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# European Foreign and Security Policy

Challenges and Opportunities for the German EU Presidency

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# Table of Contents

- 5 **Germany's EU Presidency:  
Responsibility for European Interests** ■ *Volker Perthes*

## The European Union's Foreign and Security Policy

- 11 **Strengthening Europe's Voice  
in the World** ■ *Andreas Maurer*
- 15 **CFSP and ESDP: Flexible Integration  
and Financial Transparency**  
■ *Annegret Bendiek*
- 19 **EU Battle Groups and Civilian Headline  
Goal—ESDP Targets** ■ *Markus Kaim*

## Tasks in the Extended Neighborhood

- 25 **Reconstruction and Stabilization  
in the Western Balkans**  
■ *Franz-Lothar Altmann*
- 29 **A European Perspective  
for Kosovo** ■ *Dušan Reljić*
- 33 **Containing the Risk of Escalation in the  
Trans-Dniester Republic** ■ *Anneli Gabanyi*
- 37 **A Multilateral Security Architecture  
for the Persian Gulf**  
■ *Katja Niethammer / Guido Steinberg*
- 41 **A Political Strategy for Central Asia**  
■ *Andrea Schmitz*

## Relations with the Major Powers

- 47 **Integrating the Atlantic  
Economic Area**  
■ *Jens van Scherpenberg*
- 51 **Difficult Partnership with Russia**  
■ *Sabine Fischer*
- 55 **Redefining Relations with Japan**  
■ *Hanns Günther Hilpert / Markus Tidten*
- 58 **More Coherence in Relations  
with China**  
■ *Gudrun Wacker*
- 62 **Nuclear Cooperation with India**  
■ *Oliver Thränert / Christian Wagner*

## Global Challenges

- 69 **The Challenge of Political Islam**  
■ *Muriel Asseburg / Johannes Reissner /  
Isabelle Werenfels*
- 73 **Energy Security—The Challenge  
of the Twenty-First Century**  
■ *Enno Harks*
- 77 **Galileo and GMES—  
Pacemakers of EU Space Policy**  
■ *Gebhard Geiger*
- 81 **Abbreviations**



## Germany's EU Presidency: Responsibility for European Interests

The expectations placed on the German EU Presidency in the first half of 2007 are especially high in two respects. Firstly, the German Presidency—like any other presidency—is expected to develop an agenda serving the interests of the Union and the Community and to implement new legislation and work programs as effectively as possible. The Presidency will have to ensure that unexpected events and developments in the foreign policy environment are dealt with professionally. It will have to involve the European institutions and other member states to find common solutions, but also act as a driving force and launch new joint initiatives. This applies particularly to the Council's eighteen-month work program, which begins in January 2007 with the German Presidency and spans the whole duration of the German–Portuguese–Slovenian team presidency, in other words until the summer of 2008.

Secondly, the other member states and the EU's international partners look to Berlin with special expectations. Germany is not only a large member state whose material and human resources make it better equipped than others to fulfill the wide range of management, leadership, coordination, and representative functions entailed by the presidency. Germany's current domestic political situation also appears more favorable for an active leading role in Europe than that of the other two or three major member states, whose capacity for decision-making and action will at least be put to hard tests by upcoming leadership changes or unstable coalition majorities. So it comes as no great surprise that the member states have set Germany the tricky task of presenting "robust proposals" for the way forward on the Constitutional Treaty by the end of its Council presidency.

The work program of the German Presidency will to a large extent be oriented on existing programs and legislative projects designed to strengthen economic competitiveness, ensure sustainable growth, promote integration (particularly in the energy market), and push forward the creation of an area of freedom, security and justice. All of these projects naturally impact on Europe's standing and ability to act in a globalized world. Beyond that, every presidency also has the possibility to put topics it believes to be particularly important onto the agenda. The roles of the EU and the presidency also find their most visible public expression in the Common Foreign and Security Policy (CFSP) and the European Security and Defense Policy (ESDP). In other fields of activity relevant to foreign policy—such as trade policy or economic cooperation—Europe is represented by the Commission, and is ultimately less visible for the public eye. The Presidency cannot—and must not—be about exploiting the six-month period of office to enhance the national profile or to further perceived

national interests. Leadership is certainly expected, of course. But a presidency is measured by whether it succeeds in effectively implementing joint decisions and policies, whether it makes its own contribution to coordinating the Common Foreign and Security Policy, national foreign policies, the Commission's external relations including trade and neighborhood policy, the external aspects of interior and judicial policy, crisis prevention and humanitarian aid, to name just a few. Its success depends on its capability to develop joint solutions and approaches and to make clear that overall European interests rather than those of its own state come first. This requires not only the ability to compromise, but also the capacity to balance conflicting interests as a prudent honest broker and to cooperate closely with other member states, the European Parliament, and the Commission. Small member states, especially, need to be consulted at an early stage about projects and ideas, in order to circumvent potential blockades, explore the spectrum of existing positions, and find paths of compromise. Daniela Schwarzer, in a recent research paper of this institute (SWP Research Paper S15/2006) correctly points out that the "instinct to do this . . . is stronger on the German side" than on the French, for example. Here, for once, it would be a good thing to follow our instincts.

Today, for the EU member states, foreign and security policy is ultimately only conceivable in a European framework. This is made very clear in the European Security Strategy of 2003, the fundamental policy statement for European foreign and security policy. None of the risks described there—be it failing states, global terrorism and the challenge of religiously motivated violence, regional conflicts in Europe's immediate and wider neighborhood, or securing Europe's energy supplies—could be dealt with on the national level. For all their skepticism about the EU, the populations of the EU member states have certainly recognized this and wish—as the Eurobarometer surveys show with great consistency—for "more Europe" especially in foreign and security policy. More coherence, more joint European foreign and security activity, and greater visibility of the EU as an international player can consequentially also serve to strengthen public confidence in the European project in individual European countries.

This collection of contributions by researchers at Stiftung Wissenschaft und Politik, the German Institute for International and Security Affairs, deals with the foreign and security issues that we believe will gain particular relevance for the EU during the German Presidency. Rather than addressing all aspects of European foreign and security policy, we concentrate on a small selection where a heightened need for action is to be expected, and also look at others that call for initiatives whose timeframe extends beyond the first half of 2007. There is no doubt that there is an urgent need for action on the question of the status of Kosovo (see the contribution by Dušan Reljić), to communicate European perspectives for the states of the Western Balkans (Lothar Altmann), in the Trans-Dniester conflict (Anneli Ute Gabanyi), in the difficult partnership with Russia (Sabine Fischer), as well as regarding a possible realignment of relations with

Japan under its new government (Hanns Günther Hilpert and Markus Tidten).

Developments in the Persian Gulf and Central Asia may have reached a point where European initiatives for regional cooperation can sensibly be put forward (Katja Niethammer/Guido Steinberg/Andrea Schmitz). The same applies to transatlantic relations, which are relevant to practically all the fields of policy that fall under the remit of the EU presidency, not least for the EU's Common Foreign and Security Policy, and also always require special care and attention. There might be interest in an integration perspective for the transatlantic economic area, especially with a view to the current failure of the Doha Round of world trade talks (Jens van Scherpenberg).

Its relations with the new great powers, China and India, will concern the EU far beyond the German Presidency. In the case of India, the first half of 2007 could be the time to make concrete decisions about possible cooperation in the field of nuclear technology (Oliver Thränert/Christian Wagner). With respect to China, the German Presidency will probably be above all a phase of taking stock of the goals and substance of cooperation (Gudrun Wacker).

At this point it is impossible to predict what crises the Middle East holds in store for the German Presidency. However, there can be no doubt that this neighboring region will be on the agenda of every meeting of foreign ministers and of the European Council, and that the EU will have to do a great deal of thinking about new ways of relating to Islamist political actors (Muriel Asseburg/Johannes Reissner/Isabelle Werenfels). The question of energy security ranks high on the European agenda, partly but not solely because of the situation in the Middle East. Given that Germany assumes the presidency of the G8 at the same time, it has a special opportunity to advance joint initiatives in this field (Enno Harks).

Otherwise, the German EU Presidency will be especially concerned with increasing the EU's capacity for action in the relatively new fields of foreign and security policy, such as in space policy (Gebhard Geiger). This also holds true with regard to the implementation of the self-imposed headline goals for military and civilian capacities that are required for conflict management under the umbrella of the European Security and Defense Policy (Markus Kaim). Not least, it will be necessary to strengthen the institutional framework for CFSP/ESDP, which will require more flexible formats in order to achieve coherent policy in the sphere of foreign policy (Annegret Bendiek). In the event of diplomatic crises it is impossible to conduct effective and swift negotiations with a Union of 25 member states. So here smaller groups will have to be set up as required to deal with particular questions in the name of the EU. Informed, confidential consultation in the Council involving the High Representative for the CFSP and the Commission (Gymnich format) has the potential to make the creation of such groups acceptable to the other member states too, and to allay fears that such initiatives would lead to a *directoire* of the large member states. The extent to which certain elements of the draft Constitu-

tional Treaty that would make a Common Foreign and Security Policy easier to pursue can be implemented in advance by means of particular organizational adaptations under the existing treaties will have to be explored. To renounce such considerations solely to avoid the impression that the Constitutional Treaty itself has already been abandoned would be an idealistic, but ultimately unproductive stance. Instead, the German Presidency can and should initiate an in-depth discussion about the possibility of taking just such steps, involving all the member states and the relevant EU institutions (Andreas Maurer). The goal must be to significantly improve the effectiveness and coordination of the foreign policy activities of the Council, the Commission, and the member states.

*Volker Perthes*



**The European Union's Foreign and  
Security Policy**



## Strengthening Europe's Voice in the World

Although the creation of the Defense Agency and the activation of the solidarity clause in the wake of the terrorist attacks in Madrid anticipated two parts of the Treaty establishing a Constitution for Europe (TCE), the development of the most important institutions for Common Foreign and Security Policy (CFSP) is currently on hold; they are the office of a European Foreign Minister and the corresponding European Foreign Action Service (EFAS). This has occurred despite the broad majority of the European population consistently supporting closer CFSP cooperation. In the wake of the Conclusions of the European Council held in June 2006, the German Presidency now has the task of carefully analyzing all options for resolving the crisis surrounding the TCE. Simultaneously the Presidency should work on the basis of the current Treaties for in order to extend the existing CFSP instruments; it should also ensure that CFSP and Community instruments are "joined up" in all areas of EU foreign relations, including development, energy and environmental policy. Corresponding initiatives could figure in the conclusions of the Presidency drafts for the European Council. The opportunity is open for Germany to work with the subsequent Portuguese and Slovenian EU-Presidencies to push for a comprehensive "Coherence and Consistency Program" and reach agreement between the various institutions, in line with the reforms contained in the Constitutional Treaty. The instruments contained in the Council's new eighteen-month program provide an organizational basis for this; the system will be tested for the first time under the German Presidency. Germany can set a good example by doing something practical and significant: it could visibly strengthen the role of the High Representative by transferring chairmanship of the meetings of the External Relations Council and meetings with third countries.

### The Current Situation and Need for Regulation

The meeting of the European Council in June 2006 confirmed that, following the adverse referendum results, the Institutions of the European Union and its member states had to work on the basis of the Nice Treaty at least until 2008. As no definitive response on the future of the Constitution can be expected from France during the German Presidency, Berlin must take care that any reforms related to the constitutional process are not rebuffed by Paris—or by London, Warsaw, and Prague for that matter. Germany can only offer a foot-up out of the constitutional hole if the countries currently considered hostile to the constitutional process intimate—however quietly and informally—that they would welcome such a development.

The problems facing EU external relations are clear: on the one hand there is a patchwork of conflicting responsibilities, and on the other a duplication of institutions, procedures, and instruments. The result is that in its dealings with third countries the EU often speaks with many voices, is disunited and frequently contradicts itself. This weakness causes a paralysis of the EU system, which in turn damages the credibility of the EU and particularly its member governments, as well as their effectiveness in areas such as economic and trade policy.

The Constitutional Treaty contains CSFP reforms aimed at strengthening the EU's consistency, continuity, transparency, and effectiveness. The idea is to create, support, and exploit synergies based on the external relations and security expertise found in national foreign ministries, the foreign policy directorates of the EU Commission, and the General Secretariat of the Council.

The TCE therefore provides for a merger of the offices of the Commissioner for External Relations and the High Representative, creating a single European Foreign Minister. It would be his or her task to develop common positions in all areas of EU foreign relations with third countries and international organizations and act as spokesperson for the community position and EU policy outside the EU. These tasks illustrate the Foreign Minister's need for a European Foreign Action Service to provide effective administrative support. Clear ground rules are required for this amalgam of different actors, procedures, and instruments of inter-state CFSP on the one hand and community external relations, including the EU Delegations currently run by the Commission, on the other. The fact is that the tasks facing the Commission and the Council's High Representative will not simply disappear just because of the failure of a treaty that clearly promotes and sets out their closer cooperation. The EU heads of state and government designated Javier Solana as EU Foreign Minister back in 2004. They should confirm his appointment even if the Constitutional Treaty does not come into force by 2007 as originally planned.

### **Reforms Aimed at Implementation of the Constitutional Treaty**

The formal "early introduction" of the European Foreign Minister as well as of the European Foreign Action Service without the entry into force of the Constitutional Treaty is legally inadmissible and politically highly unlikely given the hostile attitudes of France and UK.

But even without a valid treaty the main conditions for developing CFSP are met. First, the heads of state and government stressed their political wish for unity when they agreed the Constitutional Treaty text in June 2004. Second, the institutional arrangements for CFSP were successfully introduced before the referendums. The core structures of early warning, analysis, decision-making, and planning have been fully functional for a long time. The German Presidency therefore has considerable latitude and several options for debating the potential development of CFSP in anticipation either of the Constitutional Treaty or of its absence. As the Institu-

tions enjoy procedural independence and have the right to make their own organizational arrangements, the following reforms could get off the ground from 2007 onward.

Within the Council, quick progress could be made with the reorganization set out in the TCE and establishing the tasks of the Presidencies, the formal separation of the General Affairs and External Relations structures, and cooperation between the Council for External Relations and other Council formations. Moreover, to guarantee greater continuity, the six-monthly rotating chairmanship of the Council committees for external relations could be replaced by a chair elected for two years. The committees could themselves decide whether the elected chairs come from the member states or the Council secretariat.

Internally the Commission would need to work toward implementation of the Treaty reforms concerning its internal organization and of the special powers of the President and Vice-Presidents within the college of Commissioners. Particularly, the Commission President could be given an enhanced role via a revision of the Commission's rules of procedure. Another measure that would improve efficiency would be increased cooperation between the Directorate General responsible for external relations (RELEX) and all other Commission departments that have foreign policy components in their area of responsibility.

On the subject of the merger of Council and Commission structures in CFSP as set out in the Constitutional Treaty, the most the German Presidency can do under the terms of the timetable agreed in June 2006 regarding Treaty ratification is to try some measures on a trial basis. It is conceivable that the function of special representative to a third country could be merged with that of the head of the EU delegation in that state, following the Macedonia precedent. Looking at other types of cooperation between the High Representative and the EU Commission, it might be possible to test the conditions under which the deputy heads of the foreign representations and delegations could be recruited from the Council Secretariat and at which international organizations the existing Commission delegations (e.g. at FAO, OECD, UNESCO, WTO) could be converted into EU representations, and if new EU representations should be established comprising representatives from the Commission, Council, and member states.

The Hague Program had already targeted improvement in the member states' consular services, and only recently has the Commission acted upon it by suggesting new procedures for joint visa application offices in third countries (collocation). The introduction of personal biometric data, which requires special equipment and is expensive, has forced member states to show greater interest. The Commission's efforts to push for the uniform application of the "Common Consular Instructions" and the establishment of common visa offices should therefore be supported.

In the period until the election of a new Commission (2009) the extension of the remit of the Council's Secretary General and the High Representative could be tested without risking serious coordination problems

between the EU bodies or between the EU and third countries. As “Foreign Minister designate,” Javier Solana should already take on the following tasks under the German Presidency:

- ▶ Chairing the Council groups on foreign relations and subsequently chairing the Committee of Permanent Representatives (COREPER II) in all matters relating to the EU's foreign relations
- ▶ Being the “public face” of the EU in relations with third countries under CFSP
- ▶ Representing the EU position in international organizations and at international conferences
- ▶ Elaborating proposals for CFSP measures and their implementation on behalf of the Council of Ministers

### **Likely Success**

Germany is in a position to move forward discussion on the creation of the Foreign Minister and on the establishment of a European Foreign Action Service as part of the eighteen-month Team Presidency with Portugal and Slovenia. If each member state and its civil service simply continue to stick to their home-grown model, then, given the diversity of Europe's coordination and decision-making systems, we are plainly unlikely to get quick and convincing agreement. We could expect turf wars and arguments about who does what and a heightening of the obvious conflicts of interest between the Council secretariat and the Commission, as well as between member states. Germany will certainly have to respect the current legal status quo. Yet this will not prevent it from organizing discussions within a select group to canvass general opinion. Ideas could be brought together and used to establish a common position—working with the Commission and the two next Presidencies. This simultaneously requires that the sensitivities and different opinions in national capitals be taken seriously and work be done on confidence building, without which the European Foreign Action Service simply cannot operate.

The German Presidency can play a more explicit steering role in discussions about the future of the Constitutional Treaty and find out exactly what member states think. The official (Berlin) declaration marking the fiftieth anniversary of the Treaties of Rome, and timetabled for the end of March 2007, should make clear what the EU is willing to take on in its dealings with the outside world.

*Andreas Maurer*

## CFSP and ESDP: Flexible Integration and Financial Transparency

Even the EU budget plan from 2007 onward will not solve the problems that arise from inadequate community funding for the EU's role as global player. This also holds true for flexible integration in the Common Foreign and Security Policy (CFSP) and the European Security and Defense Policy (ESDP).

In April 2006 the European Parliament, the European Commission, and the member states reached an inter-institutional agreement on the financial perspective for 2007–13. In this period the EU intends spending about €50,000 million on all its external policy. Measured against the previous finance plan (2000–06) this is an average increase of 29 percent. The EU's role as global player includes, alongside CFSP/ESDP, enlargement and neighborhood policy, development cooperation, crisis management, a guarantee fund for loans, and other measures such as humanitarian aid. Overall foreign policy has been and remains underfunded. If Europe wishes to safeguard its ability to act under conditions of financial restrictions, it must pay greater attention to the consistency of its foreign policy actions.

In June 2006 the European Council accepted the Commission's strategy paper "Europe in the World: Some Practical Proposals for Greater Coherence, Effectiveness and Visibility" (Cutileiro Report) and in doing so called upon member states and EU institutions to enable the Union to define a strong sense of collective purpose and ensure that political will in the CFSP/ESDP is backed by necessary policy instruments by January 1, 2007. The report is a reaction to the decisions the heads of state and government reached at their informal meeting in Hampton Court in October 2005. There they decided that despite the setback with ratification of the Constitutional Treaty, steps should be taken to strengthen foreign policy activity under the current treaty arrangements; this would bring the internal and external policies of the member states and the EU closer together. The report contains practical suggestions about how to facilitate the strategic and institutional interaction between the Commission, High Representative, and Council in a way that cuts across all pillars of the EU treaty.

### Flexible Institutions

The EU's external performance is dependent on its internal constitution. Yet, with eastern enlargement, the capacity of the EU to cope with the heterogeneity of 25 member states (soon to be 27 and more) appears to have reached its limits. The EU's crisis management under CFSP/ESDP will remain vulnerable to the influence of strategic interests of individual member

states. In order to bridge the gap between high expectations and reduced capabilities in CFSP/ESDP, the EU has been making more and more use of flexible integration—the idea that not every member state takes part in every EU foreign policy. Such variable geometry is already a fact of life in CFSP/ESDP. However, institutional flexibility within EU foreign policy would represent a continuation of intergovernmental policy under the EU banner. This is already happening in several institutional formats within and outside the framework of the EU treaties.

In the Amsterdam Treaty the rules on “enhanced cooperation” were introduced to prevent deadlocks caused by the principle of unanimity. The rules have been extended to CFSP but not to ESDP in the Nice Treaty (Article 27b of the EU Treaty). Every government may request that Council of Ministers meetings use qualified majority voting to decide on community action once the European Council has considered the issue. Although the minimum number of states participating in enhanced cooperation has been reduced to eight, this has turned out to be unpractical for the EU's foreign policy and thus too large for acute crisis management. The draft of the Constitutional Treaty provides for flexible integration through measures to introduce majority voting and ESDP, such as the option of “structured cooperation within the EU” (Article I-41, Paragraph 6 of the Constitutional Treaty). Accordingly all member states with the military capabilities and capacities to meet more exacting criteria for EU missions could agree on building an *avant-garde* in ESDP.

Flexibility brings risks as well as opportunities: Flexible integration in CFSP/ESDP and EU external relations certainly provides the basis for allocating tasks between member states according to geo-strategic and economic considerations. Member states welcome flexible integration in EU foreign policy and external relations so long as it is based on the treaty provisions, but are divided on action outside the EU's legal framework. Certain groups of smaller countries may drift apart and CFSP/ESDP would lack cohesion and consistency. There is a clear split between big and small countries; the latter are rarely represented in the negotiating formats that flexibility creates beyond the treaty provisions. Acceptance of enhanced cooperation among some member states outside the EU treaty framework is closely linked to the problem of input and output legitimacy of European policy.

An example of flexible integration in EU crisis management is the “EU-2,” whereby Poland, Lithuania, and the High Representative mediated between the government and opposition during the Ukrainian “orange revolution” in autumn 2004. The format and the outcome of the negotiations conducted by the EU-2 met with general approval. But again, exceptions prove the rule. Italy and the Benelux countries, and also Spain and the Czech Republic skeptical toward the so-called *Directoires*, because they are usually made up of the three large EU states (Germany, France, and the United Kingdom). For example the nuclear discussions with Iran are being conducted by the “EU-3” (Germany, France, United Kingdom, and CFSP High Representative) on behalf of the EU. The conflict resolution in



Kosovo also involves the “big three,” supplemented after long negotiations by Italy; these four member states represent the EU in the Contact Group (Russia, USA, France, United Kingdom, Germany, Italy). Italy, Spain, and the Czech Republic question the whole principle of the Directoire—partly from self-interest and partly for “communautaire” reasons. Flexible integration may guarantee more effective foreign policy, but it reaches its limits when decisions have to be translated into concrete policies. Sanctions and aid for third countries indeed require a unanimous decision by the Council and community funding respectively.

## Financial Consolidation

A European Union of twenty-five or twenty-seven states requires flexible interest groups for CFSP/ESDP, where workable majorities guarantee effective foreign policy. This presupposes that all twenty-five member states contribute to financial consolidation. The allocation to the CFSP budget line (€1,700 million) in the community budget is predictably insufficient if we consider the likely EU mission to Kosovo from 2007 onward, the EU’s biggest non-military deployment so far, to say nothing of the possible missions in Georgia/South Ossetia or EUFOR replacing KFOR in Kosovo.

According to the EU Treaty all extra-budgetary military and defense spending for EU missions must be delivered by the member states. Decisions on the individual national contribution to an EU mission or operation are therefore still a national matter (regardless of whether the contribution is non-military, military, material, or financial).

Since February 2004 the EU has had the ATHENA mechanism to administer and fund the common costs for EU operations within the CFSP framework that have military or defense implications. According to the mechanism, member states’ contributions are assessed according to GNP (Denmark is the only country that has opted out). With increasing costs for “hybrid” EU missions involving both civilian and military components, there is a growing number of shadow budgets in ESDP that are outside the EU budget. These cause not only problems for parliamentary control of EU foreign policy but also lead to growing political tensions between the large and small EU states on the issue of involvement in foreign deployments and their funding. Large states as net payers are being asked to pay relatively high contributions compared with the smaller countries.

There are two options that would partly resolve the CFSP/ESDP financial problems: it would be possible to include the funding of CFSP/ESDP in the general EU budget, which would involve the Commission and European Parliament as part of the regular budgetary procedure. EU net payers reject this option for two reasons: It would require an amendment to the treaty and mean an additional financial burden for net payers. The other option would be to establish a CFSP/ESDP fund outside the community budget that used different cost allocation rules and whose procedures for swift release of funds would allow quicker reaction for crisis management.

States that took on responsibility would receive pro rata financial support from the fund.

### **Recommendations for the Presidency and the Team Presidency**

Germany should use its time in the chair of the team Presidency (Germany, Portugal and Slovenia) and the eighteen-month program to remodel the relationship between the big and small member states and give a push to the “policy of small steps” in CFSP and ESDP with the founder states of the European Community. The basic components of foreign policy—flexibility and financial consolidation—must be seen in the context of the fiftieth anniversary of the Treaties of Rome and the mutual respect between large and small states they enshrine. Italy as a founding member of the European Community, a middle-sized country, and EU net contributor is perfectly suited to act as foreign policy “broker” and partner for Germany during its Council Presidency: Italy is against the principle of the *Directoires* such as EU-3 because their value added in comparison to EU-25 has not been substantiated. Italy only welcomes flexible formats in crisis management when they at least have international legal legitimacy, as in the case of the Kosovo Contact Group. Italy has security and defense commitments in the Balkans and the Middle East, and is currently led by the pro-European government of the former Commission President Romano Prodi.

For the period of the Presidency Germany could suggest the establishment of a foreign policy fund from which all EU missions—including hybrid ones—could be funded using a financial allocation system that maintained a balance between the large and small EU countries. In addition to democratic oversight, national parliaments and the European Parliament should guarantee that the financial provision for EU foreign policy is adequate for flexible and fast reaction in a crisis.

In the medium term the team Presidency's eighteen-month program should afford sufficient time to seek agreement on greater flexibility in EU foreign policy and to formalize the setting up of CFSP ad-hoc groups within the treaty. Thus the “enhanced cooperation” based on the Nice Treaty would have to be adapted to foreign policy reality. To safeguard both effectiveness and cohesion between the twenty-five member states, interest groups could be established according to geostrategic and financial considerations. Flexibility must come within the treaty framework or at least be the subject of a council decision by all twenty-five member states.

*Annegret Bendiek*

## EU Battle Groups and Civilian Headline Goal— ESDP Targets

The tasks facing the European Union and the German Presidency of the Council in the first half of 2007 in the area of European Security and Defense Policy derive mainly from the projects decided in the past two years and their timetables. On the military side of ESDP, two of the Battle Groups supplied by EU member states should be ready for peacekeeping and peace-enforcing missions as of January 1, 2007. On the civilian side of ESDP, the beginning of 2007 is important because that is when the first civilian crisis response teams should be trained and ready to be deployed.

### EU Battle Groups

For deployment in humanitarian crises, peacekeeping, peace-enforcement and combat missions, particularly supporting the United Nations and the Organization for Security and Cooperation in Europe (OSCE), the member states of the European Union have agreed that from 2005 they will gradually put eighteen Battle Groups on standby. Some of the Battle Groups have been supplied by one member state and some are multinational; each comprises fifteen hundred to two thousand soldiers. Within two weeks of a decision by the EU Council of Ministers and a UN mandate the groups should be able to deploy in a crisis zone to undertake stand-alone operations for thirty days without additional outside support. The basis for rapid deployment is a system of rotation guaranteeing that from January 1, 2007, there will always be two Battle Groups ready for action and able to undertake two simultaneous missions. EU membership candidates and European NATO members that are not—or not yet—EU members may also participate in these Battle Groups.

As CFSP and ESDP remain intergovernmental in nature the military contingents will stay under the control of their respective governments. This will be a particular challenge in terms of multinational cooperation in the “mixed” Battle Groups where joint training standards and standardized equipment will form the basis of combined action.

The European Union’s short- and medium-term goal must remain overcoming the following functional deficiency in the Battle Group concept: the range of tasks pursuant to Article 17, Paragraph 2 of the EU Treaty or the European Security Strategy of 2003 (“humanitarian and rescue tasks, peacekeeping tasks and tasks of combat forces in crisis management, including peacemaking”) is very broad and implicitly includes the type of stabilization missions (such as Kosovo and Afghanistan) that have emerged in recent years and which are expensive in terms of costs, manpower, and time. Against this background it remains to be seen which type of task the EU can handle with two available Battle Groups of fifteen hundred soldiers

each, possibly in two simultaneous missions. The number of Battle Groups concurrently available would need to increase if expectation and ability to deliver are not to constantly diverge.

Accordingly, the EU must extend and develop the personnel and technical capabilities of the existing Battle Groups. Ultimately the EU's operational options are limited in the light of the range of tasks it has set itself. Comparison of the military capabilities of the Battle Groups with those of the NATO Response Force (NRF) that was declared fit for deployment in 2006 illustrates the point: in contrast to NRF the EU Battle Groups have only limited sea and air support and have only a restricted capability to gain access to a crisis zone against the will of one of the combatants. In many potential deployments the projected degree of autonomy of the Battle Groups would soon bring them to the limits of their capabilities. In such cases the EU would probably be forced, under the Berlin-Plus Agreement, to fall back on NATO capabilities.

### **Civilian Headline Goal 2008**

Given the ever closer meshing of military and non-military challenges during such missions—for which reason the EU is preparing Battle Groups and the military capabilities set out in the Headline Goal 2010—the European Council approved what is known as the Civilian Headline Goal 2008. This package of measures is designed to expedite the development of the EU's civilian crisis response and stabilization capabilities by 2008, and it sets out the requirements for personnel and equipment that the EU members should use to guide their planning activities. Member states have promised to supply by the end of 2006 the first one hundred experts for the civilian response teams that the European Council agreed in 2005. They include experts from many different disciplines (including police forces and legal structures, civilian administration, and disaster relief) who would be sent to a crisis zone as soon as fighting had finished. Member states at the Civilian Capabilities Commitment Conference in November 2004 certainly agreed in principle to supply more than twelve thousand experts, but whether they would be ready to deploy within a short time frame and how long they would be available is open to question and currently under consideration as part of the Headline Goal review process.

### **Recommendations for the Germany Presidency**

**1. Check implementation of the Battle Group process.** The main task that will fall to the German EU Presidency will be to undertake an operational interim appraisal in light of the timetable that provides for full deployment capability of the Battle Groups by January 2007. In so doing it will need to check whether EU members have kept to the timetable of their promised military commitments. A suitable point of reference is that Germany, together with the Netherlands and Finland, will provide one of

the available Battle Groups in the first half of 2007. Here the German government should insist that national rules of engagement—whose inconsistency has hampered other multinational missions such as Afghanistan—be brought into line before the first potential deployment of the Battle Groups. Also, the German government in its role as EU President must encourage the first steps toward standardizing equipment, which is a necessary corollary of enhanced Battle Group coordination; it must also urge member states to make greater use of the procurement and savings potential offered by the recently created European Defence Agency. The code of conduct for greater transparency and competition in the arms market agreed by the EU ministers of defense in 2005 and since reviewed by the agency could become an important instrument in the effort to promote common military capabilities in Europe and thereby reach the Headline Goal 2010.

**2. Stricter criteria for possible deployment.** The announcement of the readiness of Battle Groups will also give the German government the task of deploying the groups in the first half of 2007 through a corresponding decision of the European Council and a mandate from the UN Security Council should the need arise. In light of the many crises and conflicts worldwide, growing expectations will be placed on the EU, particularly by the UN, to supply Battle Groups for crises interventions, for example as part of the UN mission in Darfur. Given these demands, the German government will face the unavoidable task of turning down individual EU missions because of limited military capabilities, even if they are politically worthwhile. To reduce the mismatch between expectation and capabilities the German Presidency should seek and develop links between the Battle Groups and other crisis intervention instruments, for example closer coordination with NRF starting in the planning phase, which would facilitate possible cooperation.

**3. Secure and strengthen support for Battle Groups.** Ultimately the German government will have to call on EU members also to provide the military resources for the Battle Groups in the years to 2010. This is because the majority of the planned Battle Groups will only be ready for deployment in the first half of 2007. It would be counterproductive to be too smug about what has been achieved so far because it could entice EU members to slacken their efforts, and that could cast doubt on the Battle Groups' intended fitness for action. The Portuguese and subsequent EU Presidencies will have to keep this issue on the agenda.

**4. Closer integration of military and civilian units.** A key task facing the German Presidency in the area of civilian ESDP will be to check that pledges are met and simultaneously maintain the dynamic of the member states' efforts to achieve the Headline Goal 2008. The need for close cooperation with the subsequent Presidencies is a nearly automatic result of this timetable. In light of the integrated civilian-military approach to ESDP, it would be worth considering whether both strands could be brought closer together and civilian personnel involved in the Battle Groups from the planning stage. This would shorten the response time of

these crisis intervention units and enhance certainty in planning. The civilian-military cell within the EU military command could acquire a key role here.

**5. Extension of inter-institutional links.** Finally, another priority for the German Presidency should be to expand the relations between the EU and the United Nations and the Organization for Security and Cooperation in Europe. It should spell out—citing the relevant decisions of the European Council of December 2004—under which conditions the EU could provide civilian resources for interventions by these two organizations. The experience of recent years has taught that given the abundance of “hybrid” conflict interventions, the interlinking of military stabilization and civilian reconstruction are essential to the success of any conflict settlement. For many UN or OSCE deployments the civilian ESDP resources will therefore be of major importance.

*Markus Kaim*

## **Tasks in the Extended Neighborhood**





## Reconstruction and Stabilization in the Western Balkans

Since 1999/2000 the European Union has become the main actor in the reconstruction and stabilization of the Western Balkans through the Stability Pact for South-Eastern Europe and the Stabilization and Association Process (with the perspective of EU membership). The EU also has two other major responsibilities in the Balkans:

- ▶ In the field of security, the EU fulfills or coordinates military and police responsibilities in Bosnia–Herzegovina (EUFOR and EUPM) and in Kosovo (KFOR and UNMIK Police)
- ▶ Civil administration, through the Office of the High Representative (OHR) in Bosnia–Herzegovina and under the auspices of UNMIK in Kosovo

### The EU's Tasks and Goals in the Balkans

**Short-term tasks and targets:** A functioning unitary state needs to be set up in Bosnia–Herzegovina, with the EU maintaining only an advisory presence. In order to achieve this, the constitutional deadlock must first be broken to allow the office of the High Representative of the international community, who is at the same time UN Special Representative (UNSR) and EU Special Representative (EUSR), to be transformed into an EU-only Special Representative. This step is planned for July 1, 2007. However, alongside constitutional reform, progress is also needed in other elements of the process: implementation of military reform, police reform, and reform of the intelligence services.

Kosovo (alb. Kosova) is facing the transition of the UNMIK protectorate into a largely autonomous state of Kosova (with conditional independence) with EU monitoring and shared responsibility for administration. This step should probably be accomplished during the first half of 2007.

The Stability Pact for South-Eastern Europe will expire as planned at the end of 2006. Its purpose—apart from reconstructing infrastructure destroyed in the wars—was above all to revive and promote regional cooperation. As things stand at the moment the transition from the Stability Pact to the new Regional Cooperation Council (RCC) should be accomplished by the end of 2007. The RCC will form the operative element of the Southeast European Cooperation Process (SEECPP), which has so far been a purely regional discussion forum, operating at the highest political level but without institutional structures.

**Medium- to long-term tasks and targets:** If the EU's Balkans policy is to be accepted both in the Union and in the region, it is urgently necessary that the public relations relating to the question of expansion be intensified and improved. Expansion policy must not be allowed to degenerate

into a domestic electoral issue in individual EU member states, and the EU must also make efforts to improve its visibility in the states of the Western Balkans through better public communication.

In view of the rampant enlargement fatigue in the EU and the resulting resignation in the Western Balkans, cautious consideration should be given to whether these states can be offered alternative forms of gradual, piecemeal membership, while retaining the ultimate goal of full membership. There is a danger that the accession process will stagnate once a stability and association agreement has been achieved, because the leap from association to full membership is too great. Consequently the goal must be to maintain the impetus for reform in the region.

Superficially, the region has been stabilized. Now, development must be expanded in order to consolidate what has been achieved so far. To this end the EU should define priorities in close cooperation with the receiving countries. At the center of attention are the fields of agriculture and industry, as well as strengthening and promoting regional cooperation. Sustainable economic development must be set in motion to put the region in a position to integrate into the European and global economic structures. Economic and social stability are important preconditions for political stability. An important secondary goal here is to boost local initiative and responsibility within the region.

In a broader understanding of security, the Western Balkans have not yet been pacified. As well as still harboring plenty of potential for internal conflict, this is also one of the main transit regions for various forms of transnational crime (especially narcotics and human trafficking). The EU must support the affected countries with the following issues: excluding future ethnic conflict through targeted education and reconciliation policies (involving the churches, convergence in school textbook curricula, cultural encounters), coordinated cooperation in the region and with the region on fighting organized crime, and avoiding the development of extremist Islamic groups in Bosnia–Herzegovina, Kosovo, or Albania.

### **The German Presidency's Contribution?**

The states of the Western Balkans have great confidence in Germany's EU Presidency, due to their belief that Germany possesses greater experience than other EU member states, and because in recent years Germany has been visibly more intensively engaged (both in funding and personnel). The ensuing positive expectations will have to be met in four main areas:

**Stability Pact for South-Eastern Europe:** The Stability Pact for South-Eastern Europe was basically a German "invention" and was strongly supported by Germany. Actual conversion of the Stability Pact into the form of the RCC (Regional Cooperation Council) under the Southeast European Cooperation Process (SEECp)—which all sides accept—will begin during the German EU Presidency. In the RCC the EU will be the only non-regional member alongside the ten countries of the region, but it will also be an actor within the RCC through Bosnia (which is soon to be overseen by the

EU Special Representative) and Kosovo (where the EU will take on monitoring tasks and administrative responsibilities) because the Union is relatively actively involved in their internal politics. The EU Commission will have to deal with the process of institutional transformation together with the Stability Pact's existing secretariat. Here, the German EU Presidency will have to work closely together with the Croatian SEECP Presidency to overcome the reservations that are still felt in the region (due to the transfer of staffing and especially financial burdens). The EU presidency will also be expected to create a closer working relationship between the RCC and the EU's Stabilization and Association Process and to work to keep the other (non-EU) donors on board in the institution that replaces the Stability Pact.

**Kosovo:** By the first quarter of 2007 a status solution for Kosovo should have been found—either in mutual agreement between Belgrade and Pristina (which, it must be said, is very unlikely)—or through a process set in motion to impose an externally defined solution via the Contact Group, the UN Security Council, and ultimately the UN General Assembly. During this time Germany not only occupies the EU Presidency, but is also a member of the Contact Group as an individual state alongside the EU, and its voice will therefore carry double the weight. But above all, the first steps toward implementing the status transformation will fall in the first half of 2007, when the EU will take on further responsibilities from UNMIK. Problematic side-effects are to be expected (demonstrations, political turbulence in Serbia, repercussions on the domestic situation in Republika Srpska and in northern Montenegro).

**Serbia:** Serbia experienced Montenegro's declaration of independence as yet another amputation. The Serbian state is now completely cut off from any direct access to the sea. And now comes the probable loss of Kosovo. New problems are appearing on the horizon. Demands for significantly expanded autonomy will probably be raised in Albanian-populated regions of southern Serbia (Preševo valley), in Vojvodina, and in Sandžak. Conversely, the Serb population in Republika Srpska in Bosnia-Herzegovina and northern Montenegro will increasingly direct calls for support to Belgrade, which the Radical Party and the Socialist Party of Serbia will inevitably instrumentalize for their own ends. In the worst case, organized mass demonstrations involving clashes with the police and between moderate and radical forces could lead to the collapse of state structures.

If new elections were to be held in Serbia before the end of the year, the radical and nationalist forces would probably emerge strengthened. In that case the German Presidency would face the difficult task of keeping Serbia in the EU discussions—wounded and shaken but at the same time acting with its familiar nationalistic defiance (“inat”). Then, Germany as EU President should above all attempt to address unpolitical fields such as economic cooperation where it traditionally occupies a prominent position in Serbia anyway. Stepping up support for the work of political foundations working to strengthen civil society in Serbia is to be recom-

mended, as is the expansion of scholarship and exchange schemes for Serbian young people and students.

**Bosnia-Herzegovina:** After the elections of October 1, 2006 a difficult coalition-building process and a hardening of political positions are to be expected. After that, the overdue institutional reforms—especially those designed to strengthen the central state—will have to be advanced if Bosnia-Herzegovina is to move toward EU membership. Here the EU will have to be the driving force (in cooperation with the United States), especially because it will take over the sole leadership of the protectorate on July 1, 2007.

### **Troika**

Finland has already emphasized, in the first paragraph of its agenda proposal, that the Western Balkans will play a central role in the EU's external relations during the Finnish Presidency. At the time Finland was still assuming that the final phase of the Kosovo status process and the decisions on the EU's future responsibilities in Kosovo would fall in the Finnish Presidency. Both of these are now in doubt, because it is becoming increasingly likely that the deadline will be set back, which would pass the responsibility to Germany, especially in implementing the status decisions. In any case, Germany will have to work closely with Finland in preparing action on Kosovo.

Close cooperation with the Finns on the transition from the Stability Pact to the RCC will also be possible, because Commissioner Olli Rehn has already been closely involved in the preparations.

Today it is still unclear to what extent Portugal will follow on seamlessly from the Finnish and German Balkans policies. But it can be assumed that Portugal's foreign policy priorities will not lie in the Balkans, making it even more important that Germany concentrate on getting developments in the Balkans on the right track during its Presidency.

*Franz-Lothar Altmann*

## A European Perspective for Kosovo

The critical phase of the negotiations on the future status of Kosovo will probably fall during the German EU Presidency. Even if the UN Special Envoy for the Kosovo Status Talks, Martti Ahtisaari, has announced a decisive proposal for early fall 2006, a speedy conclusion of the Vienna talks—which have been going on since the beginning of 2006—is not to be expected. The positions of the Albanian and Serbian sides are irreconcilable, as was already clear at the first conference on the future status of the province on July 24, 2006, where the leading politicians from Belgrade and Pristina took part. At the same time, Washington and Moscow are miles apart on this question. Consequentially, the international peacekeeping forces in Kosovo are preparing for the eventuality that the culmination of the status negotiations could be accompanied by increasing tensions in the region, including unrest and outbreaks of violence.

The Serbian leadership has repeatedly emphasized that it is not under any circumstances prepared to tolerate an independent Kosovo (“neither under threat nor for reward”). If Kosovo were to gain independence against Belgrade’s will, nationalists and separatists in Bosnia–Herzegovina and the Albanian-dominated areas in the Republic of Macedonia would take this as encouragement. On the other side, Albanian representatives insist, without regard for the consequences, that they will accept nothing less than independence. For them, dropping their demand for the unification of all Albanian-populated territories in the region is in itself already proof of their own great willingness to compromise.

### Kosovo’s European Perspective

Nonetheless, the European Union has agreed to act as the “driving force” of a future international presence, after a settlement on a new status for Kosovo and the withdrawal of the UN. The EU’s self-imposed responsibilities were expounded in a joint report by the High Representative for the Common Foreign and Security Policy (CFSP), Javier Solana, and Enlargement Commissioner Olli Rehn at the meeting of the EU foreign ministers on June 17, 2006. As well as economic and fiscal questions, central issues will include implementation of the status solution and “an important role in the rule of law area.” Additionally, the “international presence” will also “need to have some limited intervention powers to ensure that the status settlement is implemented.”

These tasks will call for lasting diplomatic commitment and will draw on the political, military, and financial resources of the EU and the individual member states. In future the EU will thus have to bear not less but

more responsibility for the stability and development of the whole Western Balkans region.

If the EU is to achieve long-term success it will have to create a correspondingly favorable starting scenario. Within the CFSP framework, that would mean exerting greater influence on the progress of the Kosovo negotiations than it has to date. Right at the beginning of the Vienna talks the impression arose that the political agenda was being set above all by the United States. At the same time Russia moved increasingly sharply into opposition to the course set by the United States for the Kosovo negotiations. If the EU really wants to become the “driving force” of the conflict transformation in Kosovo *after* resolution of the future status, then it must make sure its views are included to the greatest possible extent in the negotiating process *before* the decisions are made.

Necessarily, the EU can only be interested in a status solution that leaves neither of the affected parties looking like the loser. Only if Albanians and Serbs can support the solution together does it stand any chance of lasting success. And only under these circumstances can the EU actually succeed in acting as the driving force of long-term conflict transformation in this part of south-eastern Europe. Otherwise the region threatens to spiral deeper into ethnic conflict and violence.

The Council of the European Union called on October 7, 2005, for a lasting solution to the Kosovo question that would allow both Belgrade and Pristina to make progress toward coming closer to the EU. However, there is currently no precise plan in sight as to how and when the Western Balkan states could actually join the EU. No timeframe has been defined within which the Western Balkan states would have to meet the Copenhagen criteria and other conditions, even though naming a concrete date, more than anything else, acts as a decisive incentive for fast, far-reaching reforms (as the examples of Romania and Bulgaria show). Nor is it obvious how the Western Balkan states can overcome newly erected barriers to membership (such as the French constitutional amendment of 2005, which demands a referendum over the admission of each new member). At least within some of the “old” member states, resistance against new rounds of expansion is hardening.

But in the eyes of Albanian and Serbian representatives, EU membership represents the only chance of political and economic development for Kosovo and the region. In their future joint reports on the EU’s Western Balkan and Kosovo policies, Solana and Rehn should develop that point and unambiguously underline the aspect of conditionality. Economic aid and closer relations with the EU should—already now with the Finnish Presidency—be tied to willingness to compromise shown by both sides at the Vienna talks. The EU should also refuse to accept any further responsibilities from the UN in Kosovo until a solution for future status that enjoys the support of both sides has been found.

## Russia's Interest in the Kosovo Question

The United States wants a solution for Kosovo on the basis of independence supervised first and foremost by the EU, and wants it before the end of 2006. Moscow, on the other hand, rejects that kind of deadline and demands that "universal" rules be applied: If Kosovo is to become independent then the same option should remain open to the Russian-influenced breakaway regions of former Soviet republics (South Ossetia and Abkhazia in Georgia, the Armenian enclave of Nagorno-Karabakh in Azerbaijan, and the Trans-Dniester Republic in Moldova).

Russia's President Vladimir Putin seems to have promised Serbian Prime Minister Vojislav Koštunica at a meeting in June that Moscow would not permit any in the UN Security Council any solution for Kosovo that would be imposed on Belgrade. Serbia's stance has hardened noticeably since this meeting.

At the end of the G8 summit in St Petersburg in mid-July 2006, President Putin, speaking in the name of all the G8 leaders, called on the Albanian and Serbian sides to show willingness to compromise. Moscow and Belgrade's idea of a compromise for Kosovo would mean no formal independence for the province but the greatest possible degree of self-administration. At the same time, Putin insisted on "full control" for the UN Security Council over the further course of the Kosovo negotiations. This means that a binding decision on a status solution can only be made by way of a new resolution, and such a resolution requires the agreement of Russia and China. UN resolution 1244, passed in 1999 and still valid, confirms that the province belongs to Belgrade under international law.

## Germany as Honest Broker

The political foundations for a Kosovo solution need to be laid on three levels:

- ▶ in contacts with Pristina and Belgrade
- ▶ between the poles of Washington and Moscow
- ▶ within the EU, in order to secure the member states' commitment and willingness to bear military risks and to finance economic aid for the Western Balkans

There can be no doubt that in the course of the upcoming EU and G8 Presidencies Germany will have to look for ways out of the crisis on all three levels of activity. Germany is one of the most active members of the Balkan Contact Group (alongside the United States, Russia, Britain, France, and Italy). While London follows Washington's lead on the Kosovo question, Paris and Rome have so far given this question only limited attention due to domestic distractions. During its EU Presidency and beyond, Berlin, on the other hand, will remain one of the most important international political hubs in the Kosovo solution. Helsinki, Lisbon, and Ljubljana, which hold the EU Presidency before and after, consult closely with Berlin on Kosovo.

At the “micro-level” of the search for a solution to the status question the German government is recognized by Belgrade and Pristina as a trustworthy discussion partner. For the actors of the “macro-level,” Washington and Moscow, Berlin is also a preferred partner in general. More than at any other time in the fifteen-year post-Yugoslavia crisis, Germany can play the role of honest broker for solving the problems of this region.

There is certainly a danger that the UN mediators will not find a way to steer the Kosovo negotiations to a mutually acceptable conclusion. If the talks fail, there is a threat of serious clashes and ensuing chaos returning to the Western Balkans at the beginning of 2006. In that case the United States, in particular, could be inclined to enforce a quick solution without regard to the political costs in Europe. As President of the EU and the G8, Germany would face a situation recalling the crisis of 1999, when Germany was President of the G8 when considerable tensions blew up with Moscow and within the Western alliance in the course of the NATO intervention against Serbia.

At that time Germany led calls for a Stability Pact for the Western Balkans and efforts to tie the region more closely to the EU. The goal was to open up a real perspective for the region. Similarly, in 2006/07 the only realistic means to stabilize the region in the long term is to grant a clear perspective of admission to the EU with a firmly defined timeframe. Specifically, a timetable is needed for the Western Balkan states’ accession to the EU that is tied above all to the implementation of the Copenhagen criteria and should be adopted before the end of the German EU Presidency. That would offer a concrete alternative to nationalism and separatism and make the search for a mutually agreed Kosovo solution considerably easier. It is, however, uncertain whether all EU member states would be willing to make such clear promises.

*Dušan Reljić*



## Containing the Risk of Escalation in the Trans-Dniester Republic

When Romania joins in 2007, the Republic of Moldova will become an immediate neighbor of the European Union. Not least thanks to the intensified engagement of the EU, the circumstances for finding a solution to the unresolved territorial conflict between the Republic of Moldova and the breakaway Trans-Dniester Republic have, on the face of things, improved. Last year the EU opened a representation in the capital, Chişinău, and named a permanent representative charged with working to resolve the Trans-Dniester conflict. The EU also launched the EUBAM observer mission on the Ukrainian border with the Trans-Dniester Republic and received—alongside the United States—observer status at the negotiations over the future of the Trans-Dniester Republic. The Orange Revolution has awakened expectations that Ukraine can be relied on to be cooperative in these negotiations, and the Moldovan general elections of March 2005 were won by the governing party of President Vladimir Voronin, which has been able to continue its pro-European course with a broad parliamentary majority.

Paradoxically, despite these developments, the chances of a fast, mutually agreed solution to the Trans-Dniester conflict have not increased. There has been no progress either on the withdrawal of Russian troops and military equipment from the—internationally unrecognized—Trans-Dniester Republic or on the restoration of the territorial integrity of the Moldovan Republic. The Moldovan government's proposal to replace the Russian peacekeepers with an international force has been rejected by both Moscow and the Trans-Dniester Republic.

### Russia's Policy in the Trans-Dniester Conflict

Empowered by sharply increased revenues from its natural gas sales Russia has been for some time been pursuing its interests through increasingly assertive policies that do not shy away from conflict. Moscow has interpreted the victorious “revolutions” in Georgia and Ukraine and not least the abrupt pro-Western turn in Moldova as a progressive penetration by the EU and NATO into a sphere of influence that Russia explicitly claims as its own. The EU's increased involvement in Moldova fitted into this pattern of understanding. Accordingly, Russia's policies are still oriented on retaining influence in Moldova, expanding its economic sphere of influence, and ultimately once again stationing its own troops across the whole territory of Moldova. The breakaway Trans-Dniester Republic fulfilled a central function here. The Russian troops stationed in Trans-Dniester Republic can be used to exert political and military pressure to lend weight to efforts to gain a degree of control over Moldova's domestic and

foreign policy and above all to prevent it from coming closer to the EU and NATO. The Russian leadership has never been willing to accept negotiated solutions that would have meant giving up this asset.

The leading elite of the breakaway Trans-Dniester Republic has just as little interest in any solution to the Trans-Dniester conflict that would strengthen the unitary Moldovan state and serve Chişinău's pro-European course. Its interest is in consolidating and expanding its own power base, to allow it to continue its profitable illegal transactions in an undemocratic autocracy under Russian protection.

The relative calm in the Trans-Dniester Republic is deceptive. Moscow is continuing unabated its policy of economic and political destabilization. The Kremlin's calculation appears to be that this course will undermine the Moldovan population's confidence in its own government and its pro-European course and ultimately to bring about a change of leadership or policy in Moldova. If this approach of low-level escalation fails to achieve its goal, Russia might step up its destabilization efforts and weigh up a strategy of "thawing out" or even "heating up" the Trans-Dniester conflict, which has been frozen for years.

### **Degeneration of the Status Quo or Escalation of the Conflict?**

At the beginning of August Moldova's President Voronin presented Russia's President Vladimir Putin with a last-minute plan for a peaceful resolution of the conflict, proposing an end to the peacekeeping mission and the withdrawal of the Russian peacekeeping troops from the Trans-Dniester Republic. In return, Voronin promised broad autonomy for the Trans-Dniester Republic as well as a permanent promise of Moldovan neutrality, which would have amounted to relinquishing the option of joining NATO. However, the chances of Russia accepting this proposal appear rather small.

The German government should prepare for two possible negative developments during its EU Presidency: a humanitarian emergency in Moldova, which could occur if the Russian government maintains (or steps up) its economic pressure (increasing gas prices, stopping imports of Moldovan wines, etc.) and/or an escalation of the conflict.

If it came to the conclusion that political and economic blackmail could no longer force Moldova to accept Russian hegemony, the Kremlin might use military means to escalate the situation there. Moscow could also be tempted to use a violent conflict on the EU's eastern border to drive up the price of what Russia perceives as EU and NATO interference in its own sphere of influence.

The leadership of the separatist Trans-Dniester Republic is again taking steps to escalate the conflict, as it did in 1992. For September 17, 2006, the leadership in Tiraspol is planning a referendum on independence for the Trans-Dniester Republic and its union with Russia. The threats of secession from Moldova may be as old as the breakaway republic itself, but this time Russia is openly supporting the separatist moves. Currently reference

models for an independent Trans-Dniester Republic are being discussed not only in the Trans-Dniester Republic itself, but also by Russian politicians. The *Turkish model*, first raised publicly by Vladimir Putin in February 2006, draws on an analogy to the recognition of an independent Northern Cyprus by Turkey. Since Montenegro left its confederation with Serbia following a referendum the *Montenegrin model* has been cited increasingly often. The *Kosovan model* points to the possibility of recognizing the secession of a non-state entity in international law. Recently, a *historical argument* for the Trans-Dniester Republic's right of secession can be heard too. According to this school of thought, the Trans-Dniester Republic declared its independence on September 2, 1990—not from the Republic of Moldova, which only later became independent, but from the then still extant Soviet Union.

If the Trans-Dniester Republic really does break away, Moldova would face a fateful decision: either to accept the territorial loss and continue its policies of modernization and closer relations with the EU—or to reunite with the breakaway Trans-Dniester Republic in the course of a return to the Russian sphere of influence and abandon modernization and Europeanization. In the unlikely event of the Moldovan government using military force to prevent the Tiraspol leadership from separating it would have scant prospect of success, because the Moldovan armed forces are clearly inferior to those of the Trans-Dniester Republic, which—as in 1992—can rely on Russian support. A military defeat would have the same consequence, of placing the whole Moldovan Republic in the Russian sphere of influence.

### Considerations for the German EU Presidency

Whichever option the government in Chişinău were to take, the EU must be ready to take a clear position and to implement it in common foreign and security policy activities.

In the case of a supply crisis the EU should be in a position to quickly set in motion concrete aid measures to ensure supplies of electricity and natural gas, and possibly food too, to the Moldovan population. Beyond that, the EU should also support Moldova's efforts to free itself as quickly as possible from its two-fold dependency: on energy supplies from Russia and the Trans-Dniester Republic and on exports to Russia. The EU should implement concrete measures (for example liberalizing market access for Moldovan agricultural products or easing visa restrictions) designed to show ordinary Moldovans that the advantages of the Europeanization policies pursued by the government in Chişinău outweigh the concomitant risks and disadvantages. On the other side, Russia is offering free movement of labor, capital, and goods; a deal on debt; dual citizenship; and visa-free entry to its territory.

However, should it come to a violent escalation of the conflict in the Trans-Dniester Republic, all involved are perfectly aware that the EU cannot and will not intervene militarily. So the EU's foremost concern

should be to exhaust all the diplomatic options for dissuading Russia from supporting secession. Recognition of a separate Trans-Dniester Republic by the EU should be excluded in no uncertain terms.

If the Trans-Dniester Republic were to break away nonetheless, the only way to prevent destabilization of the rest of Moldova would be for the EU to clearly demonstrate to Moldova the resulting advantages. Without the Trans-Dniester Republic, Moldova would be able to exert control over its territory more effectively, defend its borders better against hard and soft security risks, and more successfully advance the democratization and reform processes. Only a clear perspective of EU membership (not necessarily with a precisely fixed date) would be able to compensate the population and leadership of Moldova—whose *raison d'état* is territorial rather than ethnic—for the loss of the eastern territories (over which it has long had no actual control).

Independently of the question of a possible escalation of the conflict over the Trans-Dniester Republic, the German EU Presidency should do some fundamental thinking about the state of and perspectives for European neighborhood policy in this region. In terms of its geographical position and historical traditions, Moldova is a country of south-eastern Europe, and even suffers a Balkan-style conflict within its own territory. So it would only be logical to conclude a stabilization and association agreement with Moldova, like those already concluded with the states of the Western Balkans. At the end of the process so initiated, could stand—and be it only implicitly and by analogy—the perspective of integration. Moldova should also be offered, more generously than to date, the possibility to shift the focus of its regional cooperation to south-eastern Europe. In Moldova fast progress on the path to Europeanization could be achieved through the application of a comparably small amount of EU funds. That investment would ultimately also have a favorable effect on the process of Ukraine (and possibly also Belarus) developing closer relations with the EU.

*Anneli Ute Gabanyi*

## A Multilateral Security Architecture for the Persian Gulf

The magnitude of the security deficits in the Persian Gulf region is best highlighted by the current controversy over the Iranian nuclear program. The EU Group of Three has failed to gain any meaningful Gulf Arab support for its negotiating position, even though the states of the Gulf Cooperation Council (GCC) especially fear Iran's hegemonic aspirations. An Iran capable of building atomic bombs could spur the council's leading power, Saudi Arabia, to develop nuclear weapons too. Iran's outsider position leads to grave problems in Iraq, too, where Tehran's influence leads to direct confrontation with the United States. American hegemony in the Arab part of the Gulf is itself problematic. Paradoxically, the American forces guaranteeing the security of the GCC states on the basis of bilateral defense agreements (130,000 American troops in Iraq, 20,000 in Kuwait, and 12,000 in the GCC bases) actually endanger the security of these states that are so crucial to the stability of global energy supply. Large sections of their populations reject the American presence and feel that their regimes are further delegitimized by their military dependency on the West. Other security risks emanate from the Iraq conflict and the way the policies of the United States and its allies are perceived. Radical Islamist groups enjoy a steady flow of recruits and confessionalist agendas are boosted.

The European Union has a fundamental interest in securing resources, effectively combating terrorism, and containing regional conflicts. It should not hesitate to pursue these interests more actively.

### Asymmetries, Antagonisms, and Threat Perceptions

The security situation in the Persian Gulf stands on a knife edge, for two main reasons.

Firstly, this is a region of asymmetrical power constellations. Two states aspire to regional hegemony (Iran and Saudi Arabia). Those Arab Gulf states that have significant Shiite populations harbor the (absolutely justified) suspicion against *Iran* that parts of the Iranian establishment are politically stirring up the Arab Shiites in the Gulf region. They also have little confidence in Iran's willingness to cooperate. Tehran's refusal to take the Iranian occupation of three UAE islands to multilateral negotiations or the International Court of Justice only serves to exacerbate mistrust. *Saudi Arabia*, which also claims the status of leading power within and beyond the Gulf Region, places more weight on diplomacy and little on military threat. The five *small Gulf states* (Bahrain, Qatar, Kuwait, Oman, and the United Arab Emirates) are military dwarfs, but—thanks to their alliances with the United States—have been able to emancipate themselves

from Saudi tutelage. *Iraq*, which has historically demonstrated the greatest aggression (Iran-Iraq War 1980–88, invasion of Kuwait in 1990), will not be able to claim any kind of hegemony in the medium term. *Yemen*, finally, is isolated. Although not strictly speaking a Gulf state, it is struggling like its northern neighbors with the problem of Islamic fundamentalism. The *United States* must also be regarded as a de facto regional power due to its level of involvement.

Secondly, in this region there are no forums—not even in a rudimentary institutional form—that could bring together Iraq, Iran, the GCC states, and possibly Yemen at one table. Accordingly there is no cooperative *code of conduct*, still less any regional conflict resolution mechanism. That said, the region is not generally understructured. The exceptionally rigid security structures created by the bilateral ties between the GCC states and the United States have deprived these states of any sense of their own options for action.

The security deficits of the Gulf region are obvious. Existing bilateral agreements—both with external states (the United States, Great Britain, and/or France, or Syria in the case of Iran)—have not to date improved security in the Persian Gulf. Consequently there is a need for a forum that allows the competing states to articulate their problems, and ideally to resolve them as well.

### **The EU Should Make Use of the Changing Mood in the Region**

The time appears opportune for a subregional security initiative. Although the threats perceived by the actors may differ (the Arab states feel threatened by the Iraqi civil war and the Iranian nuclear program; the Iranians by American encirclement), they are intense enough in all cases, and the GCC states at least have begun to think about subregional security solutions. The December 2005 GCC summit in Abu Dhabi saw the first discussion about creating a WMD-free Gulf region—without making the usual nexus with Israel. Even though the connection reappears in the summit's concluding statement—due to the intervention of the secretary-general of the Arab League—an openness toward a subregional approach is nonetheless discernible.

The EU is perceived less as a party to the conflict than the United States. This applies especially to Iran, whose incorporation in a multilateral security structure represents the biggest challenge. The EU's long-standing good relations with the GCC have been deepened still further by the conclusion of a free trade agreement, and the changing Iraqi governments have often called on Europe to play a more active role too. In the Strategic Partnership with the Mediterranean and the Middle East, the European Council in 2004 took a fundamental decision to adopt such a role. The EU's proven expertise in setting up subregional structures (for example the Balkan Stability Pact) makes it a particularly credible initiator for a multilateral forum.

All the Gulf states see reducing the American military presence as a matter of urgency, albeit for different reasons (the Arab regimes have domestic concerns, the Iranians genuine security worries). Although the EU should emphasize such troop reductions as a potential outcome of a regional security structure, this project is of course unrealizable without the American administration. Here, the EU must make it clear that its efforts are to be understood as complementary to the GCC states' bilateral agreements with the United States. The same applies to the Istanbul Initiative (ICI) agreed by NATO in 2004, which raises a vague prospect of security cooperation.

The German Presidency should therefore place the Gulf security structure on the EU's agenda and at the same time conduct talks with the American administration. The inherent possibility of the United States finding its way back to a more productive relationship with Iran through indirect contacts should be especially emphasized in the talks.

The German Presidency is in a particularly good position here. Compared to the other EU member states, Germany maintains close relations with Iran, and Foreign Minister Frank-Walter Steinmeier was continuing the line of his predecessor when he reiterated the importance of the Gulf region for the new government. The Gulf states' interest in closer relations with Germany has been greatly stimulated by this (to date largely verbal) policy. Acting as the driving force behind a security initiative would be the ideal opportunity for Germany to satisfy this interest.

### **The ARF Model**

The ASEAN Regional Forum (ARF) could serve as a model for a multilateral forum. Unlike the CSCE process, which was negotiated between entrenched blocks, the ARF encompasses states that are embroiled in prolonged asymmetrical conflicts (including China and North and South Korea), as well as states that are geographically outside the region but active within it (EU and United States). Like the Gulf region, the ARF includes states with fundamentally different political systems. The ARF was designed to be open to enlargement and has different constellations of states working on different issues. Because the members do not relinquish sovereign rights, their agreements are based on consensus, which leads to gradual progress rather than spectacular breakthroughs.

This model appears to be suitable for the Gulf region. It would be no problem to include Yemen in issue-based working parties, and the same applies to an (initially) issue-based expansion to include other Arab League states to which some Gulf states already have close security ties (for example Jordan). But the biggest advantage of the ARF model lies in the possibility to integrate external actors who have pronounced interests in the region and/or the power to block developments as members and mediators: the United States, the EU (rather than individual member states), Russia, and China.

Like in the ARF, work should begin with those questions that promise benefits for all sides. Bilateral agreements concluded in recent years between individual states in the Gulf region illuminate the spectrum: demarcation of land and sea borders, and questions of internal security in an era of transnational risks that have become particularly urgent as a consequence of the slow statebuilding process in Iraq (fighting terrorism, organized crime, drug trafficking, and illegal migration). The forum should begin with these aspects before moving on gradually to the “hard” security issues.

### **Concrete Steps**

In an implementation phase following exploratory talks with the United States, with the governments of the states concerned in the region, and with the external partners, the EU should lay the foundations for the regional forum one step at a time. Firstly, the EU should encourage working-level multilateral meetings on one of the “soft” issues. Here external actors should remain behind the scenes in order to lend the greatest possible weight to initiatives from the region. Secondly, these meetings should be made a regular fixture, on the way to ultimately institutionalizing them at ministerial level. Thirdly, a start should be made with confidence-building measures; initially with those that increase transparency (for example working visits by officers from military academies, invitations to observe maneuvers, participation in the UN Conventional Arms Register), before progressing to cooperative measures (for example joint police operations against smugglers, ultimately also joint patrols and maneuvers). Fourthly, the states should agree to abide by cooperative conflict resolution procedures. For purposes of monitoring, the process should be endowed with a certain degree of institutionalization, for example by setting up a joint secretariat.

It may be that today’s realities make the setting up of such a multilateral security forum seem a long way off; but one thing should be clear: No other alternative would offer more enduring prevention of recurring conflicts with significant global escalation potential.

*Katja Niethammer / Guido Steinberg*



## A Political Strategy for Central Asia

The EU has expanded its relations with the states of Central Asia since fall 2001, in step with the region's growing geostrategic importance. In October 2002 it added a strategy for the region as a whole to the existing bilateral agreements with Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan (a Partnership and Cooperation Agreement with Turkmenistan was signed in May 1998 but has not to date been ratified). This move was motivated by the realization that the goals of cooperation between the EU and its Central Asian partners—the strategy paper lists: promoting stability and security in the region, eliminating sources of political and social tension, and improving the climate for trade and investment, as preconditions for consolidating democratic and free market structures—require a regional approach and enhanced integration of the Central Asian states in international organizations. In order to increase the impact and visibility of support provided by the EU through the Technical Assistance for the Commonwealth of Independent States (TACIS) program, the annual funds provided have been increased from €25 million to €50 million.

Another sign of the growing importance for the EU of relations with the states of Central Asia was the appointment of a special representative for Central Asia in July 2005, underlining the EU's intention to take on a more active role in the region, to deepen its political dialogue with the relevant actors, and to endow its involvement with enhanced political coordination. In this context, the plan to renew and politically underpin the Central Asia strategy (which expires at the end of 2006) during the German EU Presidency gives a clear signal that the EU intends to stick to the chosen course and play a greater role in international politics in Central Asia.

### Difficult Partners

This faces the EU with a delicate task. The states of Central Asia are still a long way from having democracy and free market economies—whose sustenance forms the overarching goal of cooperation—and the prospects are not good. The region's growing strategic military importance in the course of the war on terror offered its ruling elites a welcome excuse to exploit to the full the state's monopoly on violence to maintain their own grip on power. The "color revolutions" amplified these authoritarian tendencies, culminating in the massacre of Andijan in May 2005.

In the meantime there is no ignoring that the premises of European involvement in the region are no longer or only very limitedly shared by the Central Asian partners, given that calls for democracy and free markets endanger their own positions of power. Accordingly, considerable effort has been put into blocking the formation of democratic and market struc-

tures in the name of “national security” or the fight against terror. Here, the regional rulers can rely on the support of Russia, which has been able to revive and consolidate its influence in the region in recent years. At the heart of the renewed strategic partnerships with Moscow are the expansion of security cooperation—both bilaterally and in the regional frameworks of the Collective Security Treaty Organization (CSTO) and the Shanghai Cooperation Organization (SCO)—and economic relations, especially in the energy sector. Via its state-owned enterprises, Russia has come to control most of Central Asia’s infrastructure for exporting oil, gas, and electricity, and thus most of the region’s energy exports.

This is especially unsettling for the United States, which is undertaking its own considerable diplomatic efforts to intensify its security and energy relationships with the states of the region and to contain Russia’s influence in Central Asia. The concomitant resuscitation of geopolitical perceptions has led to the EU being increasingly confronted by demands from the ranks of its members to pursue European interests in Central Asia more purposefully than before. That would imply that the EU position itself as a geopolitical actor in the region.

### **Geopolitical Miscalculations**

Such demands are fueled above all by worries about Europe’s energy security and the associated unease over long-term dependency on Russia as Europe’s most important energy supplier. However, if we consider the interdependencies in the post-Soviet states, then cold water must be poured on hopes of being able to reduce Europe’s energy dependency on Russia through closer energy cooperation with individual Central Asian states. Russia itself depends on Central Asian energy reserves in order to meet its supply obligations to Europe, and will consequentially defend its energy interests in Central Asia. Conversely, for the Central Asian states, which are closely bound to Russia in a complex web of relations, a productive relationship with their powerful neighbor is of vital interest—for domestic reasons apart from anything else.

In view of that, too much should not be expected of bilateral cooperation or energy partnerships with individual Central Asian states. Experience shows that they are often motivated by short-term tactical calculations and are therefore not necessarily lasting. Furthermore, we should be clear about the risk that bilateral advances courting the favor of Central Asian energy suppliers would be instrumentalized there for domestic political purposes and thus compromise the overarching goals of cooperation. At least in the past, diplomatic and security advances toward the Central Asian states have led to intensified repressive tendencies there and thus fanned social and political tension. This has had negative effects on the trade and investment climate and hardened the existing obstacles to development.

## Interdependency as Opportunity

Rather than configuring its policies geopolitically—which would increase the competition for Central Asia’s resources and thus inadvertently contribute to destabilizing the region—the EU should accept the existing interdependencies and recall its primary *raison d’être*: safeguarding its own interests through cooperative diplomacy directed toward the establishment of stable alliances. Mutual interdependencies in no way endanger Europe’s energy security. Rather, they are advantageous for Europe’s energy security, because they force the involved actors to cooperate—and the reluctance displayed in the process should give no grounds for alarm. But all the more should the EU’s Central Asia policy be directed toward focusing the involved actors on the idea that in the long run cooperative approaches are more profitable than a policy of competing over uncertain short-term advantages and in the process losing potential synergies.

However, a political approach of this kind demands patience, and it requires unanimity on the rules of the game. A political strategy for Central Asia will have to begin by negotiating these rules. The EU should grasp the Central Asian states’ wish for improved access to the EU market and closer trade relations as an opportunity to deepen political dialogue and supplement the (to date predominant) bilateral approach with a multilateral track. In the process, the EU should look for opportunities to involve the most important external actors in the region (first and foremost Russia, but also China, India, and Japan) in the political dialogue and to expand it to questions of governance. Use can be made of the global ambitions of these states. Russia, China, India, and Japan have repeatedly signaled that they would like to be recognized by the international community as global political actors that are capable of taking on responsibility for questions of global security and governance—and willing to do so.

Obvious topics for beginning the political dialogue can be found in those fields where there is a strong convergence of interests, namely, the economy, trade, and energy security. These fields also open up opportunities to improve intergovernmental cooperation and to more strongly integrate the states of Central Asia in international organizations. At the same time, the shared interest in these issues should be used as a vehicle to deepen the exchange about the values inherent to EU partnerships, whose essential elements are respect for democracy, human rights, and the rule of law. The EU should not allow itself to be drawn into abandoning these elements—which are central qualities of its external relations—for opportunistic reasons, nor can it afford to do so either if it wishes to retain its credibility among its partners and its own domestic public. However, in this case it is imperative that the EU behave convincingly as a multilateral actor, as an economic and value community whose member states speak with a single voice.

The way a political dialogue is conducted is of decisive importance for its quality and effectiveness. Rather than starting with the partner’s democratic deficits, the workings, goals, and activities of the EU should be

addressed. The EU system with its institutions, decision-making mechanisms, and control instruments (of which most Europeans have only rudimentary knowledge themselves) is a black box for most of its partners, and this impenetrability keeps them at arm's length. The EU, therefore, would be well advised to de-ideologize the political dialogue by designing it as a kind of comparative study of political institutions. Additionally, resources should be provided for a broad-based information campaign about the EU and its programs in Central Asia.

Germany is ideally positioned to take on the role of chair and mediator in such an expanded dialogue. It is the only EU member state that has its own embassy in the five Central Asian states, and maintains good relations with all of them. As Finland's representative in the second half of 2006 and probably Portugal's in the second half of 2007, Germany practically holds the local EU Presidency from now through until the end of 2007. Germany thus bears the responsibility of coordinating the EU's activities and communication during this whole period. This is an opportunity that can and must be grasped to enhance and systematize the political dialogue with the Central Asian partners.

*Andrea Schmitz*

## **Relations with the Major Powers**



## Integrating the Atlantic Economic Area

Unless efforts are increased, the summit-level bilateral dialogue between the European Union and the United States that was revived in 2004 could again get bogged down by administrative resistance and end in non-committal talk. That will certainly be the case if the mutual recriminations that accompanied the abandonment of negotiations in the WTO's Doha Round rebound into bilateral Euro-American economic diplomacy. Under these circumstances the German EU Presidency bears a special responsibility in preparing the next bilateral summit with the United States in the spring of 2007. Against the background of recent clear improvements in Euro-American (and especially German-American) relations, and of economic recovery in Germany and the euro zone, this is the best opportunity in a long time to launch a new broad initiative for deeper, institutionally well-anchored Atlantic integration. Rather than weakening the WTO in its current crisis, this could in fact strengthen the leadership role of the EU and the United States in the WTO.

### The Limits of the Current EU-USA Integration Dialogue

The original intention of the summit dialogue, when it was set up following the end of the Cold War, was to give Euro-American relations a second institutional framework—alongside the North Atlantic Alliance—with a focus on economic questions as the EU's central concern. Guiding principles for this were laid down in the New Transatlantic Agenda (NTA) of 1995.

The NTA gave concrete shape to a bilateral negotiating process that was also supported with detailed proposals by the Transatlantic Business Dialogue. But the negotiations made little progress in dismantling political and administrative barriers to transatlantic economic relations. In 2002, as relations deteriorated in connection with the Iraq crisis, the process practically came to a halt.

When, at their June 2004 summit meeting at Dromoland Castle in Ireland, the EU and the USA agreed to make a fresh start it was decided, in view of past experience, to cautiously revive the bilateral integration dialogue not by deepening it but by expanding it to include new fields. But this new start, too, threatens to get bogged down at the administrative level unless political leaders on both sides put their weight behind a more ambitious approach. Although the Transatlantic Economic Integration and Growth Initiative—the most important document of the 2005 summit—and the ensuing work program of November 2005 initiated a great number of individual dialogues, what is lacking is the seriousness and commitment that would be conveyed by a clear goal agreed at summit level: a comprehensive agreement on transatlantic economic integration.

## An Agreement for the Atlantic Economic Area

The European Union has experience in negotiating comprehensive integration agreements with other countries. In view of the size of the market involved and the special economic and political factors in the relations between the two powers, an agreement on an Atlantic Economic Area would present completely new challenges, but in the light of the experience of bilateral negotiations with the United States, it must be regarded as a real possibility.

From the European perspective, such negotiations have been successful in those cases where Brussels was able to conduct them from a position of relative strength. That applied, for example, to the two agreements of 1991 and 1998 on competition policy and to the 2004 agreement on satellite navigation systems that regulated the coexistence of the European Galileo system and the American GPS. The same could also apply to a resolution of the Airbus/Boeing conflict over subsidies in civil aircraft manufacturing and for the still-uncompleted negotiations on liberalizing air travel in the Atlantic Economic Area by creating an “Open Aviation Area.”

From the point of view of Americans and Europeans alike, sectoral deals have clear advantages over all-encompassing agreements. By proceeding sectorally, compromises can be reached in those fields where economic self-interest in market access or dependable ground rules is particularly strong, while on the other hand, fields where these advantages are outweighed by an interest in denying foreign suppliers and investors improved market access can be excluded from the negotiations. However, the experience of GATT rounds to date shows that ultimately the key to success lies in wide-ranging agreements with the diverse and flexible possibilities they offer for offsetting concessions against one another. Here, in view of the complex web of interests, it is more difficult for the domestic protectionist opposition to mobilize than in the case of single-issue negotiation.

So far the EU has failed to tie together the individual negotiating fields to an overall package, and in the process has wasted political leverage in the bilateral dialogue. It should harness its existing strengths in a comprehensive negotiation strategy rather than taking the path of apparent least resistance to set up single-issue agreements.

But even without such consideration of negotiating tactics, there is a lot to be said for giving Euro-American integration policy the prospect of moving toward a comprehensive transatlantic agreement. Although the closely interlinked transatlantic economic area remains the most important interregional economic relationship—as demonstrated in the much-cited American political studies by Daniel Hamilton and Joseph Quinlan (including *Partners in Prosperity*, Washington 2004)—in recent years Atlantic economic relations have stagnated at a high level, and for both the United States and the EU the dynamic of growth in trade and direct investment has shifted from the transatlantic axis to their own respective integration spheres (NAFTA and Eastern Europe respectively) and to China. For example, in 1990 American trade with China was just 10 percent of its



trade with Europe, while by 2005 this figure had grown to almost 60 percent. The same applies to the EU: its trade with China in 1990 was just 10 percent of its trade with the United States, while by 2005 this had grown to more than 50 percent. Further dismantling of regulatory barriers to trade and investment and a gradual convergence of the regulatory frameworks in the Atlantic Economic Area could improve the global competitiveness of investment and employment on both sides of the Atlantic and give new impetus to bilateral economic relations.

Even at the multilateral level, in view of the power shifts resulting from the rise of new trading powers and the unstoppable regionalization of the world economy, a regional integration agreement for the Atlantic Economic Area would increase the weight of the Atlantic partners again rather than weakening the WTO. Developing and newly industrialized countries are currently coming to realize the disadvantages of diverse, overlapping regional free trade agreements, such as their administrative expense and often asymmetrical distribution of cost and benefit. Furthermore, in the same way that the EU internal market opened up new prospects for multilateral dismantling of regulatory barriers to trade in goods and services, deeper integration of the Atlantic Economic Area could help to give new impetus to the global opening of the goods, services, and capital markets within the framework of the WTO.

Thus this would in no way represent an impediment to a resumption of multilateral negotiations in the framework of the WTO's Doha Round, which should be urgently pursued after the November 2006 American congressional elections. On the contrary, the unavoidable inclusion of agricultural trade in a comprehensive Atlantic integration deal would send a strong signal to the other major WTO actors that the Europeans and Americans were willing to show leadership.

### **Opportunities and Responsibilities for the German EU Presidency**

In 2005, when the bilateral process revived at Dromoland was just beginning to bear fruit, the proposal of a comprehensive integration agreement for the Atlantic Economic Area would have seemed far-fetched. But for 2007 the EU Presidency gives Germany the opportunity—within the EU and at the bilateral summit in Washington in spring 2007—at least to initiate the discussion about an ambitious integration policy agenda between the EU and the United States, because the underlying economic and political factors have changed in Europe's favor.

The U.S. administration's stance toward Atlantic integration reflected an overwhelmingly negative perception of Europe, especially in conservative American think tanks close to the government. From their perspective, weak growth, technological and productivity gaps, and the demographic handicap of an aging population made Europe appear a rather unattractive partner for integration.

But this negative take on Europe is starting to be corrected. The reason for this is not only the emerging recovery of economic growth in Europe,

especially in Germany, at a time when the growth rate in the United States is declining. The enormous growth in global diplomatic and security challenges, where the EU has shown itself to be an indispensable partner for the United States, has also helped to change perceptions of Europe.

Moreover, the current deadlock in the Doha Round has clearly highlighted the costs that would be incurred if Atlantic integration became bogged down again:

- ▶ Bilateral and regional economic integration agreements would lead to enduring rivalry over regional economic spheres of influence
- ▶ Each side would try to shift onto the other the economic burdens resulting from economic crises, for example through intensified protectionism
- ▶ The underlying strategic rivalry in transatlantic relations would regularly break through to impact on the conduct of economic conflicts, as we have seen in recent years

Euro-American relations have seen their fair share of political ups and downs since the end of the Cold War. Right now they are on an upward curve again. This should be put to good use to give the Euro-American integration policy dialogue a more robust institutional perspective. To that extent the bilateral summit in 2007 should send out a new, strong signal for Atlantic integration. The German EU Presidency bears a special responsibility here. Not only does the EU have a greater weight as a summit-level negotiating partner in the eyes of Washington's political elite if it is represented by one of the large member states. Within the EU, too, Germany is currently in a good position to bring together the conflicting interests of members in the perspective of an ambitious transatlantic integration agenda.

*Jens van Scherpenberg*

## Difficult Partnership with Russia

The Partnership and Cooperation Agreement (PCA) that defines the legal framework for relations between the European Union and Russia expires in November 2007. Negotiations for a follow-on agreement are due to begin in January 2007. That means that the German EU Presidency will come at a crucial juncture in relations between Russia and the European Union.

These relations have intensified rapidly during the past ten years and undergone great change, against a background of transformation of Russian domestic and foreign policy, developments in the post-Soviet states, and the increasing importance of the EU in the region. The EU and Russia are now faced with the complex task of placing their transformed relationship on a new formal footing and thus helping to stabilize the region as a whole—a region that even fifteen years after the collapse of the Soviet Union is still characterized by fragmentation, crises, and conflict.

### What Has Changed in Relations Between Russia and the EU?

Political relations between the EU and Russia have expanded steadily since 1997. Alongside the official encounters at the twice-yearly Russia-EU summit, there are countless institutionalized discussion formats and informal contacts at all diplomatic levels. In the meantime, cooperation now goes beyond the economic and development fields, and also extends to foreign and security policy and judicial and interior affairs.

Economic integration between the EU and Russia has also increased still further. Russia has become one of the EU's biggest energy suppliers. But trade is precariously asymmetrical. Russia's share of EU foreign trade as a whole is about 5 percent whereas the EU accounts for about 50 percent of Russia's foreign trade. Direct investment from EU states could potentially make a major contribution toward modernizing Russia's dilapidated industry and infrastructure, but so far it has remained at a low level. At the same time, a turn away from the existing structure of development cooperation can be detected. The transfer of regulations, standards, and models from the EU to Russia that is laid down in the PCA was implemented above all in the form of technical assistance in fields including infrastructure, judicial systems, and public administration (the corresponding EU program runs under the name of Technical Assistance for the Commonwealth of Independent States, TACIS). Since 2003/04 there has been a clear drop in aid funds spent under the TACIS program. Russia no longer wishes to be perceived as a recipient of development aid, and would like to restrict as far as possible the influence of external actors on domestic developments. On the EU side too, the question is being asked

more often as to why a state that these days possesses considerable financial reserves should be given funds under a technical assistance program. So while trade relations get ever closer and remain asymmetrical, the modernization potential of EU-Russia relations lies fallow.

The determinants of Russian domestic and foreign policy have changed since the beginning of President Vladimir Putin's first term of office. At home, the policies of Putin's administration have been marked by recentralization measures, which moved up a gear to become the dismantling of democracy after the President's reelection in 2004. The year 2007 will already see the run-up to parliamentary and presidential elections (December 2007 and March 2008) and consequently the aforementioned tendencies may be further amplified. The Russian government's stance toward technical cooperation under TACIS is only one expression of this trend toward distancing; another is the rejection of offers of external mediation in the Chechnya conflict.

At the same time, the Putin administration has initiated a series of reforms (in the fields of fiscal law, public administration, welfare, housing construction, etc., which would have been almost unimaginable under the conditions prevailing in the weak, failing state of the 1990s. As Russian reform policy becomes increasingly decoupled from technical assistance, the EU is losing influence on these developments. However, recently the reform processes have been stagnating, due partly to the upcoming change in the office of president, but also due to institutional resistance to their implementation. Furthermore, there has to date been too little investment aimed at using income from energy exports to promote sustainable development in other sectors of industry. Unless there is a change of course here, Russia really does risk becoming a kind of northern petrostate.

The domestic policy developments described above correspond with a transformation of foreign policy. Russia is working to be "readmitted" to the circle of internationally recognized major powers. An examination of Moscow's erratic actions in the Middle East conflict, in the nuclear disagreements with North Korea and Iran, in the negotiations over admission to the WTO, and during its G8 Presidency show both the potential of Russian diplomacy and also the limits of its global reach.

Another central component of the new Russian "superpower policy" is to maintain a dominant position in the former Soviet republics. In the course of EU eastern expansion—which had considerable effects on political and social processes east of the new EU borders—this region experienced a tangible polarization between the EU and Russia. After their orange and rose revolutions, Ukraine and Georgia—with Moldova's support—declared a turn toward the EU (and away from Russia) as central tenets of their foreign policy. All three states aim to strengthen and deepen their relations with the EU (and to NATO). Russia's political class reacts extremely sensitively to this. In the face of its loss of political influence in the west of the CIS, Russia has concentrated its efforts since 2005 on the more cooperative Central Asian states. In relations with Georgia and the western CIS states, Russia wields existing dependencies

(energy, unresolved conflicts) to exert pressure, but has dropped, at least for the moment, its efforts to integrate these states politically (although it remains to be seen how relations with Ukraine develop under the new prime minister, Viktor Yanukovich). Both in Russia and in the other CIS states, the European Union is seen as a major geopolitical force—and hence a major player in regional relations. From the Russian perspective, the EU has grown to become its most important rival for influence in the post-Soviet states. This competition over integration increases the potential for conflict within the region and between the EU and Russia.

### **Recommendations for the German/Portuguese/Slovenian Team Presidency**

Given the upcoming sequence of events from the opening of negotiations on the PCA to the Russian elections in December 2007 and March 2008, Germany, Portugal, and Slovenia should plainly think in terms of a coordinated strategy for their Presidency. This would also help to bring urgently needed coherence to EU policy toward Russia. The opening of this team Presidency by Germany brings two advantages. Firstly, Germany is one of the EU member states that has played a decisive role in shaping relations with Russia, and maintains an especially close bilateral relationship with its eastern neighbor. Secondly, Germany takes over the G8 Presidency from Russia in January 2007, which opens up further possibilities for dialogue. These potentials should be used to jointly ease the negotiations with Russia into constructive trajectories. On the basis of the analysis laid out above, the following recommendations can be formulated:

**Reduce normativity:** The normativity and conditionality of the PCA as pushed by the EU has not led to the desired results and cannot be maintained toward today's Russia. At the current time one should therefore do without ambitious normative goals—also because the *de facto* pragmatism that characterizes the EU's policies in many cases itself undermines and discredits these normative goals. A brief joint declaration could serve to define the partnership between Russia and the EU and the continuation of political dialogue. The details of the relationship could then be negotiated in sectoral agreements on the basis of the road maps to the Four Common Spaces (1. trade and the economy; 2. freedom, security, and justice; 3. external security; 4. research, education, and culture). This would not mean doing without debate over values, which could be continued in relation to specific fields of policy. The political dialogue should continue to be used to address worrying developments in Russian domestic policy and in Chechnya.

**Multilateralizing policy in the post-Soviet states:** The EU cannot have any interest in being instrumentalised as a geopolitical factor, or in a further polarization of the post-Soviet states. For that reason it should shift the stress of its policies in the region from bilateral instruments (European Neighborhood Policy, Partnership and Cooperation Agreements, Four Common Spaces, etc.) to more strongly multilateral and/or regional

approaches. This idea is actually contained in all the documents, but has not so far been realized. Here it would be possible to imagine, for example, closer coordination of economic cooperation (up to and including to free trade zones, which the EU would like to agree with Russia and with all the western CIS states apart from Belarus), strengthening subregional organizations (while taking—critical—consideration of Russian integration initiatives, which have so far been ignored by the EU side), and stronger endeavors to end the unresolved conflicts (in Moldova/Trans-Dniester, Georgia, and Azerbaijan) that call for Russia's active involvement and commitment.

Unless terminated by one side, the PCA extends automatically year by year. A serious rupture between Russia and the EU over the treaty question is not to be expected, because the close economic, political, and social interdependencies force both sides to cooperate. However, that makes it all the more important that they look for constructive solutions to their conflicts and problems. Here the EU and Russia bear responsibility not only for bilateral relations, but also for the security and stability of the post-Soviet states, and thus for Europe as a whole.

*Sabine Fischer*

## Redefining Relations with Japan

Germany will host the sixteenth EU-Japan summit in 2006, probably on June 8. The meeting will take place directly after the G8 summit at Heiligendamm (6–8 June) and will be the second such summit on German soil (the first was Cologne in 1999). The President of the European Commission, the commissioner for foreign relations and neighborhood policy, and the EU High Representative for Common Foreign and Security Policy will also participate in the EU-Japan summit.

In her capacity as EU Council president, German Chancellor Angela Merkel will receive the Japanese prime minister Shinzo Abe. The new head of government, like the majority of both LDP (Liberal Democratic Party) and New Koemeito as the government coalition, will probably see no alternative to sticking to the current course of American-aligned foreign and security policy and strengthening Japan's political weight in the alliance with the United States.

The EU-Japan summit is not one of the more difficult or politically delicate dates in the German EU Presidency's calendar. Relations between Europe and Japan are generally regarded as unproblematic. The other side of the coin is the often-lamented lack of commitment and strategic focus. To that extent the German EU Presidency could make an important contribution by giving more substance and direction to EU-Japanese relations. Both sides would profit from closer cooperation in international diplomacy and a deepening of trade and technology relations. Because Japan is perceived as a "value partner" of the EU in East Asia and beyond, these days even in foreign and security policy there will be good opportunities for the coming German EU Presidency to further deepen both EU-Japanese and German-Japanese dialogue. Seen from that perspective, the upcoming summit could set a counterpoint to what some partners see as a disproportionate orientation on China in German and European Asia policy in recent years. It could send a powerful signal to Beijing that Europe has credible alternatives for its interregional cooperation with Asia.

If the summit is to be a success, however, there needs to be a realistic assessment of the opportunities and limits of European-Japanese cooperation. The opportunities offered by cooperation lie in the many things the two partners have in common and the ensuing identities of interests. Europe and Japan share common values: the principles of peace, liberty, democracy, rule of law, and respect for human rights are deeply anchored in both societies and are regarded as defining tenets of politics and the state. Applying these principles to foreign and security policy, both Europe and Japan support effective measures for peacekeeping, disarmament, and proliferation control. They also cooperate in containing the new security threats and actively support reconstruction in crisis regions such as Afgha-

nistan and the Middle East. As the world's biggest donors, they pursue development policies oriented on sustainability. In economic and social policy Japan and the industrialized countries of Europe face similar challenges, foremost among them coping with globalization, promoting new cutting-edge technologies, shaping the demographic transformation, and securing supplies of raw materials and energy.

The limits of cooperation stem from the different diplomatic and security environments of Europe and East Asia. In the fields of security, foreign policy, and economic policy, Europe and Japan each naturally give top priority to their own back yard, and after that relations with the United States. For both sides the Japanese-European relationship is of secondary importance to those concerns.

Especially for Japan, as it becomes increasingly isolated in East Asia, the relationship with the United States has gained almost existential importance due to its security dependency but also because of the close economic and technological ties. Consequently, Japan's willingness to conduct an independent foreign and security policy in its immediate neighborhood is relatively small. In questions of global governance Japan feels very closely tied to the United States and at the same time largely isolated in the region due to historically loaded tensions with its neighbors, and this further restricts its room for maneuver. In view of these restrictions Japan's interest in Europe is concentrated on the "soft" fields of economic policy, sustainable development, environment, and social policy.

Conversely, the EU is a difficult partner for Japan. The processes of political interaction and consensus-finding between Brussels and the member states are very hard for Japan to comprehend. The multilateral coordination procedures in the EU have no counterpart in Japan's political decision-making processes, seem complex to the Japanese mind, and regularly lead to friction in negotiations between Japan and the EU.

Even after taking these limits into consideration, it remains the case that the potential for cooperation between Europe and Japan is far from exhausted. The Joint Declaration signed in The Hague back in 1991 noted the shared goals and values and placed their relations on a systematic footing of dialogue and cooperation. Ten years later the partners went a step further and agreed an action plan: concrete cooperation measures were agreed in the fields of foreign and security policy, economic and trade relations, finance, social policy, technology, and cultural and other exchanges. This action plan, which is currently being implemented, adapted, and extended in the current "Decade of Japan-Europe Cooperation" (proclaimed at the 2000 EU-Japan summit) defines the form and content of the framework for EU-Japan summits.

It is the foreign policy themes more than anything that make a dialogue between the EU and Japan appear meaningful and sharpen the contours of Europe's profile in Japan. For example, economic measures for North Korea should be discussed, to positively influence the outcome of the six-party talks or to be involved in their implementation. For although Japan's new security policy ("new" in the sense of being clearly oriented on



national interests and including a military component for the first time) has strengthened Japan's position with respect to the remaining superpower, the United States, it has also resulted in growing isolation in the region. From Tokyo's perspective, closely integrating the Japanese Self-Defense Forces in the alliance with the United States is the only plausible way to keep the criticism from neighboring states (especially South Korea and the People's Republic of China) in bearable limits. Going it alone in security or military matters would not only be diplomatically counter-productive; it would not be tenable domestically either.

In terms of energy, Japan is highly dependent on oil imports from the Middle East, but unlike the EU expects little chance of getting a word in when the West's Middle East policy is formulated. In the North Korean nuclear crisis Japan participates in the six-party talks (alongside China, Russia, the United States, and North and South Korea), but due to its close ties with the United States and continuing historical tensions with China and the Koreans has little opportunity to actively influence the talks. In view of Japan's political isolation in its own region, Tokyo can be expected to show an interest in dialogue with the EU, in making the summit a success, and in promoting visibly good European-Japanese relations.

In the field of security policy it would be good to address in particular the continuation or expansion of Japan's commitment in Afghanistan (technical, financial, possibly also logistical by the Japanese military), possibly in parallel to an economic involvement by the EU in North Korea. Furthermore, in the economic field the mutual commitment to WTO-compatibility in trade policy should be specially emphasized. Japan's bilateral free trade agreements in the Asia-Pacific region must not be allowed to harm the EU's economic interests.

Further dialogue themes to be taken up in the long term would include European-Japanese coordination in dovetailing development aid and peacekeeping measures (for example on the African continent), and bilateral investment flows. An initiative to strengthen intellectual property rights in the newly industrialized countries of Asia and cooperation on high technology are obvious talking points.

In the case of support for European positions in Middle East policy or Japan's joining the International Criminal Court, less enthusiasm is to be expected in Tokyo due to Japan's close ties with the U.S. Nonetheless, the EU side could at least mention these for the sake of completeness.

Germany has a constructive role to play in implementing this agenda. Like Germany, Japan's sense of responsibility has consistently led it to focus on exploring and exhausting all the civilian possibilities for dealing with conflicts and crises. For half a century both countries have credibly demonstrated that these options have priority for them. The upcoming German EU Presidency offers an ideal window of opportunity both to actively shape EU-Japanese dialogue, and in its wake to revitalize German-Japanese dialogue.

*Hanns Günther Hilpert / Markus Tidten*

## More Coherence in Relations with China

The EU's goal with respect to China should be to continue supporting that country in coping with the enormous challenges of transformation and at the same time to persuade it to take on greater global responsibility in accordance with its international standing. A policy of engagement continues to offer the best prospects for this. In the process the EU's own economic and other interests should be asserted more strongly and clearly than in the past.

Since 2005 a certain degree of disenchantment has entered relations between the EU and China. On the European side this has to do with economic frictions and with the impression that China might not after all be moving as automatically as had been hoped toward better governance and more freedom. Additionally, the way China's foreign policy activities are determined by its growing demand for energy and raw materials is not only criticized as mercantilist, but has also led to the accusation that China is undermining the political West's efforts to tie economic and development cooperation to particular conditions and standards.

This disillusionment is mirrored on the Chinese side, with Chinese media complaining about the unfairness of the EU's anti-dumping practices and import quotas. But above all, the European constitutional crisis, low economic growth, and social unrest in Europe have for the moment dashed any hopes that the EU could act as a political heavyweight to constrain American global hegemony. Europe's failure to lift the arms embargo of 1989 is largely interpreted as a capitulation before American pressure, and sometimes even as an attempt to repair transatlantic relations at China's expense. Furthermore, worries have arisen that upcoming elections and the emergence of a new generation of political leaders in a number of large EU member states could result in a more critical stance in Europe's policy toward China.

But in view of the enormous growth in economic relations and the broad spectrum of cooperation that now exists between the EU and China, these developments can also be interpreted as a normal and healthy process of coming down to earth. The EU, as China's largest trading partner ahead of the United States and Japan, is at the same time an important investor and technology supplier. Conversely, China occupies the second place among the EU's trading partners. Regardless of this, however, neither side would find it easy to explain why their partnership deserves the attribute of "strategic" that they have been using officially since 2003.

## EU Internal: Time for a Critical Evaluation

In order to counteract the impression of weakness or crisis in the EU, special attention must be paid to coordination, coherence, and continuity. The Chinese closely observe and analyze where the EU member states compete economically and politically and can thus be played off against one another. Greater coherence in the European position would, first of all, presuppose intensified discussion and coordination of Chinese and Asian issues *among* the EU member states and in a *forward-looking* manner.

One thing that would help to improve longer-term cohesion and continuity in Europe's China policy would be to start preparing a "task list" for the respective Presidency or troika. This should briefly outline the respective goals and projects for the upcoming Presidency. The balance drawn up at the end of each Presidency should not only cover the question of which of the objectives have been realized, but also which have not and why. Additionally, such a catalogue could also record the necessary follow-ups and best practices. The catalogue would be provided to the member states and, most importantly, passed to the next Presidency within the troika.

Whereas in recent years a compendium of *speaking points* for trade and economic cooperation (a summary of salient points, joint EU positions, and arguments for the Chinese side) has been prepared and regularly updated, there is practically nothing comparable for foreign and security policy. Especially for the EU's smaller member states, whose diplomatic capacity is limited, it would be helpful and indeed important to be able to fall back on such a document. It would also make it easier to agree quickly on a joint approach (*démarches*).

Although there is currently no agreement within the EU on lifting the *arms embargo*, the member states should continue to discuss this question. China will not be dropping its demand for an end to the embargo, and can cite in its support the decision of the EU summit of December 2004. It is possible that China will fulfill one of the EU's conditions by ratifying the International Convention on Civil and Political Rights. In this case the EU member states should at least have an internally coordinated response ready. At the same time, Germany could use its Presidency to push for final approval of the revised EU Code of Conduct on Arms Exports and the transitional arrangements applying to states after an embargo is lifted. France is currently insisting on linking its approval of the strengthened code of conduct with the lifting of the embargo against China. But the code of conduct would be considerably weakened from the very outset if it were to create the impression of being a *lex Sinica*, conceived solely for lifting the embargo against China.

Before the end of 2006 (after the EU-China summit in Helsinki on September 9) the Commission will publish two new China policy documents. One will deal with economic aspects of the partnership, the other with political. In the context of this appraisal, the troika should also request an evaluation of the sectoral dialogues, whose number has now reached twenty-one. The spectrum of issues ranges from tariffs and agriculture to

macroeconomic issues, and the dialogues undoubtedly vary in their quality and substance. But at the moment there is only a very general description of these sectoral dialogues. The goal of an evaluation would be to streamline the process and to identify issues where increased cooperation would be desirable and/or political action is required. There is also a need for a similar stocktaking and evaluation of development cooperation with China, whose necessity is already being called into question in some member states including Germany. At the moment national and EU-funded development projects are not coordinated at all. The goal here would be to achieve better coordination and a clearer focus during the Portuguese Presidency in the second half of 2007.

Finally, under the German Presidency something could and should be done to increase the visibility of the EU and Europe in China—this is one of the as yet unachieved goals of the Commission’s strategy paper of 2003. A small positive effect could be achieved simply by those member states that plan to hold a “year of culture” or a culture festival in China—as Spain and Germany will be doing soon—consistently using the EU’s logo alongside their own national emblem on posters, invitations, etc.

### **The Agenda with China**

The priorities in bilateral relations between the EU and China are not necessarily identical on both sides. Whereas from the EU’s point of view the list of core issues is topped by the trade deficit, intellectual property rights, human rights, and negotiations over a new framework agreement, for the Chinese the granting of market economy status and the lifting of the arms embargo are of decisive importance.

Since the start of negotiations over a new *framework agreement* between the EU and China was announced at the EU-China summit in Helsinki, substantial progress will have to be made under the German Presidency. However, as well as reservations over the content of certain standard EU clauses, there are also institutional obstacles against rapid progress on the Chinese side. According to the still applicable framework document of 1985, the Chinese Trade Ministry is responsible for relations with the EU, but a new agreement would transfer considerably more responsibility to the Foreign Ministry.

On the question of intellectual property rights (IPR), the EU trade commissioner sent a clear message to the Chinese side in June 2006, underlining the importance of their protection. Even though the Chinese leadership has drawn up a comprehensive plan for protecting IPR, the European and Western side will have to continually push to ensure that it is actually implemented. Holding an IPR day in China could give effective publicity to this concern, which is also planned as one of the central issues of the German G8 Presidency.

The Commission treats the granting of *market economy status* as a “technical” question of meeting particular conditions. In mid-2004 the EU trade commissioner named four areas where China had to make progress: state

intervention in the economy, property and insolvency law, corporate governance (especially accounting standards), and the financial sector. China, on the other hand, sees the granting of market economy status as largely a *political* decision, citing the argument that Russia was granted this status even though its economy was by a long chalk less open than China's. So it will be difficult to depoliticize and de-emotionalize this issue. In any case, it would be helpful to provide China with a detailed catalogue of conditions for the granting of market economy status. The troika or the German Presidency could provide the required political spark.

However, neither a framework agreement nor market economy status will give the partnership between the EU and China the *strategic* weight that both sides state they would wish for. For that it would have to transcend the bilateral level and address questions of non-proliferation and regional and global governance as central concerns. The first step here is to explore the extent to which interests converge and then examine the possibilities for joint action that emerge. Even if the EU and China share interests and goals, this does not yet mean that there is also agreement over the means and instruments to be used. This is apparent for example in the question of Iran's nuclear program.

The EU and China do not always mean the same by "stability," "democracy," or "multilateralism." In order to achieve better mutual understanding, a longer-term exchange on interests, objectives, and the standards applied in pursuing them should be initiated—for which Africa, Central Asia, and peacekeeping spring to mind immediately as regions and issues where both sides are actively involved. Such an exchange, and also involving China more closely in the G8, would at least help to avoid misunderstandings and false expectations.

*Gudrun Wacker*

## Nuclear Cooperation with India

The American-Indian agreement of March 2006 on future cooperation in the civil use of nuclear power throws up many questions for Europe concerning its own policy on non-proliferation of nuclear, biological, and chemical weapons and Europe's policy toward India. Through the agreement the United States would like to make it possible—under certain conditions—to supply nuclear power plants and other civilian nuclear technology to India, which is currently completely excluded from nuclear cooperation. One of the preconditions is that India first conclude a safeguards agreement with the International Atomic Energy Agency (IAEA) on the conduct of future inspections. The American Congress also has to ratify the agreement, but the question here is not whether, but how and when the planned cooperation will begin. In a third step the Nuclear Suppliers Group (NSG) would have to agree unanimously to grant special exemptions to India.

Because all EU member states are also members of the NSG, it will probably fall to Germany to coordinate this process during its EU Council Presidency. This will not be entirely easy, given that France and Great Britain welcome the American move, while other EU member states fear that making exceptions for India would have negative repercussions on the nuclear non-proliferation treaty (NPT).

### What Does Nuclear Cooperation with India Mean for the Nuclear Non-Proliferation Regime?

In accordance with the European strategy for non-proliferation of nuclear, biological, and chemical weapons, Germany has traditionally worked to strengthen and universalize multilateral arms-control regimes. Their cornerstone is the NPT, whose members include every state in the world apart from Israel, Pakistan, and India. The planned nuclear cooperation between India and the United States would amount to quasi-recognition of India as a nuclear weapons state and thus an abandonment of the traditional goal of universalizing the NPT.

Those 183 states that have agreed in the NPT to permanently renounce nuclear weapons did so on the understanding that only the five nuclear powers recognized in the treaty—the United States, Russia, France, Britain, and China—would be allowed to possess nuclear arms for some time. And even those five, according to the central idea of the NPT, should one day get rid of all their nuclear weapons too. The nuclear have-nots certainly do not wish to accept more nuclear powers such as India outside the treaty regime. India has not even complied with the American request to end its production of fissionable material for weapons purposes. Critics of the

American-Indian agreement thus fear that Delhi could use imported fissionable material for use in nuclear power stations to release more of its own capacity to produce fissile material for military purposes. In other words, the planned civil nuclear cooperation may have made it easier for New Delhi to build more atomic bombs. The Indian stockpile currently amounts to about two hundred nuclear weapons. Furthermore, the non-nuclear-weapons states had regarded mutual promotion of the peaceful use of atomic power as their reward for agreeing to renounce nuclear weapons. But this new agreement would grant India access to civil nuclear technology as a nuclear power outside the NPT.

In order to create an extra barrier to the proliferation of nuclear weapons, the United States has also proposed further restrictions on access to civil nuclear technology, under which only those states that now already possess the technology for uranium enrichment and reprocessing would be permitted to conduct those processes. From the perspective of many non-nuclear-weapons states this creates the impression of a double discrimination. They are expected to do without nuclear weapons and certain parts of the nuclear fuel cycle, while India is allowed to possess atomic bombs *and* receive assistance with its civil nuclear program. One consequence of this discussion and the US-India agreement will be to further intensify the crisis of the NPT, which was already clearly visible in the failure of the 2005 NPT Review Conference. Although no parties are expected to withdraw from the treaty at this stage, the binding nature of the nuclear non-proliferation norm will be reduced still further in the eyes of many non-nuclear-weapons states. This could accelerate a process of creeping erosion of the NPT, and bog down all efforts to strengthen the agreement, including the widest possible implementation of the IAEA Additional Protocol. The limited interventions in national sovereignty that this involves will now probably be even less acceptable for many of the treaty signatories. But without the implementation of modern verification procedures it will not be possible to ensure that the non-nuclear-weapons states are keeping their promises not to acquire military nuclear capacities.

### **Arguments for Nuclear Cooperation with India**

Even in the past, nuclear non-proliferation policy has sometimes been dogged by contradiction. Israel's possession of nuclear arms outside the NPT, for example, has rarely been criticized by Western governments. And Europe's non-proliferation policies toward India have been in a dead end for quite some time, because it was not to be expected that New Delhi would join the NPT as a non-nuclear-weapons state.

One important argument for nuclear cooperation with India is that this would at least gradually bring New Delhi into the non-proliferation regime. As things stand at the moment, the IAEA would be able to begin inspections in fourteen of India's twenty-two nuclear reactors in 2014. However, the IAEA is unlikely to be able to properly inspect the nuclear

facilities that India puts on the civilian list. The IAEA's budget is limited, and it will not be keen to spend the funds it does have available on inspections in a country that already has nuclear weapons anyway. Furthermore, under the American proposals India would be also required to extend its moratorium on nuclear weapons tests and to participate actively in other non-proliferation regimes concerning convergence and enforcement of export controls.

The EU's interest in winning India as a partner in as many sectors as possible also speaks in favor of nuclear cooperation with India. Since the reforms of 1991 India has come to occupy a new international role, which is reflected not least in improved relations with China and the United States. President George W. Bush has stated his support for India as a rising superpower of the twenty-first century, and the Indian-American nuclear agreement is just one part of the Next Steps for Strategic Partnership initiative under which bilateral relations have been systematically expanded since 2004. India's economic relations with China have intensified, especially during the past two years, to the extent that China is today India's second most important trading partner after the United States. In the course of this bilateral economic boom the EU has lost its traditional leading position in trade with India. These days East Asia (with China, Japan, South Korea, and ASEAN) is the most important trading region for India.

India and the EU have significantly intensified their relationship in recent years through bilateral summits since 2000, the 2004 Strategic Partnership Agreement, and the ensuing joint action plan of 2005. Cooperation in the field of peaceful use of nuclear power would help India to overcome its chronic power shortages and promote economic development, which is in the EU's interests. Alongside China, India is one of the growth motors of the global economy. At the international level, India and the EU share common values such as promoting democracy. In the fight against terrorism both follow the same security interests. And finally, India possesses great potential in fields such as bio- and nanotechnology, which are of strategic interest for the future development of the EU. India is involved in the EU's ITER and Galileo projects. It is also relevant to the EU as a *global player* because it increasingly acts as a leading power and spokesman for the developing countries in international organizations such as the United Nations and the WTO. These characteristics make India, more than almost any other country, a strategic partner for the EU in South Asia.

Despite these positive developments the EU risks losing influence on India in the long term. Especially in the academic and scientific sector we see India looking much more strongly to the United States, not least as a consequence of American immigration policy and the rapidly growing numbers of Indian students in the United States. The EU has provided new funds for academic and student exchanges, but apart from a few (often rather unattractive) schemes that have been set up, bureaucratic obstacles



in the member states stand in the way of successful implementation of these programs.

### **Perspectives for Nuclear Cooperation with India**

Europe, too, has no alternative to reorientating its nuclear relations with India, especially when important EU member states such as Britain and France definitely want to do nuclear deals with New Delhi. Nuclear cooperation of the kind currently envisaged by the United States would bring India step by step into the nuclear non-proliferation regime rather than permanently keeping it outside. Ultimately, it appears advisable to win India—a rising power—as a partner on as many different levels of policy as possible. In the long term this also applies to international non-proliferation.

Accordingly, it should be made clear to New Delhi that concrete cooperation in the field of civil nuclear technology will only function smoothly if India demonstrates a willingness to take on responsibility for international peace and security. This also applies to proactive support for all international measures aimed at preventing the proliferation of weapons. Security cooperation of this kind would also pave the way for other joint action in regions of crisis and conflict that are of significance for both India and the EU, such as Afghanistan and Sri Lanka.

The task of guiding the process within the EU in such a way that Europe speaks with a single voice within the NSG will probably fall to Germany during its EU Council Presidency. The goal here must be to make European recognition of the special role for India pushed by the United States clearly dependent on New Delhi acting as a responsible partner in international non-proliferation efforts. The litmus tests of India's responsibility will include whether it continues to support international efforts to find a solution to the Iranian nuclear crisis and whether it participates actively in important non-proliferation initiatives such as the Proliferation Security Initiative.

*Oliver Thränert / Christian Wagner*



## **Global Challenges**



## The Challenge of Political Islam

Across the whole Islamic world, the political developments of the coming years will be strongly influenced by Islamist movements. In many states in the region moderate Islamists—those who espouse a pragmatic, non-violent approach, who wish to participate in the political system, and who therefore demand democratic procedures—are the most important actors after the current rulers, or will become so. They are generally able to rely on the support of religious networks and a broad social base, they possess the ability to formulate credible popular messages, and they push for political participation in the existing systems. At least in the longer term they are likely to have a greater influence on political decision making than the radical or terrorist groups. But above all, they wield a greater ability to mobilize than any other opposition force; often they are in fact the only effective organized alternative to authoritarian regimes.

The EU and its member states have so far largely accepted the view of the authoritarian rulers in the region, that they represent the only reliable partners for the West. For that reason, and also because of language barriers and differing value systems, the European side has been slow to establish contacts with Islamist actors. But it must be clear that democratization in Middle Eastern and Islamic societies cannot occur if movements that enjoy great support in the population are excluded. So if we Europeans still have an interest in fostering political opening and increased participation in this region, then we should support the political inclusion of moderate Islamists.

However, due to the great variation in the situations on the ground in the countries of the region—with respect both to the respective political and social frameworks as well as the actual participation of Islamists in the political system and their agendas and forms of organization—it is impossible to give generalizable recommendations for action. One obvious handhold for the EU Presidency could be to distinguish between Islamists in power (for example Iran, Turkey), Islamists on the European list of terrorist organizations (for example Hamas), and moderate Islamists in opposition or in coalition governments (for example Egypt, Algeria, Jordan, Morocco). Dealings with Islamists in power are unproblematic in the sense that they—at least usually—involve normal relations between states where interest is focused on material issues rather than on the Islamist ideology of the rulers.

### Islamists on the European List of Terrorist Organizations

At this moment it is impossible to predict whether Hamas will be able to establish itself as an effective government in the Palestinian territories,

which current within Hamas will call the tune in the medium term, and what will be the repercussions of the military escalation in Gaza and Lebanon in summer 2006. But in any case, by the time the German Presidency begins it will be high time to reconsider the decision—taken overhastily after Hamas’s election victory—to isolate the Palestinian government and cut it off from financial resources. This applies whether or not Hamas continues to resist the international community’s demands. A clear distinction should be made between dialogue and cooperation. The Europeans should in all events conduct a dialogue without preconditions if this serves our interests, for example to exert influence on decision-making inside the movement or to be able to mediate in cease-fire negotiations. Cooperation and financial support, on the other hand, can only be offered after a political decision to remove Hamas or its political wing from the list of terrorist organizations has become possible. Such a decision should be based overwhelmingly on Hamas’ actual behavior rather than its rhetoric.

In any event it should be clear that the EU must respect the results of elections—especially in cases in which it led the calls for them to be held in the first place—and refrain from undermining elected governments. To follow any other course would rob Europe of all credibility with respect to promoting democracy and—as the case of Hamas seems to have demonstrated—would not be productive in dealing with the real challenges either.

### **Islamists in Opposition or in Coalition Governments**

It is high time to recognize the transformation that has occurred within many moderate Islamist movements in the region. For many of them, the creation of a theocratic state is no longer a priority; instead they want to compete peacefully for a share of power and work within existing institutions to achieve a gradual political opening. It should be noted that these actors often campaign for democracy, human rights, and political participation rather than rejecting them as Western values. Many of the groups pursue an agenda of reform that overlaps to a great extent with our own. Their priorities are good governance, the fight against corruption and for transparency, the implementation of the rule of law, and a constitutional separation of powers. Often they really do want to make parliament and the judiciary into independent institutions—rather than subjecting them to a supreme religious institution.

Still, it would be naive to assume that the aforementioned priorities automatically meant that these groups also espoused democratic values that corresponded to our own. In fact, it often remains unclear what position Islamic law (*sharia*) should have in comparison to other legal sources, the extent to which political and social pluralism would be restricted by an Islamic frame of reference (for example whether political rights and liberties would still be granted even if they contradicted the predominant interpretation of Islam), and the extent to which women and

members of religious or confessional minorities would experience equal treatment.

This lack of clarity often stems from the fact that the discussion within the movements and parties is still very much ongoing. In many cases it is currently unclear in which direction the positions and agendas will develop. It would be wrong to impute a quasi-automatic trend toward Western democratic attitudes, and it would be counterfactual to assume that political inclusion on its own would lead to more progressive positions. The integration of Islamists in Bahrain, Egypt, and Jordan, at least, proves the opposite. What also seems to be important in this respect is the strength of the political competition with which the Islamists are confronted, the extent to which they are forced to make compromises, and also how they are organized, for example whether social movement, political party, and armed wing are separate from one another.

### **Challenges for the German EU Presidency**

The European efforts to foster democratization through a partnership approach (as already followed for example in the framework of the Euro-Mediterranean Partnership) should be intensified—even though they have brought little success to date and modesty is the order of the day as far as our possibilities and influence are concerned. The EU's Strategic Partnership with the Mediterranean and Middle East policy document, adopted in 2004, contained the first clear—if implicit—indication that it intends in future to include Islamists in these efforts. Finland has expressed an interest in taking up the issue during its EU Presidency. It will then be up to the German Presidency to explore the possibilities for European cooperation while at the same time leading by good example. For the sake of consistency, there should be particularly close cooperation with the subsequent Portuguese Presidency in this matter.

Germany should work to create a consensus within the EU that it is in the interests of promoting democracy to exert pressure on the respective regimes in the Arab world to stop fighting the moderate Islamists with repressive strategies and methods that violate the principles of rule of law and human rights and instead to grant them the same access to the political sphere as other opposition forces. That does not mean that the EU should call for the earliest possible elections, but first of all for legislation and political practice that would lay the ground for the engagement of civil society and for political parties to form.

However, where parliamentary elections take place and an Islamist election victory is not unlikely, as for example in Morocco in fall 2007, it would be sensible to signal well in advance an interest in free and fair elections. Islamist calls for international election observers should be taken up by the German EU Presidency in the troika framework. Such gestures also have great symbolic value. They would boost the currently threadbare credibility of the European democratization discourse, demonstrate that the EU does not harbor anti-Islamist prejudices, and lay

the foundations for pragmatic relations with future Islamist governments. In this context Germany should also resuscitate its proposal of establishing a system of mutual election monitoring based on the OSCE model as part of the Euro-Mediterranean Partnership.

In the form of the “Islam dialogue” initiated in 2002 under the auspices of the German Foreign Ministry, Germany possesses an expandable state instrument for a meaningful discussion, even with Islamists. Although it must be said that its limits became clear in connection with the Danish cartoon scandal: it is not enough to conduct an unpolitical cultural and religious dialogue. Interests and prejudices must be addressed openly too, and channels of dialogue must be institutionalized. Here it would be an obvious option for the German EU Presidency to build on past experience and encourage the networking of officials responsible for dialogue with the Islamic world and of existing European dialogue forums. This could be done in the framework of a major conference, which would allow signals to be projected into the Islamic world.

The German Presidency should also set positive signs at the level of civil society and involve Islamist groups in training, dialogue, and exchange programs addressing, for example, increasing the effectiveness of parliamentary work, equal opportunities for women, or human rights. Of course it goes without saying that cooperation with secular actors should continue, in order to foster the greatest possible plurality in the political spectrum and to support the dialogue between Islamists and secular actors. In this respect Germany has a good standing in European comparison. Its political party foundations have a proven track record that puts them in a good position to offer forums for dialogue where different social forces come together, for example to debate the goals and priorities of reform. However, such forums require at least implicit political backing.

*Muriel Asseburg / Johannes Reissner / Isabelle Werenfels*



## Energy Security—The Challenge of the Twenty-First Century

The spring 2007 session of the European Council is scheduled to adopt an Action Plan for a common EU energy policy, so the Commission and Council have until then to prepare their proposals. In other words, the German EU Presidency comes at a crucial stage in the drafting and adoption of this document. Considering that Germany also holds the G8 Presidency in 2007, this offers a unique opportunity to formulate a strategic energy policy that transcends European borders and in particular enables the globally integrated oil market to be addressed.

Energy security has clearly returned to the very top of the international agenda. The growing clout gained by producers as consumers compete increasingly fiercely over the remaining resources has led to a politicization of the commodity energy and it appears that producers are increasingly exploiting energy as a currency of power in the international system.

These developments are particularly prominent in the case of oil and gas, because both these resources are of strategic importance for the consumer countries and together currently provide about 60 percent of Europe's primary energy needs. Oil has become the world's sole transport fuel and thus an absolute prerequisite for the functioning of a neuralgic sector of our economies. Gas, on the other hand, is pipeline-bound, which puts the consumer—for lack of short-term alternatives—in a situation of almost complete dependency on the existing infrastructure, on the reliability of the supplier, on the cooperation and stability of transit states, and lastly on the protection of this infrastructure against terrorist attacks.

The comparison highlights very clearly differences in the risks involved in oil and gas supply; accordingly, the international challenges associated with each call for different responses. For gas—traded only on regional markets and without a market price in the conventional sense—Europe requires first and foremost regional strategies, whereas oil, traded on a highly integrated global market, calls for global strategies.

In particular in relation to natural gas, the current situation makes it necessary for the EU member states to understand the importance of a common external energy policy, because today Europe is by far the world's biggest gas import market, and will remain so in future. The forecasts for 2030 agree that Western Europe will be importing two and a half times as much gas as the United States, China, and India together. This prominent position makes the European market vulnerable. But at the same time it underlines the major role there would be for a joint formulation of European energy interests toward producers, transit states, and new and existing consumer states.

Europe is geographically highly privileged to the extent that approximately three quarters of the world's gas reserves are located within a

radius of less than four thousand kilometers—a distance that can be bridged by pipeline at economically acceptable costs (which is by no means the case for the world's other major gas consumers, Asia and North America). So it is worthwhile exploring ways in which this advantage of geography can be turned into one of energy policy. Energy security is a textbook case of a public good that requires a regulatory framework, one which by definition transcends the bounds of the nation-state. Strategic energy policy is therefore a prime field for international cooperation.

### **Security of Gas Supply—Recommendations for EU Energy Policy**

The central goals should be to:

- ▶ Create a joint integrated and liberalized market
- ▶ Strengthen transnational infrastructure
- ▶ Avoid nationalistic energy policy or protectionism
- ▶ Create strategic gas reserves and an EU crisis mechanism
- ▶ Adopt rules for international mediation and institutionalized conflict resolution
- ▶ Diversify the sources of supply

First of all it should be noted that ultimately an open, transparent, fungible, and diversified market mechanism provides the best guarantee of reliable supply (the highly integrated nature of the world oil market is a prime example here, and the reason why the complete loss of the world's third-biggest exporter, Venezuela, in 2002 did not lead to disastrous disruption to supplies). To achieve a similar situation in the gas sector, the individual European markets would have to be more deeply integrated and an infrastructure created to actually allow cross-border trading and competition. In this regard, there is a clear lack of capacity in the EU in terms of transnational interconnectivity on the gas market. Actively promoting it should be a goal of energy policy.

Furthermore, the emerging market should not be defined, biased or blocked by the national priorities of the member states, but instead market forces should be allowed to act freely. Unfortunately, the latter in particular has proved difficult, as can also be seen in the great differences in implementation of the liberalization directive (just in 2006, written warnings were sent to seventeen member states). Not least, the state interventions by France and Spain against foreign takeovers have brought to light clear ideological reservations against the idea of a free market. The German government, by contrast, has shown no resistance against two foreign (state-owned) corporations, Electricité de France and Vattenfall, buying into the German market. Germany should make it clear in this context that in order to restore a level playing field in Europe, all energy market directives must be implemented equally for a start, and national state intervention must cease.

Strategic reserves need to be created to make up for short-term supply shortfalls and, especially in winter, avoid supply crises. Guidelines for minimum national gas reserves in all member states should be developed,

along the lines of those existing for oil at the International Energy Agency (IEA). Additionally, EU crisis mechanisms should be developed that lay down common European responses for releasing gas reserves in the event of crisis, with regard to solidarity and subsidiarity (here too, the IEA mechanism can serve as a model).

In energy foreign policy, special effort should be put into creating a binding regulatory framework for the energy relationships with important producers and transit states, in order to allow the free operation of market forces, or at least formalized relationships that are enshrined in international law. The Energy Charter is an outstanding instrument here. Unfortunately, Russia in particular has yet to ratify this treaty, nor has the associated transit protocol been ratified by crucial transit states such as Ukraine. Nonetheless the EU should bring the Charter and its transit protocol up again in its discussions with Russia. If however, as appears likely, resistance to the charter does actually turn out to be too great, it would be possible to take a step back from the all-encompassing designation “Energy Charter Treaty” and pursue just one of its elements, the most relevant in international terms: the rules for international conflict resolution. These rules could be incorporated in a new treaty dealing exclusively with them. Or relevant parts could also be included in the partnership and cooperation agreement with Russia, currently being renegotiated for its renewal in 2007.

Currently, 82 percent of Western Europe’s gas imports originate from just two sources: Russia and Algeria. In view of this, the EU should actively support plans for pipeline routes and liquid natural gas (LNG) terminals that would allow the import of additional gas supplies from other producing regions. As mentioned earlier, a wide range of potential pipeline options stands open to Europe—from North Africa and the possible connection of Caspian reserves to sources in the Middle East. And LNG from other parts of the world should not be forgotten either. A Union-wide discussion of Europe’s interests in relation to these options should be initiated, with a view to selecting and implementing them internationally in the framework of a common foreign energy policy.

## Oil Supply Security

There are considerably fewer options open to the EU for securing its oil-based energy supply. The EU-25’s share of the world oil market has dropped to just over 18 percent, and the high concentration of reserves in parts of the world that will in all probability continue to be subject to instability means that supply alternatives are thin on the ground. Even worse, the forecasts agree that world oil production outside of OPEC and the former Soviet Union has already passed its peak. As a consequence, today, unlike in the 1970s, we cannot expect new production fields to be opened up in the rest of the world. It follows that increasing dependency on the aforementioned regions is unavoidable—with all the associated economic and political consequences. The only alternative for consumer coun-

tries is to reduce their oil imports. Here it is becoming apparent that the technologically feasible liquefaction of biomass (biomass to liquid or BTL, also known as second generation biofuel) could offer a medium-term solution at economically viable costs. This makes a beginning of the end of dependency on crude oil a realistic option. Under the German EU Presidency an effectively targeted plan for promoting this technology should be initiated. Such an initiative would be particularly pertinent because it also holds great potential for consensus in the G7/8 framework (thanks to transatlantic farming lobbies) and could bring about a significant calming effect on the world oil markets. The G8 summit at Heiligendamm in early June 2007—during Germany's parallel G8 Presidency—offers a unique opportunity for this.

*Enno Harks*

## Galileo and GMES— Pacemakers of EU Space Policy

The first half of 2007 will be a time for making major decisions concerning the European space program. The European Galileo satellite system, which provides exact geographical positioning and land, sea, and air navigation, will then be coming to the end of its test phase and is scheduled to go into permanent operation directly thereafter. Additionally, from 2007 the EU's framework program for research will bring together security and space research for the first time. Finally, the following year—2008—the European satellite-based GMES system (Global Monitoring for Environment and Security) will reach full operational capacity and performance.

Although the EU's space policy also pursues economic and scientific goals, space activities have long come to be regarded as a strategic resource for the European Security and Defense Policy (ESDP). Accordingly, the European Council and Commission believe that the EU requires its own satellite systems for reconnaissance, surveillance, communication, and navigation if the goals of the ESDP are to be achieved.

### What the ESDP Requires in Terms of Space Technology

The type and scope of satellite technology required to back up the ESDP is a direct function of the types of threat against which the European Security Strategy is primarily directed: terrorism, the spread of weapons of mass destruction, international crime, and the failure of state authority in regions affected by civil war, especially in the third world. The civilian and military challenges range from national and international security to crisis response and disaster relief in all parts of the world.

The concepts of Galileo and GMES assume that—in view of the global scope of the ESDP—the European rapid reaction force will need access to satellite-based navigation and reconnaissance systems in order to be able to detect crises at an early stage and conduct operational planning as independently as possible of the geographical and climatic conditions and time zone of the region in question. Beyond that, the EU also feels the need for “autonomous” access to a suitable satellite system of its own that would allow the EU, if necessary, to be independent of partners like NATO and the United States and their highly sophisticated space technology. Recently, calls have also grown for the EU to revise its original policy of restricting Galileo and GMES to purely civilian security purposes and ignoring the obvious civilian/military “dual-use” character of these systems. Instead, according to this line of argument, the EU must in its own interest also allow its satellites to be used in the scope of military operations in which it is itself involved.

Further important preconditions for a space-based ESDP lie in the field of industrial capacities and the EU's economic competitiveness. The Commission is convinced that after the United States, Europe is the economic region offering the best economic and technical preconditions for serious space activities. It believes that this view is confirmed by the decades of success of the European Space Agency (ESA), which has grown to become one of the world's leading developers and marketers of rocket and satellite technology. In 2003 the EU and ESA formally agreed to work closely together. This cooperation is intended to lead to new space projects, which according to Commission estimates will require a doubling of annual community spending on space activities. Part of the cost is to be recouped by marketing space-based "dual-use" communication, positioning, and photographic reconnaissance services.

### **Europe's Drive to Space Power**

The EU's autonomy as a space power is based not only on possessing sufficient industrial capacity, but also on the EU's will and determination to meet the political challenges of that role. Here, however, there are many loose ends where decisions have yet to be made—or where the responsible organs of the EU are being slow to make and implement them—even though they are of the utmost importance if the potential applications of space exploration are to be exploited to the full in the service of the ESDP. One of the central tasks of the upcoming German Council Presidency will be to initiate the development of suitable political guidelines for the operative deployment of the shared satellite systems and to work for a consensus on this in the European Council.

First and foremost, the EU's wish for unrestricted control over its own satellite systems throws up fundamental questions, some of which are as yet unresolved. Having no infrastructure of its own for building rockets or operating satellites, ground stations, and control centers, the EU always has to depend on non-EU partners (first and foremost the ESA) for putting its space programs into practice. Galileo and GMES have already emerged from the strategic partnership between EU and ESA, in which decision-making and practical application are clearly separated—to the EU's benefit—from the ESA's purely technical development tasks. Equally clear rules for a functioning division of labor exist with respect to the construction and utilization of launch rockets. Through its cooperation agreement with the ESA, the EU receives almost unrestricted access to the ESA's rocket program (ARIANE V, VEGA).

Matters are very different—and certainly not always to the benefit of the EU as an independent actor—when it comes to the other space capacities the EU needs for operative support of the ESDP. At the very top of the list of priorities stand radar and optical imaging systems with global range to add reconnaissance, early warning, and real-time surveillance capabilities to the capacities already offered by GMSE, satellite communication, and radio reconnaissance. For the design and operation of such systems the EU

is forced to rely on the cooperation of individual member states that are currently developing such systems or already have them in use—often for military purposes. This concerns the following satellites and satellite systems in particular: HELIOS II (optical, France/Belgium/Spain), ORFEO (optical/radar, France/Italy), SAR LUPE and TERRA SAR (both radar, both Germany), and SKYNET V and SYRACUSE III (both military communications, Britain and France respectively). The problem here is that the EU is merely a co-user and did not order the systems itself, and thus has access to systems that are not made-to-measure for ESDP needs. The main obstacle to effective use by the EU is the great—and much-lamented—fragmentation of the systems that the individual member states are able to provide. In general the design, operation (data processing!), and procurement of these systems are subject to different technical requirements (norms, standards) and state-regulated markets, thus placing limits on their interoperability. Joint processing of information from different sources in several member states by the Political and Security Committee (PSC), the European Union Military Committee (EUMC), the European Union Military Staff (EUMS), and especially by the respective Operational Headquarters (OHQ) of the Battle Groups, can as a result turn out to be unnecessarily complicated, be subject to considerable delays, or produce a false situation report. Similar restrictions in EU access to satellite systems not operated by the Community itself have become apparent in the cooperation between the military staffs of the EU and NATO (Berlin Plus, 2002).

The European Space Council (the organizational framework for EU-ESA cooperation) has recognized the problem. It calls on European countries to present their space projects to the Space Council at an early planning stage in order to be able to tune them to EU needs as early and comprehensively as possible. But the problem demands deeper solutions that possess the character of EU policy directives and should consequently be based on decisions or recommendations of the European Council. Industry in the EU member states must move broadly and systematically to greater standardization of products and services in the space sector, making them interoperable so that over and above their national defense roles they can also be deployed directly for ESDP purposes. To this end European industrial policy and R&D must be more strongly focused on common security policy goals, ESDP criteria, and the specific needs of EU space activities.

The setting up of suitable military capacities for international crisis and conflict management has been a firm component of the ESDP for years. However, despite their strategic significance, the possible military uses of EU space activities often remain unclarified or controversial. For example, to this day Galileo and GMES remain essentially “civilian systems under civilian control” with the consequence that the EU—despite the pronounced “dual-use” character of both systems—is making almost none of the relevant preparations for their military use.

Meanwhile, however, calls are growing from many EU bodies, such as the Panel of Experts on Space and Security (SPASEC), and the aerospace industry for the increasingly problematic distinction between civilian and

military security not to be maintained at all costs when we actually know better. Instead, they say, European security and defense should realistically be understood as tasks that, when it came down to it, would require both the humanitarian (“Petersberg”) operation and the military conflict resolution. This brings two considerations into play. Firstly, with Galileo and GMES, the EU possesses systems that it would be folly not to use militarily in view of the fact that the Union has itself determined that its armed forces need such capacities—and indeed regards them as “strategic.” Secondly, it would be inconsistent to disregard existing multi-use potentials of space technologies for no good reason. This considerably reduces the security efficiency and cost-effectiveness of European satellite programs on completely irrelevant grounds.

The upcoming German Council Presidency can make a considerable contribution to solving these questions, both in terms of content and time-scale. On the one hand, it falls under the responsibility of the European Council to extend existing directives of its security and defense policy explicitly to cover EU space activities and the “strategic” aspects thereof; this applies for example to accelerated deregulation of the market for aerospace systems, in order to counteract their fragmentation and to promote the standardization and interoperability of the systems, or the deliberate opening of “dual-use” satellite systems for military purposes. On the other hand, the required strategic decisions are a matter of urgency, because the ESDP is developing very much more quickly than the European space plans so by linking the two the EU is placing itself under time pressure.

*Gebhard Geiger*



## Abbreviations

ABC	Atomic, biological, chemical
ARF	ASEAN Regional Forum
ASEAN	Association of South-East Asian Nations
CFSP	Common Foreign and Security Policy
CIS	Confederation of Independent States
CSTO	Collective Security Treaty Organization
EC	European Community
ESA	European Space Agency
ESDP	European Security and Defense Policy
EU	European Union
EUBAM	European Union Border Mission to Moldova and Ukraine
EUFOR	European Union Force
EUMC	European Union Military Committee
EUMS	European Union Military Staff
EUPM	European Union Police Mission
FAO	Food and Agriculture Organization
G7	Group of Seven (the seven leading Western industrial states)
G8	Group of Eight (the seven leading Western industrial states plus Russia)
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GMES	Global Monitoring for Environment and Security
GPS	Global Positioning System
IAEA	International Atomic Energy Agency
IEA	International Energy Agency
IPR	Intellectual property rights
KFOR	Kosovo Force
MES	Market economy status
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NRF	Nato Response Force
NSG	Nuclear Suppliers Group
NPT	(Nuclear) Non-Proliferation Treaty
OECD	Organization for Economic Cooperation and Development
OHR	Office of the High Representative
OPEC	Organization of the Petroleum Exporting Countries
OSCE	Organization for Security and Cooperation in Europe
PCA	Partnership and Cooperation Agreement
PSC	Political and Security Committee
RCC	Regional Cooperation Council
SCO	Shanghai Cooperation Organization
SEECF	South-East European Cooperation Process
TACIS	Technical Assistance for the Commonwealth of Independent States
TCE	Treaty establishing a Constitution for Europe
UAE	United Arab Emirates
UN	United Nations
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNMIK	United Nations Interim Administration Mission in Kosovo
WMD	Weapons of mass destruction
WTO	World Trade Organization