, Norway and Denmark. This is a win-win result, as they succeeded in cooperating at international level. But, the most important aspect of this exercise is the fact that the soldiers were displayed at Norway’s border with Russia, a state that is well known as perceiving this organization as a threat to its near aboard territory. This exercise represents the fear mentioned above: Russia does not want to be left outside the negotiation process or it does not want to be in a situation of opposing all other states, fact that could happen if Canada, Norway, Denmark and the US choose to cooperate with each other without including Russia in this framework. Faced with such a situation Russia could try to rebalance the level of power, thus it will increase its military presence in the High North (Zysk, 2008). Its biggest fear is represented by the fact that the allied ships from the Arctic could be equipped with Aegis system. This Ballistic Missile Defence System (Aegis BMD) *“is a ship-based system provided with long-range radar that enables warships to shoot down enemy ballistic missiles”*⁶. The deployment of such a system in the Arctic would automatically affect the regional balance of power. Therefore, Russia responded following its strategy, as the Head of the Russian General Staff, Nikolai Makarov, declared: *“we are certainly not planning to fight against the whole of NATO [...] but if there is a threat to the integrity of the Russian Federation, we have the right to use nuclear weapons, and we will”*⁷. At the same time, NATO intervention in the region can be interpreted as a response to Russia’s defecting manoeuvres, therefore it could be a tit-for-tat game in which the player is cooperating as long as the other does the same. Additionally, it can cause a renewed arm race in the Arctic region.

Therefore, although NATO is a security provider, its involvement in the Arctic region can generate more instability than security, as a new path for an arm race is opening and players fall under the provisions of the security dilemma.

The European Union

Denmark is a member state of the EU and one of the five rim-states. Additionally, the EU and its associated Arctic states represent five out of eight members of the Arctic Council (Denmark, Finland and Sweden are EU and Arctic Council member states; Norway is a rim-state and belongs to the European Economic Area-EEA and Iceland in a member of the Arctic Council and is planning to apply for early entry to the EU) (Deheza, 2009); therefore it has the legitimate right to ask for a deeper involvement of this organization into the High North. To be able to have an effective voice at the negotiating table over the Arctic region, EU applied for a position of Permanent Observer to the Arctic Council, but the application was turned down by the Arctic Council Ministers in 29 April 2009 (Holte, 2009).

⁵ “New Cold War: Massive NATO Exercise in Norway Provocation directed Moscow. Russian General sends “Arctic Warning” to US”. *Global Research*. Available at: <http://crisisboom.com/2012/03/16/russia-arctic-warning/>, accessed on 21 January 2012.

⁶ Idem

⁷ Idem

In what regards the European soft law provision, the EU's Northern Dimension Action Plan was released in 2000. This document aimed to create a suitable framework for cooperation, as it promoted the continuing dialogue process on cooperation between the European Union and its neighbours, especially Russia. Through this dialogue, the Europeans hoped to create positive interdependence and to increase stability and civic security. The Second Action Plan regards the period 2004-2006 and it focused more on environment, social issues and human resources and social issues (Heininen, 2011).

In 2008, the European Commission launched a formal agenda, within which it was emphasized the inextricably linkage and the major contribution of EU to the Arctic research and security (Dittmer et al, 2011). Also in 2008, the EU's High Representative and the European Commission on "Climate Change and International Security" acknowledged the recent strategic changes of the Arctic region and also the high importance of energy resources and their accessibility. Within this document, the European officials demanded: firstly, the adoption of binding international standards that are necessary in order to regulate the exploitation of Arctic petroleum and gas reserves and secondly, the promotion of freedom of navigation and innocent passage principles⁸. On 10 March 2010 the EU High Representative for Foreign Affairs and Security Policy, Catherine Ashton, addressed the European Parliament on issues related to the Arctic. In her speech, she confirmed EU's interest for the High North and proposed a greater involvement of the organisation in the region⁹. In terms of financial spending, EU is ready to spend more than 200 million euro in order to tackle the present polar issues, like for example the polar ice melting. This amount of money is available under the 5th and 6th Framework Programs, in which EU is expressing its full commitment to the International Polar Year (Deheza, 2010).

The Arctic region is seen as an opportunity for the European states in terms of energy security especially if oil and natural gas reserves fall under the provisions of the "common heritage of mankind" principle. In 2009 the International Energy Agency (IEA) developed a study, whose result showed that on medium or long term the demand for natural gas in Europe will increase drastically. On short and medium term this demand will be satisfied by the exported volumes from Norway and Algeria, but on long term, the only gas producer that will have the capacity to sustain the European industries will be the Russian Federation, a state that is far from being a flexible and fair partner. The European countries already import from Russia approximately 300 billion cubic meters (bcm) annually and this amount will only grow in time¹⁰. At the same time, an alternative scenario is available: with the possibility of finding new destinations for its new Arctic energy resources, Russia could decrease its interest in Europe as the balance of power moves towards Asia. Thus, the Norwegian gas will become the main component of European energy supply. But, this situation will push Norway further northwards in order to explore more energy resources, fact that will generate "tensions with Russia in terms of territorial claims over the disputed boundary of the Barents Sea" (Ebinger and Zambetakis, 2009).

⁸ Climate Change And International Security Paper from the High Representative and the European Commission to the European Council, 14 March 2008, available at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/reports/99387.pdf, accessed on 14 October 2012.

⁹ European Parliament Plenary Session, (EU) EP/Arctic: Ashton Confirms EU's Political and Economic Interests in Arctic, *Quotidien Europe* No. 10096, 12 March 2010.

¹⁰ "European dependence on Russian gas", 14. 01. 2009, available at: http://rt.com/Top_News/2009-01-14/European_dependence_on_Russian_gas.html, accessed on 17 February 2011.

As any other new comer, the European player's strategy is that of promoting an inclusive geopolitical vision of the region in order to legitimize its entering. Its strategy rely on the fact that the general perception must be that the EU will help creating a more stable situation in the Arctic and that without it or its institutional know-how the High North has the potential to become a threat to the international security level. Additionally, they claim that areas from the North Pole, the Arctic Ocean and the Arctic seabed must be perceived as the "common heritage of mankind" in order to minimize the exclusive role of the five rim-states in the Arctic and to create an open geopolitical vision. This strategy would drastically increase the possibility of a tragedy of commons to emerge, as every one of them wants bigger relative power gains. Additionally, this strategy will most likely be opposed by the officials of the five coastal states. At the same time, being a rational game, all rim-states are aware of this strategy and they find it more advantageous to cooperate among them, than to share their gains among many more players (Dittmer et al, 2011). But one important aspect that can influence the strategies that are developed by all Arctic players is the fact that the EU is far from being a unique voice, as the different interests of its member states often conflict. Some of them may want to involve at a minimum level, other would prefer a deeper level of involvement, and some member states could develop strategic partnerships with some rim-states, therefore the European policy regarding the Arctic region could go ahead towards multiple directions¹¹.

The People's Republic of China

China is by far the most powerful non-rim state that issued its interests for the Arctic region. Although it has not yet a special Arctic strategy, its interests in the High North are very well established. Hu Zhengyue, China's Assistant Minister of Foreign Affairs, declared that: *„When determining the delimitation of outer-continental shelves, the Arctic states not only need to handle relationships between themselves properly, but must also consider the relationship between the outer-continental shelf and the international submarine area that is the common human heritage, to ensure a balance of coastal countries' interest and the common interest of the international community"* (Cited in Jakobson, 2010). Hence, China is interested in the global impacts of climate change, but it also wants to represent a significant power voice within the international institutions, as its ambition is to become a major power of the 21st century, strategy that is totally realistic if we analyze the present trends in international relations (Lasserre, 2010).

Like the EU, China is promoting a more inclusive approach over the Arctic. For it, the Arctic dynamics have regional or global consequences. Considering that the High North's dynamics are affecting its security, China is entitled to intervene in the region and to be an active player. It already applied for the Permanent Observer Status to the Arctic Council, but its application was turned down in 2009 as in the EU's case (Dittmer et al, 2011). In this sense, the Chinese scholars are currently advising the Chinese government to release an Arctic comprehensive strategy, which establishes its interests and constraints in the Arctic region. Additionally, this strategy is a tool to be used in order to ask again for a Permanent Observer status to the Arctic Council. But, this kind of deep and fast involvement in the

¹¹ *Geopolitics in the High North-Multiple Actors-Norwegian Interests*. Available at: http://www.fni.no/doc&pdf/Geonor_digital.pdf, accessed on 5 April 2012, p.18.

High North would predictably trigger an insecurity felt by all five rim-states as they enter in a perceived security dilemma. At the same time, China does not want to be excluded from the Arctic game given its high interests in the area, therefore it must develop a balanced strategy that promotes China's interests, but does not major interfere with other states' interests (Deheza, 2010).

Being an economic superpower, China needs energy resources in order to maintain or to develop its current status. In this situation new oil and natural gas reserves that do not belong to a given state until now are of high concern for the Chinese state; thus, it developed an interest in the Arctic region. Unlike the European Union and NATO, this state is a total new comer, as it has no direct link with any rim-state or territory from the High North and, predictably so, it is perceived as being a possible threat to the interests of already present states. China was the topic of discussion among foreign ministers from the Russian Federation, Canada, Norway, the United States, and Denmark at the high level meeting in Chelsea, Quebec, which was held on 29 March, 2010 (Deheza, 2010).

China's interest in the Arctic region is not very recent, as in 1999 and 2003 it carried out Arctic research. Additionally, in 2004 Beijing built an Arctic satellite observation centre at New Olson, Spitsbergen Island, in Norway. The construction of such a centre was allowed by the Norwegian authorities to all the signatory states of the 1920 Spitsbergen Treaty (among which were also Germany, Japan, UK, South Korea and France) (Dittmer et al, 2011). China adopted a more cooperative approach towards Norway, as the Polar Institute of China has signed an agreement with this state regarding the polar research cooperation and also their presence in Svalbard¹². This behaviour can be perceived as a threat by Russia, which is Norway's main competitor for Arctic resources. It could develop a more belligerent strategy towards Oslo and create a zero-sum game, or according to a predictable scenario, it could give Norway more incentive in order to cooperate only with it, as they already have a past built on cooperation regarding the Arctic. At the same time, Norway is also a NATO ally, and as it was mentioned above, it promoted a deeper involvement of this organization in order to balance Russia's hard power. At the same time China's growing power in the region could trigger a US reaction, if it feels threaten by Beijing's involvement. *"Given the historically unstable relationship between China and the United States, this is particularly alarming from a national security perspective"*. Taking into account this perspective, US could find enough incentives to ratify UNCLOS, as it wants to contain China (Ashfaq, 2011). The most optimistic scenario reveals the cooperation thus the win-win game among all rim-state in order to stop new comers from entering the Arctic, thus developing a stable balance of power in the High North with the risk of developing the tragedy of commons in what regards the energy resources. The most pessimistic voices emphasize the development of the security dilemma in what regards the hard power elements, thus the creation of a zero-sum game, as power is perceived only in relative terms.

In terms of technology, the authorities from Beijing are already heavily investing in polar research. The most important aspect in this regard is the fact that China, as a non-rim state, possesses the world's largest non-nuclear powered icebreaker, named the Snow Dragon. Currently it is used only for scientific research.

¹² International conference "Global Security Forum 2011 Subject: Final Frozen Frontier: Geopolitical and Geo-Economic Thinking on the Arctic". *Center for Strategic and International Studies (CSIS)*. 8 June 2011. Transcript. Available at: http://csis.org/files/attachments/110608_arctic_transcript.pdf, accessed on 7 April 2012, p.4,

China is not the only Asian state that has manifested its interest for the Arctic opportunities. Japan and also South Korea are getting more involved in this region, as Japan is investing in research on how to use gas hydrates as energy source and South Korea is trying to build ice-capable vessels (Deheza, 2010).

Japan

Japan's interest for the High North is similar with that of China's. It wants to claim its great power status and an involvement in this region will help achieving it, as the Arctic became the new hot spot upon which the entire international community is setting its attention. It must be said that Japan's interest in the High North is not new, as in 1956 its National Institute of Polar Research set up its first Arctic expedition. Following the current trend, in 2008 it launched a new icebreaker. Unlike China or the EU, Tokyo has not yet applied for observer status at the Arctic Council. The main reason does not rely on its lack of interest, but in the internal political and administrative bickering. In what regards its cooperation with other rim-state, in Japan's case, it is Canada, with which in 2002 it conducted important research projects on gas hydrates off the coast of Canada, in the Mackenzie Delta and the Beaufort Sea. *'This research is scientifically relevant because of the potential impact of these gas hydrates melting and accelerating climate change'* (Lasserre, 2010).

South Korea

For the authorities from Seoul, the Arctic and South Korea's intentions and interests in this particular region are very clear. This state wants: *"to be consulted on regional environmental protection matters and on climate change mitigation; to be consulted on [...] all topics that are high on the Arctic Council's agenda"* (Lasserre, 2010). In order to prove its high interest in the High North, starting with 2002, South Korea has run a scientific base in Svalbard. It followed China and EU's model and applied for the Permanent Observatory status to the Arctic Council in May 2008.

As for the business sector, for the past 10 years, two giant private firms, Daewoo and Samsung, have been building ice-strengthened cargo ships. *"In 2007 they purchased the leading shipyard in the sector, Aker Finnyards of Finland, which had developed a promising new technology for ice navigation, the double-acting ship"* (Lasserre, 2010).

Taking into account all the information mentioned before, a relationship based on cooperation only on the specific matters of the Arctic region, between China, South Korea and Japan is predictable, as it will be in every player's interest to enter the game and to contain rim-states' interests. They will develop a win-win game among them, but they will be perceived by the rim-states as threats of a possible zero-sum game. At the same time, their implication could give the rim states enough incentives to cooperate among them in order to contain the new comers. The premises of the game are changing once China, Japan or EU are entering the Arctic, because: the decision - making process will be hindered, the gains will be relatively lower as there are many more players and the new comers are changing the only common point of view accepted by four of the rim-states (the premises of UNCLOS) as they suppose the "common heritage of mankind" principle.

Conclusions

The Arctic region's dynamics is attracting the attention of the entire world, as it reveals the possibilities of huge strategic, economical and geopolitical gains (new navigation routes, energy resources, minerals etc). The rim-states already dispute some parts of its territory: Canada, US, Russia, Norway and Denmark have developed among them a conflicting relationship as their claims often overlap. This race, coupled with the current gaps in international law, increased the potential of a zero-sum game. At the same time, the international law's impossibility of establishing a predictable behaviour of the rim-states created the possibility of cooperation among them only at intergovernmental level. States can agree to create a consortium over some resources rich regions (generating a win-win outcome, which could emerge into the tragedy of commons). A purely zero-sum game would be if at national level every state plays for itself (it does not cooperate to another state). This situation is also possible if at international level the Commission on the Limits of the Continental Shelf gives sovereign rights to only some of the rim states. But, even in this case, the zero-sum could be broken as the technological level plays an important role in the outcome of the Arctic race, as some of the rim-states, like Denmark or Norway, have not the capabilities to exploit the energy resources from the High North, not even after they legally gain sovereign rights over them.

The Arctic game complicates as new comers try to get involved in it. This aspect has the potential to entirely change the Arctic's race outcome, as the rim states as rational actors face a situation of competition with the new comers. Under this scenario, the Arctic game can have three different outcomes: all rim states cooperate to contain the new comers; some rim states allow the new comers to enter the game and cooperate with them defecting in the view of the other rim states; and thirdly, some of these states act independently or they all (new comers and rim-states) act for themselves. Within the first two scenarios we can have a mix zero sum and win-win game, while under the last the possibility of a conflict is very high, thus a zero-sum outcome is predictable.

No matter the result, the Arctic is at the top of national agendas, because it is usually viewed through the eyes of Mackinder: *"...he who controls the Arctic controls the world"* (cited in Gibbs, 2011) and it would probably be a 'he' if we take into consideration the fact that *"states may be talking cooperation, but they are preparing for Conflict"* (Huebert, 2010).

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EU Enlargement and Migration: Scenarios of Croatian Accession

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Abstract: *This paper analyzes the possible incidence of pending** Croatian EU accession that is to take place on the 1st of July 2013, on the labour migration from Croatia to the European Union. We apply panel data estimators using the data on emigration from 18 EU countries into Germany (which is the EU country with the largest share of ex-Yugoslav and Croatian migrants) in order to construct possible scenarios of Croatian migration to the EU.*

Three scenarios of migration - pessimistic, realistic and optimistic - are drawn and the sensitivity of estimated coefficients on migration from Croatia into Germany during next 25 years is further discussed in detail. We conclude that, similarly to hypothetical Turkish accession, Croatian EU accession is not going to cause massive migration inflows.

Keywords: *international migration, EU enlargement, Croatia, panel data, seemingly unrelated regressions*

Background

Croatia is the second post-Yugoslav country, after Slovenia, and the first from the Western Balkans to gain a free pass for the EU membership. The accession is scheduled to take place on 1st July 2013 (*editors' note: meanwhile Croatia became a part of EU on 1st July*). This means the EU integration process took 10 years since Croatia's application for joining the EU was filed in 2003. The accession negotiations lasted until June 2011 due to tough reforms required by the EU. Moreover, the talks were frozen in 2009 for 10 months because of the border dispute with Slovenia over the course of the maritime border on the Piran Bay (see for example Jovic, 2006, Schimmelfennig, 2008; Zupančič and Hribernik, 2011). The Treaty of Accession was signed by the 27 EU Member States and Croatia in December 2011.

On the 22nd of January 2012 a referendum on EU accession was held in Croatia with 66 percent voting in favour of joining the EU. This paved the way for the Member States to ratify the treaty in their national legal systems. As of March 2013, 19 countries have deposited the signed treaty, whereas Denmark, Germany and Slovenia have not started

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the procedure in their parliaments. Again, the main issue that could potentially threaten Croatia's membership is Slovenia's refusal to ratify the accession, which is caused by a dispute over Croatian citizens' deposits taken over by the Bank of Ljubljana after the collapse of the Socialist Federal Republic of Yugoslavia. However, it is very likely a compromise will be reached in the weeks to come.

The accession of Croatia will be incomparably less visible from the EU's point of view in comparison to the previous enlargements from 2004 and 2007. The political benefits of the accession will be more evident on Croatia's side, although for the general image of the EU the enlargement means that this organisation is attractive for the third-party countries. Still, Croatia's membership will not essentially change the functioning of the Union. This is mainly because of the small socio-economic potential of the country (Vass and Alexe, 2012; or Żornaczuk, 2013). This is also reflected in the small institutional capacity of Croatia.

Nevertheless, Croatia's membership may have relevance to some EU policies. Most of all, this country will be active in the EU enlargement policy, especially in the Western Balkans. This accession changes the perspectives in the region as Croatia will assume the role of a bridge between the Union and the Balkans. This is because of the priorities of this country's foreign policy, the recent experience of the accession negotiations and the socio-cultural ties with the region. Hence, the EU enlargement policy seems to be the area where the activities of Croatia – due to its geopolitical location – will be mostly visible. For the same reason this country may have ambitions to play a more important role in building European energy security. This may be evidenced by the plans to construct an LNG terminal, "Adria", and some other projects, including a connection to the South Stream gas pipeline.

Croatia is home to roughly 4.3 million people (census 2011). In 2012, gross domestic product based on purchasing-power parity amounted to 18.3 thousand USD. Two thirds of Croatian economy is based on services, with tourism being a significant sector. This is why unemployment in this country is of seasonal nature: it was at 21.9% in January 2013 (highest in last 10 years), and may drop by some 4% during the summer months.

Croatia was visibly hit by the global economic crisis, which can be evidenced – among other things – by the fact that after the recession the country's GDP (PPP) has not yet reached the level from 2008 and the unemployment went up by nearly 50% in last 5 years. Also, in February 2013, Moody's Investors Service – one of the key rating agencies – downgraded Croatia's government bond rating to Ba1 from Baa3. However, according to the World Bank, in 2013 Croatia may experience a growth in the economy by some 0.8%.

Whereas the above-mentioned issues have been broadly discussed, it seems interesting to analyze an element of the impact of Croatia's accession on the functioning of the European Union, in an area where the government in Zagreb could have relatively limited instruments of influence. The issue concerns the implications of the accession for migration from Croatia to the EU.

Theoretical framework

The basis of the economic theory dealing with the economics of migration states that the most important drivers of migration flows from a less wealthy country or region to the wealthier one are: wage differentials, economic disparities, differences in GDP per capita and unemployment differentials. With regard to this, Strielkowski and Turnovec (2011)

come up with the concept of “indicator of migration costs” (or migration transaction costs) which is country-specific and which consists of tangible and intangible components. Amongst the tangible components range the cost of resettling or adjustment in the new country, the intangible components include, for example, psychological costs of migration (such as breaking the social ties, leaving family or friends or languages barriers). The indicator of migration cost which is a country-specific variable might be used for assessing the volume of international migration: it can be shown that if this indicator is greater than the difference between wages of member states in the common market, there is no motivation for the labour to move (propensity to migration equals to zero). In such a case economic and psychological costs of migration are larger than benefits of wage differentials. For the countries where the indicator is greater than wages, the migration potential (or the propensity to migration) is low and its citizens might not promptly react to wage and unemployment incentives abroad.

The concept of propensity to migration in the framework of the two countries (country H and country P) model can be presented as the following:

$$\Pi(w_H, w_P, \alpha) = \begin{cases} 1 - \frac{\alpha}{w_H - w_P} & \text{for } \alpha \leq w_H - w_P \\ 0 & \text{for } \alpha > w_H - w_P \end{cases} \quad (1)$$

Where w_H, w_P are the equilibrium wages in country H and country P respectively and α is the indicator of migration costs (or migration transaction costs).

Our paper presents an economic analysis of the factors that might determine Croatian post-accession migration to the EU. Based on the Sjaastad (1962), Harris, Todaro (1970), and Hatton (1995) human capital migration approach, we apply the econometric tools utilized in similar studies by Boeri, Brücker (2000) and Alvarez-Plata, Brücker, Siliverstovs (2003), and most recently, Glazar and Strielkowski (2010) and Glazar and Strielkowski (2012) in order to predict future migrations from Croatia to Germany, the European country with the largest ex-Yugoslav Diaspora, and to the European Union respectively. Three scenarios of migration are drawn and the sensitivity of estimated coefficients on migration from Croatia to Germany during next 25 years is further discussed in detail.

Yugoslav and Croatian migration in Austria and Germany

In order to construct and analyse possible scenarios of Croatian labour migration in Europe, we decided upon choosing the case of Germany, an EU country with the largest ex-Yugoslav and Croatian Diasporas.

Currently, Germany is the largest EU target-country for incoming Croatian migrations with a steady growth in absolute numbers well before the disintegration of Yugoslavia. Most of Croatians have been working in Germany, either temporarily or on the permanent basis for decades (as Yugoslavian and later as Croatian nationals). According to the German

Statistical Office, ex-Yugoslavs (as well as other Southern Europeans) constitute about 3 million people, making it about 3.6 % of the total German population (Statistisches Bundesamt, 2012).

Since the Croatian independence and the end of war conflicts in former Yugoslavia, Croatian migration in Europe underwent several stages yielding a steady decline since the beginning of the 21st century. This trend is likely to be caused by the cyclic character of migration and by the economic situation in Croatia (which became a major affordable holiday destination for many middle-income Europeans) and EU. Moreover, recent EU enlargements in the 2000s caused higher competition between immigrants from the EU countries due to the increasing amounts of migrants from the EU new Member States.

All this gives us the right to assume that pending Croatian EU accession should not necessarily lead to the massive influx of cheap labour. It seems interesting to explore the recent trends and to build scenarios of migrations after Croatian EU accession in July 2013: realistic, optimistic and pessimistic. This can be achieved by studying the data from recent Croatian migrations and extrapolating them in accordance with processes that might occur in the future.

Data and methodology

In order to conduct the empirical analysis presented further in this paper, we employ the data on migration to Germany from 1993 (when the Croatian independence was established) until 2011, time series from OECD database (complemented by AMECO database) and Eurostat databases. Migration data were compiled from the German central register of foreign nationals, and the German Statistical Office.

The sample period of dependent variable (the share of migrants from home country living in Germany as a % of source country population) starts in 1993 when it became possible to track Croatian migrants and distinguish them from other ex-Yugoslavs (Bosnians and Serbians). The breaks in migration stock data series are dealt with using the methodology applied in Alvarez-Plata et al (2003) and Glazar and Strielkowski (2010).

Our dependent variable is normalized with the home countries' population representing the difference in migration stocks as a % of the original home population. The disparity could come from different population growth rates, i.e. of population in the home country (in our case Croatia) and of appropriate population of foreign citizens in the receiving country (in our case Germany) and also in the rate of naturalization. Equation (2) below shows the relation between net migration and difference in migration stocks:

$$\Delta mst_{fnt} = m_{fnt} + ((g_f - g_h - \delta_f)/(1 + g_f)) * mst_{fnt,t-1} \quad (2)$$

where mst_{fnt} denotes the ratio of the stock of foreign residence from country h in foreign country f to the original home population, m_{fnt} is the ratio of actual net migration from country h into home country f to the original home population, g_h is the natural growth of population in the original home country, g_f is the growth of migrant population in receiving country, δ_f is the rate of naturalization of foreign population in receiving country. The index t denotes the time period. It is apparent from (2) that net migration equals the migration stock if the numerator of the fraction equals to zero. We assume that population growth rates are equal and the naturalization rates are zero.

Empirical model simulations: 3 scenarios of Croatian post-accession migration in EU

The first part of the theoretical model is consistent with those models based on human capital approach (Sjaastad 1962, Harris and Todaro 1970, or Hatton 1995) and deals with investment in human capital and expected future income. The model applies the econometric methods used by Boeri and Brücker (2000) and Alvarez-Plata, Brücker and Siliverstovs (2003) in estimating migration from CEEC into the EU15 and most recently by Glazar and Strielkowski (2010) and Glazar and Strielkowski (2012).

We assume that people make expectations regarding the future income in the target (host) country and source (home) country. The differences in former incomes influence expectations about the future possible income. A country's GDP per capita serves as a proxy for individuals' incomes both in source and target countries (the selection of GDP per capita can be justified by limited data sources available for other variables). The average employment rate in both target and source countries is taken as a proxy for the labour market conditions. More precisely, the probability of finding a job is rising with the presence of higher employment and vice versa. The lagged migration stock serves as a proxy for network effects. If migration flows are based on expectations about past variables that means that present values are influenced by past values (Hatton 1995), thus it should be first-order autoregressive process (AR (1)). Thence, a simple error-correction model can be constructed in the following way¹:

$$\begin{aligned} \Delta m_{f,h,t} = & \beta_1 * \Delta \ln (w_{f,t} / w_{h,t}) + \beta_2 * \Delta \ln (w_{h,t}) + \beta_3 * \Delta \ln (e_{h,t}) + \\ & + \beta_4 * \Delta \ln (e_{f,t}) + \beta_5 * \ln (w_{f,t-1} / w_{h,t-1}) + \beta_6 * \ln (w_{h,t-1}) + \\ & + \beta_7 * \ln (e_{h,t-1}) + \beta_8 * \ln (e_{f,t-1}) + \beta_9 * (m_{f,h,t-1}) + \beta_{10} * DummyF + \varepsilon_t \end{aligned} \quad (3)$$

where:

$m_{f,h,t}$	the share of migrants from home country h living in country f as a % of home population h .
$w_{f,t}/w_{h,t}$	foreign to home country income difference
$w_{h,t}$	home country income
$e_{f,t}$	employment rate in country f
$e_{h,t}$	country of origin employment rate
$m_{f,h,t-1}$	lagged migrants stock of home country h and target country f
DummyF	dummy variable for the free movement of labour
$t, t-1$	denotes time periods

Variables enter the equation specified in (3) both as steady levels and as variables' differences. Variables' differences show the short term reaction of migration to these fluctuations, on the other hand the levels of the variables determine the long-run relations between migration stocks and appropriate variables. The equilibrium stock of migrants can be thence derived from equation (3) by setting all changes equal to nil and getting a steady

¹ An error-correction model is a dynamic model in which the movement of the variables in any periods is related to the previous period's gap from long-run equilibrium (see Baltagi, 2005).

state for stock of migrants²:

$$\begin{aligned} \bar{m}_{fh} = & (\beta_5 / -\beta_9) * \ln(w_f / w_h) + (\beta_6 / -\beta_9) * \ln(w_f) + \\ & + (\beta_7 / -\beta_9) * \ln(e_f) + (\beta_8 / -\beta_9) * \ln(e_h) + \\ & + (\beta_{10} / -\beta_9) * DummyF + \varepsilon \end{aligned} \quad (4)$$

Where \bar{m}_{fh} is the steady state equilibrium rate of the foreign migrants to the source population, β in brackets are semi-elasticities in the long-run equilibrium and denote the relation between stocks of migrants and explanatory variables. The coefficient β_9 is expected to be negative; hence the signs of the original coefficients will not change. The negative sign of the coefficient is expected due to the assumption that migration follows the AR(1) process. Hence $m_t = \eta m_{t-1}$ where η must be smaller than 1 (If this does not hold, the whole population of the source country will migrate). The part of (4) can be re-written in the following way:

$$\begin{aligned} \Delta m_t = m_t - m_{t-1} &= \beta_9 * (m_{t-1}) \\ m_t &= (1 + \beta_9) * (m_{t-1}) \end{aligned} \quad (5)$$

Thus, it appears that β_9 should be negative to assure the sustainability of migration. If the β_9 was even slightly positive, the coefficient before lagged migration would have been larger than one and this would have led to unsustainable migration explosion. Furthermore, the variable denoting the employment rate in the country of origin (domestic income) had to be eliminated from equation (4) due to the fact that it proved to be insignificant in all estimations (it appeared to be redundant because the null hypothesis of the insignificance of beta was not rejected). The final model can be presented in the following way:

$$\begin{aligned} \Delta m_{fht} = & \alpha_h + \beta_1 \ln(w_f / w_{ht}) + \beta_2 \ln(w_{ht}) + \beta_3 \ln(e_f) + \\ & + \beta_4 (m_{fh,t-1}) + \beta_5 (m_{fh,t-2}) + \beta_6 * DummyF + Z_m \gamma + \varepsilon_t \end{aligned} \quad (6)$$

Where:

- m_{fht} - the dependent variable representing the share of migrants from source country h living in target country f as a % of source country population h .
- w_{ht} - country of origin income level
- w_f / w_{ht} - foreign to home country income difference
- e_f - employment rate in country f
- $m_{fh,t-1}$ - lagged migrants stock of home country h in country f
- $m_{fh,t-2}$ - lagged migrants stock of home country h in country f
- Z_m - vector of time-invariant variables which affect the migration between two countries such as geographical proximity and language.

In order to estimate our model, we employ Seemingly Unrelated Regression (SUR). The results are shown in Table 1 below. The model uses a sample of 18 cross sections total balanced panel observations and covers the data on migration stocks and economic factor in Germany from 1993 until 2011.

² Variable t was left out from the equation in order to indicate the long-term equilibrium.

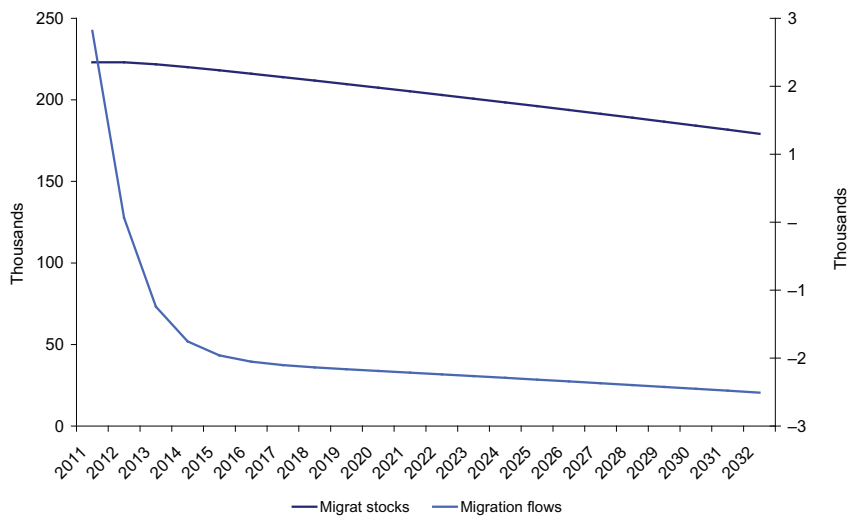
Table 1: Panel data estimation results, Croatian migration to Germany (1993-2011)

	SUR
C	-2.322**
w_{ht}	0.0155*
w_{it}/w_{ht}	0.0287*
e_{it}	0.4424**
$m_{it,t-1}$	1.3909**
$m_{it,t-2}$	-0.3828**
Z_{it}	0.211
N	18

**,* coefficients are significant at 1 and 5% level, respectively

Source: Own calculations

Income differential has a positive and significant impact on migration. Furthermore, the income in the source countries is also significant and has a positive impact on migration. Employment rate in Germany (used as an indicator of the labour market conditions) is small, significant and positive. Lagged variables of migration have significant and positive and significant and negative impacts on migration.

Figure 1: Croatian migration in Europe - realistic scenario

Source: Own calculations

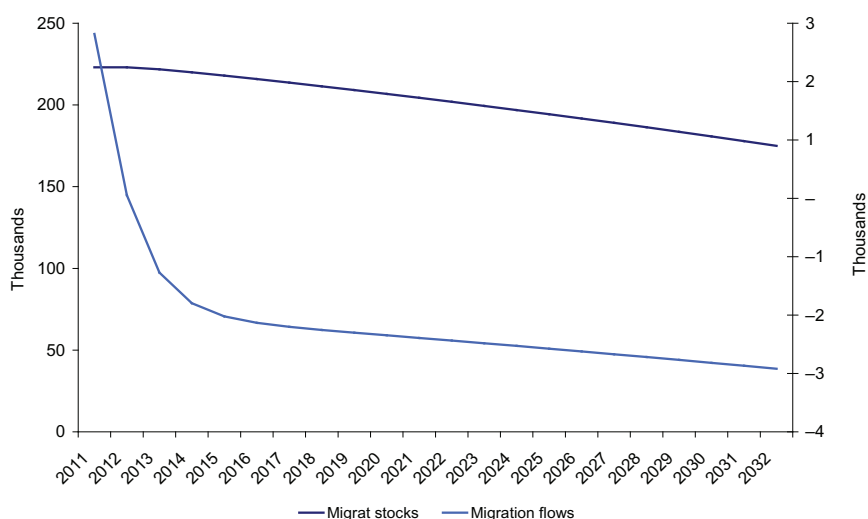
Hence, migration flows appear not to be too influenced by the free movement of labour. Following the obtained results, we are able to construct 3 different scenarios of what might happen to the Croatian migration in Europe after EU accession: realistic scenario,

optimistic scenario, and pessimistic scenario. The optimistic and pessimistic scenarios are not concerned with the number of migrants and are based on Croatia's economic development.

In the realistic scenario the employment rate remains unchanged and GDP in Germany and Croatia grows at the rates of 2 % and 4 % p.a., respectively. The results are reported in Figure 1.

In the optimistic scenario a faster convergence of the Croatian economy to the EU level is assumed. Moreover, the levelling of economic development of Croatia and the EU also happens earlier. GDP per capita of Croatia converges to the German GDP per capita in a rate of 6 % p.a. The employment rates remain constant as in the realistic scenario. The results of the simulation are reported in Figure 2.

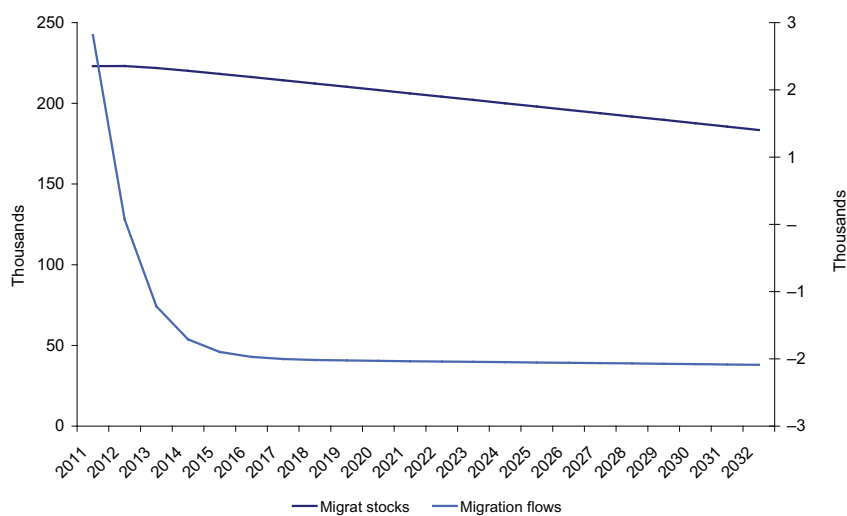
Figure 2: Croatian migration in Europe - optimistic scenario



Source: Own calculations

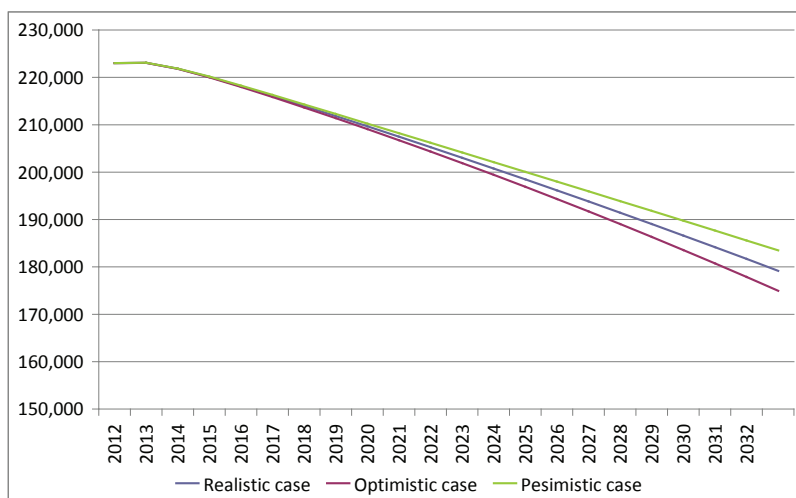
It can be seen that in the optimistic scenario the development of migration is similar to the realistic one: migration first decreases and then raises slightly after the introduction of the free movement of labour. However, the whole convergence process to the steady state is faster.

In the pessimistic scenario (Figure 3), the EU GDP per capita grows as fast as the Croatian GDP per capita for the whole simulated period. The employment rate in the EU is set about 2 % higher compared to the base case and then remains stable. The faster increase of migration from Croatia to the EU is observed. However, the increase of labour is missing, thus the final stock of migrants is not that pessimistic as one could have expected.

Figure 3: Croatian migration in Europe - Pessimistic scenario

Source: Own calculations

Sensitivity of the estimated results should be accounted for. The impact of GDP per capita both in Croatia and the EU on the stocks of Croatian residents living in Europe is rather small in the long run. Thus, there exists relatively low elasticity between the migrant stock and GDP per capita in Croatia, as well as between the income differential.

Figure 4: Extrapolation results for Croatian migration to the EU15 until 2032 (in millions)

Source: Own calculations

It becomes clear that the German GDP represents the strongest migration incentive. Croatian GDP growth is, on the other hand, irrelevant mostly because of the coefficients of the variables where the Croatian GDP is employed (Croatian GDP is presented also as a denominator of income difference variable). The EU employment rate seems to have greater impact on the migration stock. The % change in employment rate in the EU (used as a proxy for the German labour market conditions) affects the migration stock of Croats living in Europe stronger than a % other variables are taken from the base case. The next step is the extrapolation of the results for the whole EU15 (Figure 4).

In all scenarios a stock of some 220 thousand residents from Croatia is expected to live in EU15 in 2016. By 2020 the scenarios start to vary only slightly and by the 2032 we expect from 175 thousand to 185 thousand Croats to live in EU15, which is a very small figure in comparison with recent labour migrations of Romanians to Italy or Poles to the United Kingdom. Specific reasons for migration seem to be relatively stable and the extrapolation of Croatian migration into Germany to the EU15 gives a reasonable picture of the possible development until the 2032.

Conclusions and discussions

The main message of our paper is that the forthcoming Croatian EU accession is not going to increase Croatian labour migration in Europe. In the long term, the annual migration flow from Croatia into the EU 15 might reach 175-185 thousand people. The experience of former EU enlargements fully supports our results. Furthermore, a successful accession period with high growth and implementation of the reforms is actually leading to the elimination of the migration pressures. More precisely, the Croats that have strongest incentives to migrate had already migrated before the free movement of labour was introduced. The forthcoming Croatian EU accession would most probably keep migration flows manageable.

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The Hungarian National Minority in Slovenia: Assessment of Protection and Integration after EU Accession

Sigrid Lipott*

Abstract: *The following paper will focus on the issue of the Hungarian minority protection in Slovenia. The first section introduces the Hungarian national minority, its main features and historical evolution. The second one gives a historical view on the practice of minority protection towards Slovene Hungarians, from Communist Yugoslavia to the 'Europeanization' process in the country. Further on, the level of minority protection will be analysed both at theoretical and empirical level: firstly, through the theoretical analysis of the legal status of the Hungarian minority, taking into account five main headings (education, use of language, political participation, cultural life, information and the media); secondly, through the results of a field research carried out among minority members, in order to find out the nature and extent of possible discrepancy between theory and practice. The main research hypothesis is that Slovenia has established a successful model of minority protection in what regards the Hungarians. This statement is to great extent confirmed by the analysis of minority policies and legal provisions and, with some specifications, by the analysis of opinions and feelings of 'qualified witnesses' belonging to the Hungarian community.*

Keywords: *Hungarians, integration, minority, protection, Slovenia*

Introduction

Slovenia, like most of countries, is an ethnically and culturally pluralistic society. The location of the Slovene territory at the contact of Slavic, German, Romans and Finno-Ugric people influenced the culture, language and identity of this area and its population to great extent (Novak Lukanovic 2005: 290). Nevertheless, considering the percentage of Slovenes in the total population of the Republic of Slovenia, it is possible to maintain that it can be defined as a rather ethnically homogeneous country. According to 2002 census, in fact, the ethnically Slovene population represented over 83% of the total population of the country (Statistical Office of the Republic of Slovenia, Population Census 2002).

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This relative homogeneity is however 'jeopardized' by the presence of both immigrant minorities and historical communities. The data for the second half of the 20th century show that the share of members of other ethnic groups grew from 3% in 1953 to almost 17% in 2002 (Plostajner 2002: 1).

On the one hand, Slovenia's experience of migrations is relatively recent and regards mostly former Yugoslav 'nationalities', who moved after the collapse of Yugoslavia and obtained Slovenian citizenship (according to article 40 on the Law of Citizenship), and 'newly emerged minorities' (Komac 2002), whose majority is still constituted by people from former Yugoslav Republics, respectively from Eastern Europe and far East countries (Eurostat figures 2011). On the other hand, Slovenia is home to three native communities, two of which - the Italian and the Hungarian one - were formally recognized as national communities with special status in the Constitution of the Republic of Slovenia of 1991, whereas a third one - the Roma minority - was deemed to be an historical ethnic minority and was therefore granted a special status. These two groups - autochthonous and newly formed minorities according to Plostajner's categorization (Plostajner 2004) have contributed differently to the share of non-ethnically Slovenes: while the former kept growing in numbers, the latter (especially the Hungarians) has experienced considerable decline.

The aim of this paper is to assess the level of protection assigned to the Hungarian national minority. Particular attention has been dedicated in literature to the Italian national community, whereas the Hungarian national minority has not attracted the same interest, at least in the international scholarly literature. The main question the paper addresses is: 'Has Slovenia developed an effective model of minority protection towards the Hungarian national community?'

The research is based on the one hand on the collection and analysis of data available within the existing legal-institutional framework and on the other hand on an empirical field - work. Firstly, the relevant information and data for the analysis and evaluation have been compiled by the use of different methods: analysis of the relevant literature, analysis of legislation, analysis of statistics, review of the existing studies, informal discussions with minority representatives. Internal laws, State reports on the implementation of the Framework Convention for the Protection of National Minorities (FCNM), opinions of the advisory committee and official Gazettes have been primary sources.

Secondly, a field-research was conducted through semi-structured questionnaires investigating the practice of minority protection; the aim was to identify the perception of minority members' protection, in order to outline possible discrepancies between the policy goals and the everyday life level. In both phases, the analysis will be conducted with reference to six main heading of minority protection: education, use of language, political representation and participation, cultural life, information and the media.

1. The Hungarian minority in Slovenia: background, settlements and main features

In the last available census (2002), 6,243 persons in Slovenia declared themselves as being Hungarians and 7,713 persons declared Hungarian language as their mother tongue¹.

¹ Last census available for this year. See Statistical Office of the Republic of Slovenia, census of population by ethnic affiliation (2002), at http://www.stat.si/popis2002/en/rezultati_html/SLO-T-07ENG.htm.

About 83% of persons declaring themselves as Hungarians reside on the ethnically mixed area in five municipalities in the Prekmurje region which extends along the Hungarian border. The native Hungarian population of the Prekmurje region has occupied the Lendva Basin, the foot of Mount Lendva and the hills along the Kerka for over eight centuries. The Hungarian minority in Slovenia is amongst those communities which have maintained until now a strong territorial concentration and in the ethnically mixed areas it still represents the most numerous group, although the surface of the territory inhabited by autochthonous Hungarians is less than 200 km² (Novak Lukanovic 2005: 292).

In the northern ethnically mixed area (Northern Goriško) they represent the most numerous group of the population, about two-thirds of the inhabitants, whereas in the southern part they represent almost half of the population. For reasons of study and work, part of the Hungarian population moved to the major cities of Slovenia, thus there has been a development of dispersed settlements.

The total number of the Hungarian population in Slovenia is gradually decreasing (Barborini 1997): since the 1950s/ 1960s it lost almost half of its members. The demographic development of the Hungarian minority in the regions of their settlements can be explained as a result of both external factors (geographic features of their settlement areas, e.g. natural change, migration) and internal factors (statistical methods of registration, national policy of the state, mixed marriages, changes in the identity of the population, and natural assimilation). While in the interwar period the Hungarian minority represented over 2% of the entire population (Eberhardt 2003: 341), and in 1953 almost 0.8%, nowadays they represent only about 0.3 %.

The gap between the number of people of Hungarian ethnicity and people of Hungarian mother tongue indicates assimilation, in spite of the broad forms of protection in favour of the national community, which however applies only in the area of traditional permanent settlement. Another important reason for the decline should be sought in the demographic characteristics of the Hungarians. Several studies carried out in the 1980s and 1990s² show a low birth rate and high seniority levels, which results in a negative index of natural growth. One more reason stems from the structural difficulties of the area of settlement, which is considered to be one of the most underdeveloped ones in Slovenia. The lack of jobs and the low incomes arising from the lack of means of communication and the position along a traditionally 'closed' border have forced many young people to move, which has worsened the reproductive basis for the future.

The Hungarian minority has had a diversified development in the three areas of settlement. The mixed territory of Prekmurje has an economic and population growth almost at the step with that of the Republic; the mixed territory of Murska Sobota, economically underdeveloped, is the subject to population decrement; the area of Lendava shows an overall increase of inhabitants, but a decline in the Hungarian population.

The Hungarian national community is quite active and has numerous societies and other cultural and educational institutions. The Hungarian national community has over 30 amateur societies and groups, whose activities and organisational tasks are carried out by the Institute for the Culture of the Hungarian national community (Komac 2002). In the field

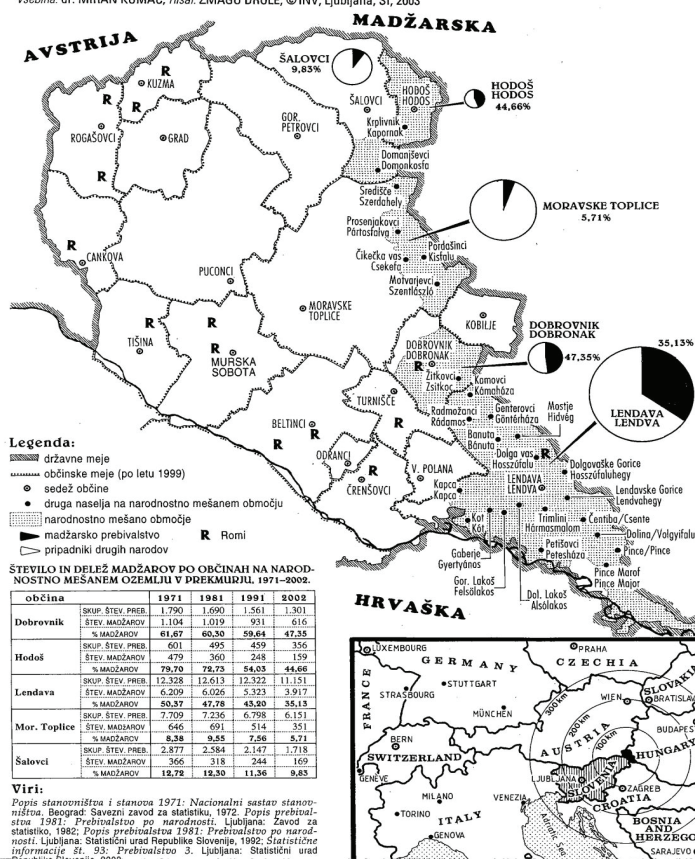
² See Statistical Annual of the Republic of Slovenia, graph of numeric development of Hungarian in Slovenia, available at <http://www.stat.si>.

of education, schools in the ethnically mixed areas must be bilingual by law (education is conducted in both languages, Slovene and Hungarian, for all inhabitants of the area). The Institute for the Information Activity of the Hungarian national community based in Lendava publishes a weekly newspaper in the Hungarian language. Radio and television programs for the Hungarian National Community are produced within the public Radiotelevizija Slovenija, at the Regional Radio and Television Centre Maribor – Hungarian Programs Studio Lendava. Since 2004 the Hungarian national community has a radio and television studio in Lendava, which is financed by the Radiotelevizija Slovenija and the Office for Nationalities.

Figure n. 1: Settlements of Hungarians in Slovenia (2002)

Karta : DELEŽ MADŽAROV PO OBČINAH NA NARODNOSTNO MEŠANEM OZEMLJU PREKMURJA LETA 2002.

Vsebina: dr. MIRAN KOMAC; Risa: ZMAGO DROLE; © INV, Ljubljana, SI, 2003



Source: Institute for Ethnic Studies, Ljubljana 2003

2. Evolution of minority policies

2.1 From Communist Yugoslavia until independence

Both the federal Yugoslav Constitutions and the Constitutions of the Republics and autonomous provinces explicitly have provisions for the protection of ethnic minorities. In theory, Yugoslav standards were even higher than the standards in other European States, but in fact a wide gap between theory and practice was already emerging in the early phases of former Yugoslavia.

During the period of Communist Yugoslavia (1945-1991), the equality of national minorities was one of the key questions of Yugoslav internal politics. The principle of national minorities rights were codified in the 1946 and 1963 constitutions and reaffirmed again by the last federal constitution of 1974, where ethnic groups were defined as 'nationalities', which underlined that nationalities constituted equally important parts of the society (Klemencic, Župancic 2004: 339).

Slovenia became in this period an example of how to protect autochthonous national minorities. As far back as the Constitution of Slovenia of 1963 guaranteed the Hungarian (as well as the Italian) minority rights in the following domains: equality and the possibility of development and progress in all fields; equality of their language in ethnically mixed territories; care for the development of education and media. The importance of both minorities was emphasized also in a chapter on the special rights of Italians and Hungarians in the last Slovenian Constitution in Former Yugoslavia, which guaranteed to both minorities free usage of their languages, expression of their national culture, and use of symbols and establishment of special organizations. In ethnically mixed territories, the use of minority language in educational field was implemented with the adoption of statutory regulations.

The system of special minority rights did not come into existence until the independence of Slovenia. Though elements of minority protection were in place soon after World War II, the whole system was more or less completed only by the mid-1980s (Šabec 2007). The Constitution of independent Slovenia upgraded the level of protection of the Italian and Hungarian minorities. The special status of Italians and Hungarians was re-asserted and defined by the new Constitution of 1991 as "autochthonous national communities". Article 5 (1) of the constitution lays down: "In its own territory, the state [...] shall protect and guarantee the rights of the autochthonous Italian and Hungarian national communities". Two rules, at the core of today's system of protection, were new: firstly, the level of protection and rights was not dependent on the number of members of minority groups in proportion to other groups; secondly, laws and other ordinances that dealt with granting constitutional rights and the situation of national minorities could not be accepted without the consent of representatives of the national minorities (Klemencic, Župancic 2004: 340 - 345). This is a type of 'absolute' veto in the hands of representatives of the national minorities (both deputies in the Slovene parliament and municipal council members). Compared to the most of other Council of Europe and E.U. member states, since then, Slovenia enacted very broad minority protection.

The new Slovenian Constitution of 1991 (Art. 64) restricted the right to mother-tongue education to the so-called autochthonous minorities, the Italians and Hungarians. After the independence of Slovenia until the EU accession little has changed regarding the

system of protection affecting these two minorities, which is considered a longstanding example of good practice.

A third group has been ascribed a special minority status by the 1991 Constitution, the Roma, which were officially recognized as autochthonous people. Since the '90s, Slovenia is generally considered a model country for minority legislation, especially in comparison to other former Communist countries.

2.2 In the wake of the EU accession

Upon the admission of Slovenia to the Council of Europe, the Rapporteur of the Committee on Legal Affairs and Human Rights stated in his opinion, expressed in 1993, that the way Slovenia protected the rights of minorities was a model and an example for many other European states both for the East and West. (Klopčič, Stergar 1994: 6).

Slovenia became a member of the EU on 1st May 2004. Slovenia applied for full membership in 1998 with the signing of the Europe Agreement. Thereafter the European Commission issued the Commission Opinion on Slovenia's Application for Membership of the European Union; according to this document, the rights of minorities in the country were considered well guaranteed and protected, in spite of some deficiencies regarding the status of Roma. According to the 2001 Report of the Commission, the situation of the Hungarian and Italian minorities was to be considered as good and the protection of their rights as comprehensive³. (European Commission, 2001).

Even though the State was already evaluated at the beginning of the accession period as having fulfilled the greatest part of the set of the Copenhagen criteria successfully, the prospective of EU enlargement motivated Slovenia to undertake a set of policies and regulations in order to improve minority policies. However, already before the accession, the State applied a concept of positive protection of autochthonous ethnic minorities that even surpasses the international standards on the protection of ethnic minorities (Plostajner 2002: 4).

2.3 Latest tendencies

Although the level of protection of the Hungarian minority is quite exemplary on the paper, the discrepancy between the laws and their correct application has shown rather high on several occasions. The field in which norms are often bypassed is bilingualism; in particular, the minority languages are still in a weak position in the public administration and in the courts.

In the year 2011 President Pahor promised that the funds reserved to the minorities will remain the same for the next two years, in spite of the crisis. However, due to the effects of the on-going crisis, budgetary cuts are foreseen for the years to come.

The Office for Nationalities of the Slovenian Parliament has urged the government to prepare a 'Law of global protection of minorities' in order to complete the current legal system and, above all, to provide mechanisms to ensure the application.

In January 2012, the proposal gained momentum: the agreement on cooperation of the deputies of the Italian and Hungarian national communities was signed with the Government of the Republic of Slovenia for its 2012-2015 term. According to the

³ European Commission (2001) Regular Report on Slovenia's progress towards Accession, Brussels, 13 November 2001, SEC (2001) 1755, 21.

agreement, in order to provide for an appropriate socio-political and economic situation of the Italian and Hungarian national communities in Slovenia, the preservation of the existent protection measures of positive discrimination and their further development, the Government of the Republic of Slovenia will prepare a framework law⁴.

3. Legal protection

Slovenian legislation protects three minorities - Hungarians, Italians and partly Roma. The State assigns only to Slovenia's Italians and Hungarians the status of "ethnic/national community" and guarantees full legal protection of their collective and individual rights⁵. The protection of ethnic minorities in Slovenia is based on two principles: the principle of territoriality and the principle of community. The framework of Slovenian legislation is in fact provided by the concepts of ethnically mixed territory and the system of collective rights which the State grants irrespective of numerical strength or proportion of members of ethnic minorities on the ethnically mixed territory (Komac 2002a: 101, Petricusic 2004: 4).

Collective rights pertain to ethnic minorities as objectively existing subjects. The absence of a numerical clause means that the state acknowledges ethnic minorities as a particularly important element in the historical development of the nation and recognizes that a particular territory is home to several ethnic groups. However, it depends on the individual members of the ethnic communities when and to what degree they will exercise their 'granted' special rights. Ethnically mixed areas comprise the territories of the settlements in the individual municipality where members of the autochthonous Italian or Hungarian ethnic communities traditionally live. The area of the ethnically mixed territory is specified in the Statutes of the individual municipalities (Komac 2002b). In addition to the basic fundamental human rights they enjoy special rights guaranteed by the Constitution, first of all the right to have their minority languages considered as official languages.

The Slovene regime of protection of ethnic/ national minorities can in short be defined as a three-dimensional minority protection system (Žagar 2006: 20 and EURAC 2010):

1) A full-protection model: relatively complete legal protection of historic (autochthonous) national minorities⁶ – the Italian and Hungarian ones – that encompasses individual and collective minority protection; legal protection comprises constitutional provisions and

⁴ Resolution CM/ResCMN(2012)12 on the implementation of the Framework Convention for the Protection of National Minorities by Slovenia, part I a.

⁵ Although there are not universally accepted some objective criteria according to which it is possible to define autochthony of ethnic groups on a given territory, usually compactness of settlement and time criterion are taken into account. However, at least three generations have to pass before a community could be considered as autochthonous. See Minority Rights Group: *World Directory of Minorities*, Longman, London 1990.

⁶ In Slovenia, there are also other small autochthonous ethnic communities: that is the case of number of autochthonous inhabitants of German language and Jews who live dispersed in the territory and do not establish a coherent community. Another minority, the Serb one, can be found in Bela Krajina. They can be considered 'sociologically' autochthonous, since their members have been residing on that territory of Slovenia for centuries, but not legally, since no constitutional or legislative protection is provided for them. Although it is disputed that German speakers in Slovenia actually constitute the German-speaking community, they are mentioned as such in the Cultural agreement between the Republic of Slovenia and Republic of Austria, 2001, art. 15. Since the majority of them live in Slovenia Kärntner, some of them describe themselves as autochthonous. Slovenia, however, explains that the same concept of the minority protection and special minority rights, based on the territorial concept of the protection of national minorities that is established for Italian and Hungarian minorities cannot be applied for the German speakers who live dispersed (Predan 2004).

over ninety laws and regulations relating to various spheres of minority existence;

2) A selective extending model: general constitutional provisions for the protection of the Roma community, complemented with provisions in legislation and specific policies regarding education, culture, local government, etc.;

3) A rudimental model: i.e. a model of the preservation of ethnic and cultural identity based on individual principle deriving from universal ethnic and cultural rights of individuals declared by the Constitution (Articles 61, 62), which can be employed for those considered as 'new ethnic minorities'.

The outlined model grants the Hungarian minority a free choice of affiliation (this means the membership is largely a matter of personal choice and that no one can be forced to identify with a special ethnic community); a dual political subjectivity, which is seen in the dual voting right of their members; positive protection including a special fund reserved for the preservation and development of its economic foundations.

3.1 Obligations stemming from International Agreements regarding minority rights

The main sources of the country's obligations towards the Hungarian minority derive mainly from international treaties and internal provisions, whereas minority remains still weak in the EU system, which has failed in elevating strict basic rules to primary EU law (Pan, Pfeil 2004).

The Slovene Constitution prescribes supremacy of international law. All major instruments in the field of protection of minorities have been ratified by Slovenia and the country is bound to protect national minorities by several bilateral and multilateral agreements. In particular it has concluded special agreements with Hungary.

The main bilateral documents which define its content are the Agreement on Friendship and Cooperation between the Republic of Slovenia and the Republic of Hungary and the Special Bilateral Agreement (Convention on the Providing Special Rights of the Slovenian Ethnic Minority in the Republic of Hungary and the Hungarian Ethnic Community in the Republic of Slovenia).

Slovenia is also bound by multilateral agreements. It ratified the Framework Convention for the Protection of National Minorities in 1998 and the European Charter for Regional or Minority Languages in 2000. In occasion of the ratification of the former, Slovenia submitted a declaration stating: 'Considering that the Framework Convention for the Protection of National Minorities does not contain a definition of the notion of national minorities and it is therefore up to the individual Contracting Party to determine groups which it shall consider as national minorities, the Government of the Republic of Slovenia, in accordance with the Constitution and internal legislation of the Republic of Slovenia, declares that these are the autochthonous Italian and Hungarian national minorities' (Council of Europe 1999).

3.2 Constitutional provisions

The Slovenian Constitution provides extensive special rights for the Hungarian and Italian minority, ranging from political participation to the right to exercise their own cultural, linguistic and educational affairs. According to article 64 of the Constitution, only Italian and Hungarian minorities are guaranteed the right to own and use symbols freely, education and schooling in their own languages, to foster economic and cultural activities

as well as activities associated with the mass media (par.1), to establish autonomous organizations (par.2), to be directly represented at the local level and in the National Assembly (par.3) and to self-administration (par.4).

In addition, par. 5 contains the provision that regulations and other legislative enactments, which exclusively affect the status and the rights of these communities, may not be enacted without the consent of their representatives (Slovenian Constitution 1991). The pillars of the Slovene minority protection regime are the system of collective rights and the concept of ethnic mixed territory⁷.

3.3 Education

The legal basis for the right of the autochthonous Italian and Hungarian national minorities 'to education and schooling in their own languages, as well as the right to plan and develop their own *curricula*' is laid down in Art. 64 par.1 of the Constitution of Slovenia.

In the ethnic mixed areas, members of national communities are guaranteed education in their mother tongue from pre-school education to completed secondary education. Though, Slovenia has developed two different models of education.

In the case of Hungarian minority, bilingual education has been introduced for all children: the students of both nationalities attend classes together and the classes are held in parallel in both languages⁸. In this way, the fact that the members of a majority nation will learn the minority language is guaranteed. If children from the minority communities, after finishing primary school, enrol at a secondary school outside the ethnically mixed area, their further education in native language is not any more guaranteed.

Slovenia has set high standards in the field of minority right to education, as the special rapporteur of the European Council wrote already in 1996 referring to the bilingual system: 'the Slovenian system of education in the ethnically mixed areas is unique. It is of great interest not only because it enables total implementation of minority rights in accordance with international standards, but also because of the manner in which these rights are implemented' (Council of Europe 1996: 94).

The two models of education in the ethnically mixed areas are valid for all levels and types of education except for university education. There are also some possibilities for the members of Hungarian minorities to be taught in their language outside ethnically mixed areas; the conditions are the following: it must be a secondary school; the minority language is an optional subject and at least five students must participate in the classes.

3.4 Use of minority language

In the model of protecting ethnic national minorities, the right to use and preserve the minority language is an essential one. In the Slovene model, everybody can use his mother tongue and shall be entitled to freely identify with his national grouping or autochthonous ethnic community (art 61 Const.). In those areas where autochthonous

⁷ That means five municipalities for the Hungarian minority.

⁸ According to the General Instructions and Goals for Work in Bilingual Primary Schools, all subjects during the first level of primary education (first four years) are taught bilingually, with pupils using bilingual textbooks. On the second level (fifth to eight grade) the treatment of topics is in Slovene, while their broadening, consolidation and analysis with notes on terminology are in Hungarian.

Hungarian national community resides, Hungarian is an official language and it has the same status as the Slovene (art 11 Const.).

The right to use one's language and script is furthermore extended by granting right to each person to use them in such manner as determined by statute in areas inhabited by autochthonous minority (article 62 Const.). In the ethnically mixed territories, State bodies and other juridical public bodies have the obligation of bilingualism, as far as administrative *iter*a concerns, according to art. 62.2, 62.3, 62.4 and 62.5 of the Law on the General Administrative Procedure and article 4.2 and 4.3 of the Law on State administration. In such municipalities, the Hungarian minority enjoys extensive language rights.

The local and the State administration, public enterprises and all public agencies in those ethnically mixed areas as well as judicial authorities⁹ have to operate bilingually. Also Article 4(1) of the Public Administration Act prescribes, that the official language in administration shall be Slovene and according to art. 5 Law on Court, "in the territories in which the autochthonous Italian and Hungarian national communities live, the business of the court shall be conducted and be available as well as in the minority language if a party who lives in that territory uses such a minority language". The statute of the municipality and other acts shall be translated into the language of the minority and published in both languages. Assemblies of citizens, public events and manifestations and other events in ethnically mixed areas shall be performed in the minority language (EURAC 2010: 23). All topographic names of settlements, streets and buildings shall be written in both languages, the Slovene name has to be written above and the language of the minority below and both names shall be of the same size. Also official forms, identity cards, notices and inscriptions by enterprises, craftsmen and self - employed persons shall be bilingual. All personal documents shall be bilingual or trilingual. The persons belonging to the minority can use names and surnames in the original form. (CEI 2004: 202).

It is foreseen an increase of basic salaries for those administrative posts that require the knowledge of a minority language: by ordinance it is regulated that the salary increases of 6% in case of active knowledge and of 3% in case of passive knowledge of the language of the national community.

However some deficiencies have to be underlined. In particular, bilingualism is not present, partially or totally, in the ethnically mixed zones in the following domains:¹⁰

- *Municipalities*: notices for invitation to tender are not published in the minority language, deliberations and certificates are translated only on request.

- *Administrative units*: most of modules are not bilingual and ministries, government bodies and public enterprises adopt acts, with few exceptions, only in Slovene. The following units work only in Slovene: the Ministries of Agriculture and Defence, the Public Fund managing agricultural lands, port authorities, the Health Protection Agency, the Post Agency, the Ministry of Internal Affairs and police, public organizations in the field of education, including the Popular University, the Geodetic Administration, etc.

⁹ The Law on Courts (Official Gazette RS, no. 19/94) art. 5.

¹⁰ These criticisms are present in *Memorandum sulla comunità nazionale italiana*, n. Pr. 56/ 2009 but have been confirmed by Hungarian representatives too.

- *E-government*: the acquisition of the digital signature is usually possible only in Slovene,

- *Administration of justice*: notifications are usually only in Slovene, certificates and other acts of the court are translated only on request.

- *Commercial communications and consumer protection*: enterprises working on the mixed territory do not provide documents in the minority language.

The common underlying problem is a lack of training of specialised staff to deal and communicate in the minority language. According to the Advisory Committee on the Framework Convention for the protection of National Minorities¹¹, worrying shortcomings subsist in practice. The use of Hungarian with local authorities does not seem to raise problems, although difficulties have been reported when addressing state administration in the minority language. The Advisory Committee noticed that there is a persisting lack of bilingual civil servants and that the administrative documents are not always available in Hungarian¹².

3.5 Political participation and political representation

Participation of Slovenia's national minorities in political arena is rather comprehensive and may be observed at least under three perspectives: representation in elected bodies; participation in decision-making process and political autonomy.

First of all, the electoral law ensures the Hungarian national minority two seats in the National Assembly and political representation at the local level. Decisions, which concern those national communities, cannot be taken without their agreement. The members of the minority are therefore given a double voting right: one vote they cast for the election of representatives, equally to all other Slovene citizens, and one for the election of the representative of their community. In the areas where they live, they have the right to at least one representative in the municipal council. It is worth mentioning that, during the last national and local elections, voters belonging to the majority elected additional candidates from ethnic minorities, which were enrolled on regular candidate lists. This testifies the high degree of social integration between the ethnic communities in Slovenia (Plostajner 2002: 4).

Beyond their autonomous competencies, the national minorities have the right to co-determination with regard to the questions related to this status. According to article 64 par. 5, laws concerning strictly minority matters 'cannot be adopted without the consent of ethnic communities' representatives'. In this respect, they can make proposals to the authorities which are obliged to request their opinion and even bound to ask for their consensus in matters that are of particular relevance for them. For this purpose, the government has established one commission in order to deal with them. The Hungarian community can enjoy the veto right through their representatives at the National Assembly.

The Hungarian national community also has the right to self-governing political institutions, whose establishment was enacted by article 64 par. 2 in Constitution. These are called Self-Governing Ethnic Communities. Based on the constitutional provision, a special Law on Self-Governing Ethnic Communities was adopted in 1994. They are

¹¹ Second Opinion on Slovenia adopted on 26 May 2005, ACFC/INF/OP/II(2005)005, para. 78.

¹² Second Opinion on Slovenia adopted on 26 May 2005, ACFC/INF/OP/II(2005)005, para. 118.

recognized as bodies of public law and are established for the promotion of needs and interests of national minorities and for organized minority participation in public matters. These communities are elected by the members of the national community in direct elections. They enjoy cultural autonomy and also all those special rights are bound to the territory where they live. Their role is so important that no decision can be taken without their consensus, which indicates even certain elements of local autonomy (Komac 1999): they decide autonomously on matters within their competence, whereas on matters concerning the protection of special rights of ethnic communities they give their consent. They also submit proposals and opinions to the competent bodies and organize activities, which are financed by the State budget. Moreover, the self-governing ethnic communities have the right to cooperate with kin-nations and their states, with members of ethnic communities in other states and to participate in the preparation of interstate agreements relating to the status of ethnic communities and the protection of their rights.

3.6 Cultural life

In Article 64 par.1, the Constitution sets out more specific rights for the Italian and the Hungarian communities, such as the right to use their national symbols and, with the aim to preserve their national identity, the right to establish organizations and to foster cultural, scientific and research activities. The State encourages and financially supports the cultural creativity and the cultural heritage of the Italian and Hungarian minority and present-day cultural production is safeguarded in a similar manner as the cultural production of the majority.

In addition, the Ministry of Culture prepared a special programme for the national minorities, based on the principle of positive discrimination and, taking into consideration their special needs, an integrating programme, aimed at finding way for an appropriate integration of the minority cultures in the culture of the national majority.

Article 64 par. 1 of the Constitution guarantees the right of autochthonous Italian and Hungarian national communities to establish their own organizations, which are mostly established on the basis of private law.

Cultural associations have an integrating role both within the majority society and with the kin-State. The Hungarian community disposes of an umbrella institution, the 'Institute for the Culture of the Hungarian Ethnic Minority' coordinating more than twenty associations. It is also possible to find minority protection provisions in the field of cultural heritage in several specific laws: For instance, according to the Law on Institutions, the self-governing ethnic community can establish a public institution in order to perform activities which are important for the realisation of the minority rights; the Law on Protection of Cultural Heritage includes also the promotion of the Hungarian cultural heritage; the Law on Librarianship allows library activities provided by the Hungarian minority.

3.7 Information and the media

The Constitution (article 39 par.1) guarantees the freedom of expression, of thought, the freedom of speech and the freedom of press. Additionally (article 64), the Hungarian minority can fulfil its information needs through the press, radio and television. According to the Radio and Television Corporation of Slovenia Act, public service shall provide the

creation of one radio and television channel for broadcasting for the autochthonous Italian and Hungarian ethnic communities. For the Hungarian ethnic community, programmes in Hungarian are provided by the regional radio which started to broadcast in Hungarian since 1958. In 1978 the TV station started to broadcast programs in Hungarian. The management unit for Hungarian programming is located in Lendava. The radio and TV station in the Hungarian language function as a part of the State radio and TV station but the head office of radio and television programming management enjoys high autonomy (Plostajner 2004: 7).

With law on Mass Media (article 3 par.1), the State takes the pledge to support the development of non-commercial public media intended for informing the Hungarian community; institutions founded by self-governing ethnic communities can register for the publishing of printed media and other forms of mass communication and for the creating, producing and broadcasting of radio and TV programmes (article 40 par.5); also, a self-governing ethnic community may import Hungarian media for its own use (art. 67 par.3).

The programmes in both languages are part of the national broadcasting programmes and must be broadcasted in at least 90% of the area inhabited by the community. The Hungarian minority can autonomously decide on the content of those programmes and have their representatives in the Programme Board, the management body of RTV Slovenia.

In spite of benefiting from the same legal provisions, the Italian minority radio and television are significantly larger than their Hungarian counterparts, both in terms of programs length and work force. The gap between the two minorities' media is in fact rooted in degree of assimilation as well as the status of the language. It is apparent that in Slovenia, the minority media scene, and especially that of electronic media, reflects the different degree of recognition and institutionalization of minority rights (Gosselin 2003). Radio MMR broadcasts about 13 hours per day in Hungarian and Lendava Studio Programme only 30 minutes four times a week.

The Hungarian minority is also guaranteed the publication of newspapers and magazines in their own language, which are co-financed by the State budget (see for example *Neipujšag*, *Naptar* and *Muratai*).

In 2005, the Advisory Committee on the Framework Convention for the protection of National Minorities also noted that, despite the launching of the radio and television studio in Lendava, the situation of Hungarians as regards broadcasting time and resources, equipment and staff, does not correspond to their needs¹³. The situation improved during the last few years, but RTV Slovenia recently decided to reduce its contributions to Italian and Hungarian broadcasting 2012 by approximately 10%.

4. Evaluation of the Hungarian minority legal protection

The Council of Europe has established that the protection of minorities in Slovenia is quite exemplary, and that, compared with the European Union, it offers an even higher level of standards in the field of minority rights as one of the most important human

¹³ Third opinion on Slovenia adopted on 31th March 2011, ACFC/OP/III(2011)003, para. 100.

rights segments. The Hungarian national community in Slovenia is beneficiary of very considerable public protection and assistance, which is particularly evident in the field of political participation and representation.

However, in spite of good practices, some weak points can be underlined in the model. In many cases there exists a lack of co-ordination among the relevant public authorities, both at the central and local levels, leading to confusion in the application of existing legislation. In the ethnically mixed regions, the Hungarians report problems in the practical application of the legislation concerning the use of language, above all in sphere of public administration. In particular, they complain about the lack of translation into minority languages of important official documents and tools such as notifications, certificates, notices for invitations to tender, modules, digital signatures etc.

According to dr. Attila Kovacs¹⁴, researcher and representative of the Hungarian minority, 'both indigenous minorities in Slovenia, Hungary and the Italians, are very well protected by the law'. Nevertheless, he notes, 'the E.U. enlargement to the east did not imply a significant improvement of the situation: it lead to certain positive steps, but it is difficult to break decades of entrenched prejudice towards minorities. Moreover, the economic crisis that is present throughout Europe is likely to affect minorities'.

According to two other Hungarian interviewees¹⁵ the Slovenian minority protection model has essentially two advantages: the fact that national minorities have been listed in the Constitution and the fact that minority rights are precisely geographically defined, in this way, the rules are clearly laid down for the players. They also point out that the bilingual education model - despite many critics - offers fairly good protection for the minority. The Hungarian minority is also well protected in the field of culture and media, as well as in politics – enjoying a double right to vote in parliamentary elections, funding for minority self-government, etc...

By contrast, all interviewees point out that one of the major problems is found in the lack of legal sanctions in case of non-application of laws on bilingualism. An aspect to be implemented is the funding for minority self-government, as Kovacs stated, 'currently, the State money intended for the Hungarian self-government shall be paid to municipalities; then the mayors, on the basis of their claims and minority interests, decide how much money will be credited to minority self-government'. A surveillance mechanism is lacking. In fact, it may happen that municipalities try to use less and less resources for minority claims.

5. Survey and results

Between the end of 2011 and the beginning of 2012, a small-scale field research was carried out among Hungarians by the author, with the help of a structured questionnaire aiming at identifying the perception of the level of protection for each of the previously analysed fields. The goal was to find out possible discrepancies between the protection of ethnic minorities as enacted and framed in the government policies and legal system and the perception of the members of the minority itself. The sample consists of 50 cases

¹⁴ Interview with Dr. Attila Kovacs 15/09/2011.

¹⁵ The interviewees, who are representatives of the Hungarian minority, wanted to remain anonymous

and the chosen methodology is chain-referral; accessing the Hungarian minority through probability sampling provided in fact very low response rates, in spite of the guarantee of anonymity of the questionnaire. Snowball methods usually do not demand to have scientific accuracy but, if biases are limited, they can however provide an interesting portrait of social phenomena.

For this reason, initial subjects have to be chosen very carefully in order to limit biases. Initial subjects of the chain were also chosen among experts in the field, teachers, researchers, representatives of national minorities, etc. The subjects identified for the present research further indicated to the researcher other subjects to interview (fulfilling the required criteria, i.e.: being a member of the Hungarian autochthonous community, residing in the territorially mixed area and being involved, in broad sense, in the field of minority protection).

All interviewed people belong to or work within the following institutions of the national community: Radio Television Slovenia, Hungarian Programs; Institute for the Information Activity of the Hungarian community; bilingual schools and kindergartens; association of teachers of bilingual schools and kindergartens; Hungarian self-governing ethnic community.

It is therefore necessary to underline that the population of reference is constituted by 'qualified witnesses' and the results of the research cannot necessarily be generalized and extended to the whole Hungarian community in Slovenia. Nevertheless, for reasons of clarity and conciseness, the interviewed will be generally referred to as 'the Hungarians' or 'Hungarian minority members'.

The survey was conducted in the five Hungarian autochthonous settlements of Prekmurje, where they are mostly concentrated. Respondents are constituted 52% by women and 48% by men, most of whom have primary or lower secondary school degree, covering all age groups. Respondents are balanced as far as age groups regards. Most of respondents have lower secondary school degree, but it is also possible to find a relevant percentage of people with higher education degrees. The main results will be briefly presented with the help of graphic solutions. About 45% of respondents perceive to have equal rights within the society, whereas the rest of sample is almost equally divided between the feeling of having fewer rights and more rights than ethnically Slovenes have.

Regarding the comparison with other minorities, things are considerably different in the case of a comparison with the Italian community and with the Roma community. The vast majority perceives to enjoy the same minority rights as Italians do, although a relevant number perceives the status of Hungarians as worse than the one of the Italians. This perception seems to match the reality, although the Italian and Hungarian national minorities formally have the same rights, informally a lower status is still associated with the Hungarians, which is visible in the media system and partly in the different school system.

With respect to Roma, the majority of Hungarians perceives to have more rights, but the percentage of those who think to have equal rights does not differ much. It therefore emerges that Hungarians do not feel as much protected as they think Italians are and they also feel little distance with the Roma.

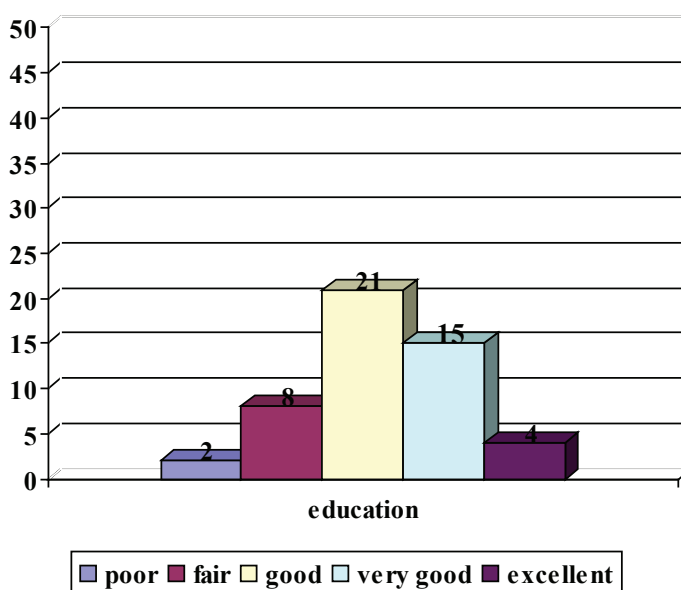
Almost all interviewed Hungarians are aware of the special rights they enjoy as a national minority and only 4% of them are not sure about the existence of minority rights.

The following questions of the questionnaire represent the core of the work and pertain to specific perceived protection in different fields, which have already been considered at the theoretical level and are summarized as following: education, use of language, political participation and representation, cultural life, information and the media, cross-border cooperation.

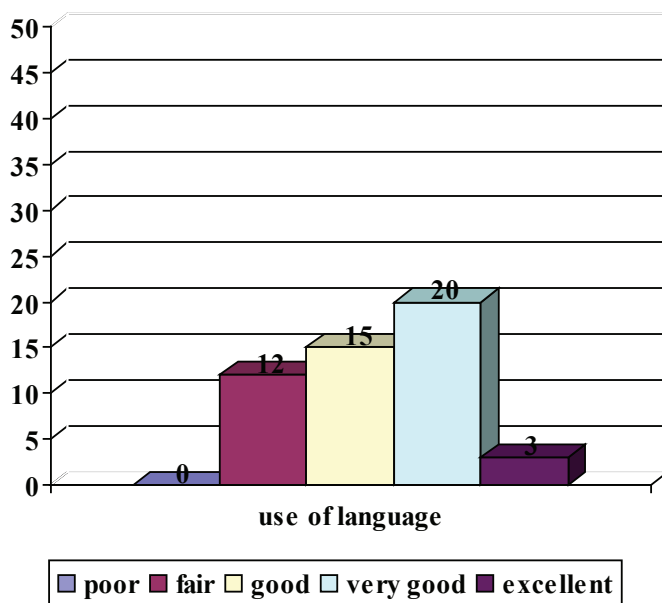
The most appreciated protection appears to be in the field of cultural life; it is deemed to be very good or excellent by approximately 85% of respondents. But also the fields of information and the media is considered very well developed, being ranked as very good or excellent by almost 80% of respondents.

The other fields, education, use of language and political participation seem to be less appreciated, but they are, with some little differences, considered on average as 'good', with a relevant percentage of respondents considering them even as very good or excellent: 36% on the case of education, 40% in the case of political participation and 44% in the case of use of language.

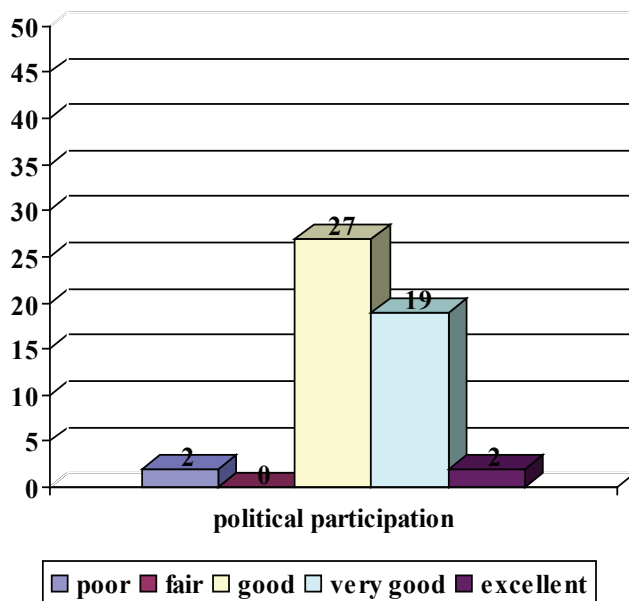
Graph n. 1: perceived protection in the field 'education'



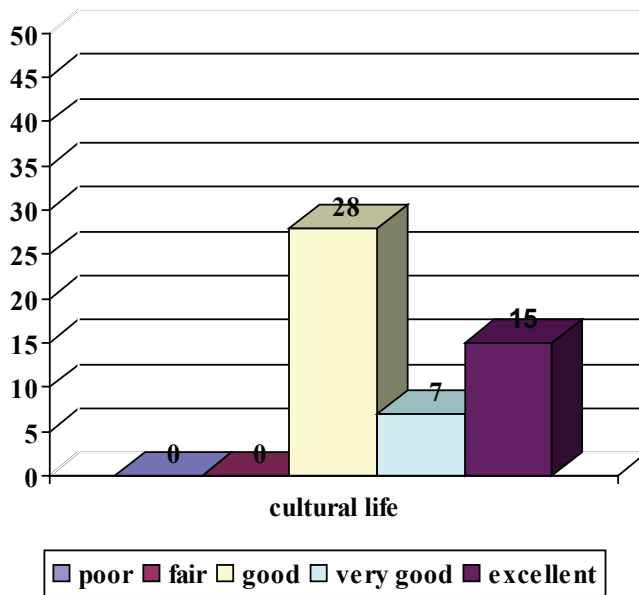
Graph n. 2: use of minority language



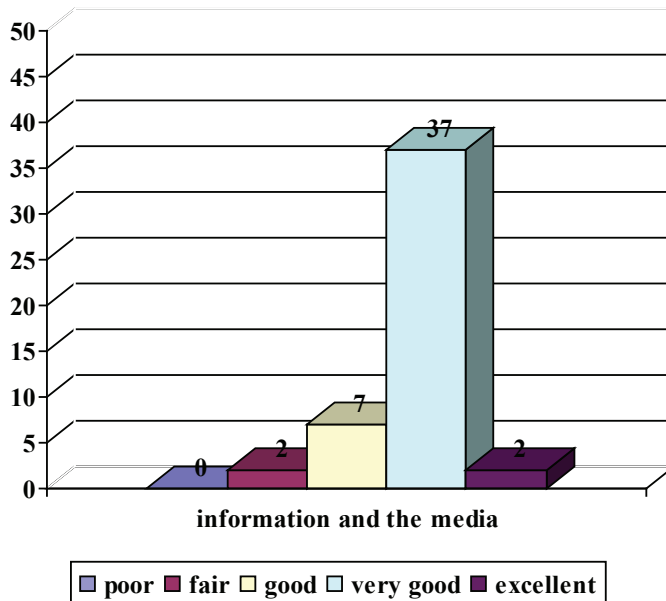
Graph n. 3: perceived protection in the field 'political participation'



Graph n. 4: perceived protection in the field 'cultural life'



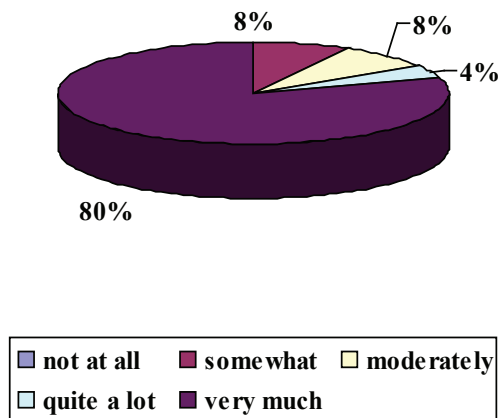
Graph n. 5: perceived protection in the field 'information and the media'



Over 90% of Hungarians state to have received bilingual education, and among them nearly 60% received it at school. The fact that a relative low percentage of respondents decided to enrol in a bilingual school confirms the high degree of assimilation which Hungarians underwent during the 20th century.

Nevertheless the language is more alive than one could imagine, in fact over 80% of respondents make large use of their minority language with family and friends. This is also confirmed by the fact that 98% of Hungarians state to have a good knowledge of standard Hungarian.

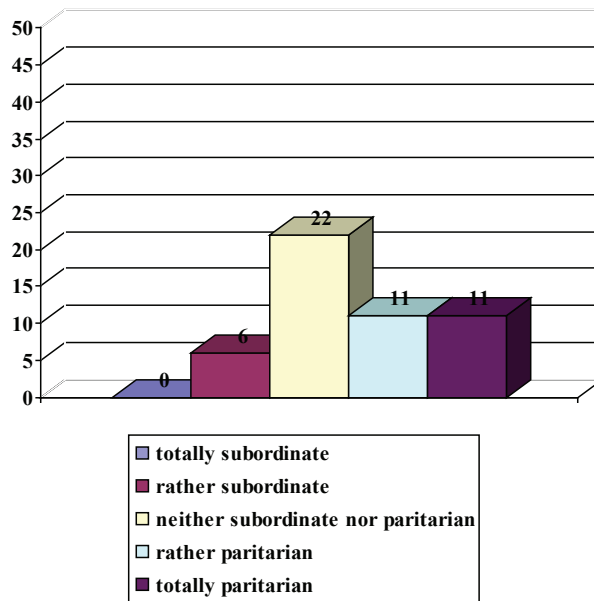
Graph n. 6: use of minority language in everyday life (private domains)



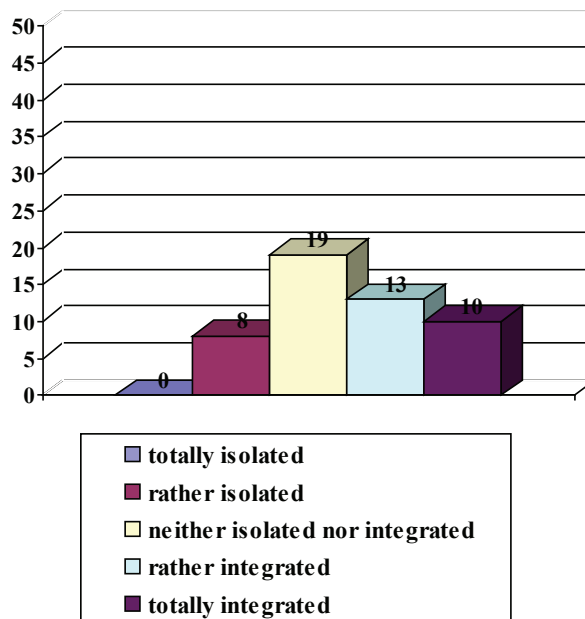
In spite of this, the free use of the minority language in the contacts with public administration should not be taken for granted: around 80% feels free to use it virtually without restrictions, whilst some 20% 'denounces' several limitations in its use.

In order to evaluate the perceived position of the minority within the majority society from the minority perspective, we have used a semantic differential type scale, asking respondents to place themselves on a position from 1 to 5 with reference to different issues pertaining to their perceived status. The categories refer to equality and integration under different perspectives. Hungarians seem not to feel a huge social gap with the majority society: 45% of them regard their status similar to the majority and nobody perceives to have a subordinate status. According to the minority itself, the Hungarians appear to be quite integrated within the majority society: 46% feels rather integrated or very integrated, whilst nobody underlines a situation of isolation and only some 15% considers integration as insufficient.

Graph n. 7: parity – subordination



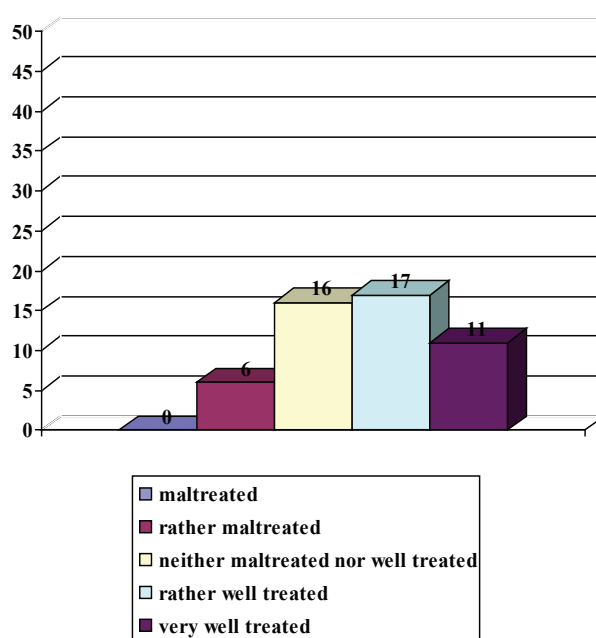
Graph n. 8: integration - isolation



Passing to the following couple of questions, over 55% of people consider to be quite well or very well treated, in terms of minority protection in general. Also in this case, nobody considers that his/her minority is maltreated and only a relatively small percentage (around 12%) evaluates as not being very well treated.

With the last question we intended to investigate not so much the feeling of integration, but rather the feeling of cohesion with the majority society. If the feeling of integration is generally based on an evaluation of several indicators, which depend to great extent on governmental policies, the feeling of cohesion implies a more immediate consideration on the belonging to the society the individual and the minority lives in. The dichotomy cohesion – segregation wanted to be more extreme than the one integration – isolation in order to detect some possible feeling of ‘extreme’ marginalization.

Graph n. 9: good treatment – maltreatment



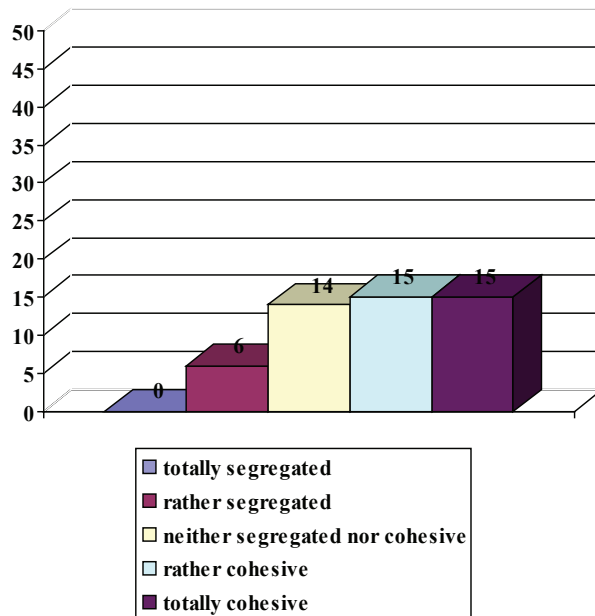
Taking into account the last dichotomy, the positive scenario is confirmed: the majority of interviewed Hungarians, i.e. 60%, see their minority as quite or very cohesive with the majority society, and segregation feelings are almost totally absent (only about 12% of respondents feel ‘rather segregated’, which constitutes a rather low percentage when a minority is taken into an account).

No big gap results between the legal and the social dimension of protection: overall, they appear to feel both quite well protected and quite well integrated in the Slovene system and the relationship with the majority also appears to be rather good, in spite of

the emerging of a more neutral position regarding the integration feelings.

When asked the open question, several people underlined that the minority protection system is quite advanced but at the same time some of them underlined the problem of assimilation, which emerge, for example, from bilingual education at school. This problem had already been noticed in the analysis concerning the theoretical level. Other issues underlined by respondents are some deficiencies in the possibility of using the minority language with public officers and the lack of job.

Graph n. 10: cohesion - segregation



6. Evaluation of empirical results

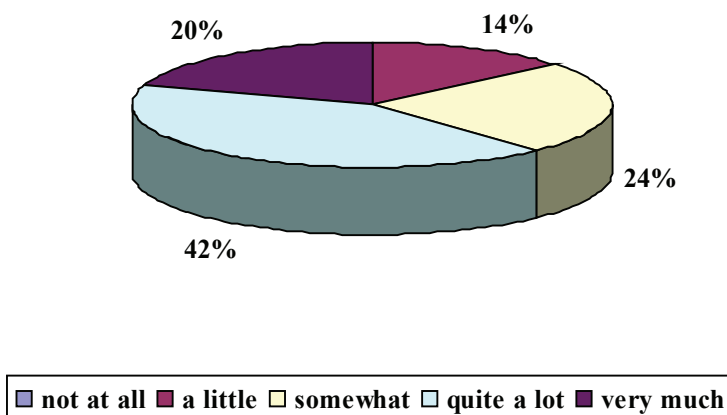
The salient results that emerged from the present survey are basically four.

- Hungarians feel overall well protected by the Slovene system of minority protection: three over five define it as very good or excellent.
- In spite of this, the analysis reveals that the majority of them perceive to be granted fewer rights than Italians are.
- Minority protection is considered at least fair in all fields. The fields of 'cultural life' and 'information and the media' are the most appreciated. By contrast, the field of education is considered to be the least brilliant one, in spite of the existence of bilingual school in every single ethnically mixed area.
- Results show that the majority of Hungarians feel similar with the majority society, integrated in and cohesive with the majority society.

7. Conclusions

The analysis of existing standards has showed that Slovenia has established a rather good protection system towards the Hungarian territorial minority. After having analysed the questionnaires, this statement can be to great extent confirmed: most of the fields are considered as good or very good, even those in which the analysis of policies shows some deficiencies, e.g. the field of 'information and the media' and 'use of minority language'. Lastly, we asked the 'qualified witnesses' about their overall feeling of protection. As we can see, 62% of respondents feel well or very well protected, which leaves margins for optimism.

Graph n.11: overall feeling of protection



Best practices towards the Hungarian minority in Slovenia can be detected by the rich legislation in the field of Hungarian minority protection, incorporated in or backed by numerous programmes, strategies and resolutions in different social areas. They are, to great extent, confirmed by the empirical results regarding the perception of protection and the feeling of integration by the part of Hungarian minority members, with one only specification – the slight gap between the 'answers' given to the legal (the five fields of protection) and to the social dimensions of protection (integration- parity- cohesion etc.) should lead to the conclusion that the overall feeling of protection is not just given by the comprehensiveness of legal provisions, but also, and above all, by elements which are more closely linked with a human/social dimension including the relationship with the majority, the status within the society, the perceived attention and importance given to minority issues by the State.

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Rien ne se crée sans les hommes. Rien ne dure sans les institutions.

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