Towards a Safer Europe

Policy Papers
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Introduction

Dear readers, you are holding the latest issue of policy proposals produced by the European Values Network as part of its IV. annual programme of 2010. This year’s recommendations focused on the major challenges and threats the EU and its Member States are facing in the globalised world of today. The papers were written by young scholars and professionals from fifteen countries of the European Union and are addressed to practitioners in politics, media, business and academia, who are open to look at current challenges from the wider European perspective. The ultimate purpose of this publication is to make a contribution to the European public debate about Europe’s future, its society, politics and economics.

For this year’s programme, entitled “Towards a Safer Europe”, we have selected eight major challenges that pose a threat to Europe’s democratic institutions, security and prosperity. Since our understanding of the concept of security is a broad one, we have included multiple aspects all of which constitute a threat. Our working groups were therefore looking for ways how to address the following threats: (1) Disengagement and disinterest in democratic politics, (2) Demographic decline and its implication for the society, (3) Violent radicalisation and terrorism, (4) Declining competitiveness of Europe’s economy, (5) Growing EU’s energy dependency from unreliable suppliers, (6) Climate change, (7) Armed conflicts in Europe’s neighbourhood, and (8) Nuclear proliferation.

The primary message common and central to each and every paper of this collection is that we as Europeans should not take the level of freedom, prosperity and safety we enjoy today, as something, that can be taken for granted. On the contrary, these values can be maintained only if we make conscious efforts to uphold them in the face of the growing global challenges.

The European Values Network functions as a platform for young European scholars and professionals who are inspired by the values of liberty, personal responsibility and an active civil society, who are eager to get involved in European policymaking. Since 2007, the European Values think-tank based in Prague and the EVN Organizing Committee prepare annual programmes, every year bringing together new participants.

The EVN programme of 2010 was launched this March in Brussels where over 40 participants from 15 different EU countries gathered in order to start working on eight policy papers that addressed the major challenges facing Europe and to discuss their views with Members of the
European Parliament, experts from EU institutions, Members States representations, think-tanks and other NGOs based in Brussels. This was followed by two months in which working groups continued working on their policy papers via the Internet and personal face to face meetings. Eventually defending them in front of expert panels at the final conference in May in Prague. As part of the conference was a special panel debate of the leaders of Czech political parties about the priorities of the Czech Republic in the European Union, which provided a different perspective from the other expert panels.

It has to be emphasized that the working groups were led independently of any kind of direction or supervision by the organizers as to the content of their policy papers, which thus are the result of the collective work of the individual group members. Therefore analysis and recommendations contained in the papers presented in this publication do not necessarily represent the opinion of either the EVN organizers or its partners, and are to be understood best as a contribution to the public and expert debate.

Dear readers, I hope that the policy recommendations presented in this publication can provide you with some new ideas, points of view and perspectives and maybe even a source of enrichment and inspiration in your field of work or study. Should you consider the following pages useful and enlightening, this publication shall be considered as having fulfilled its mission.

Radko Hokovský
President of the European Values Network
In Prague, 15 June 2010
INTRODUCTION

This paper summarises the discussions and conclusions of Working Group 1 of the 2010 European Values Network. The Working Group met for a two-day workshop in Brussels in March and since then has engaged in research and debate online. During a second workshop from 8–12 May 2010 in Prague, the group met to evaluate and refine the conclusions presented below.

Our starting point is the observation that engagement in democratic politics is in a dissatisfactory state. There are many symptoms of this including declining electoral participation and low trust in political institutions and the governing elite. But above all, political disengagement represents a certain view of politics, remote and inaccessible to ordinary citizens, benefitting only a select few rather than making collectively acceptable choices. Disengagement from democratic politics challenges the way we organise decision-making in our societies. It goes to the heart of one of the most cherished set of norms, enshrined in the legal and living constitutions of states in Europe and beyond. We were asked to analyse the phenomenon in greater depth and to develop recommendations that could contribute to greater and deeper engagement with democratic politics.

Political disengagement is a complex phenomenon that varies across social groups and over time both in terms of its manifestations and its determinants. Therefore, we found it preferable to focus our discussions on a sub-set of the problem and its solution: young people and education. Predispositions for political engagement are developed and habitualised at an early stage of political participation. The way young people engage in politics is likely to shape, though not determine, patterns of political disengagement throughout their lives.1 We focus on education because the way individuals become acquainted with politics in school can be shaped more easily than other influences on the political engagement of youth. Our purpose, in sum, is to discuss how educational systems could contribute to greater political engagement of young people.

POLICY PAPER I

Disengagement from democratic politics: Education, critical awareness and the participation of young people
awareness of public affairs among individuals. That is, their interest in matters of common concern and their ability to make critical, informed and conscious choices as to how they wish to position themselves in relation to such matters. Participation and critical awareness form two sides of the concept of political engagement. Our question, therefore, must be how the educational system may contribute to either of these two dimensions.

We come to two main conclusions. On the one hand, we need more and better courses in civic education. Importantly, quantity itself is not sufficient but the style and substance of the classes has to be taken into account. On the other hand, we also draw attention to a strategy of animating civic education and call for more opportunities for young people to experience real-world politics.

1 POLITICAL DISENGAGEMENT, PARTICIPATION AND DEMOCRATIC THEORY

There are two central assertions which underpin this study: first, that political engagement is important for democracy; second, that political disengagement is an actual phenomenon. Political engagement is intrinsically related to [high quality] participation in the formal political process be it through voting, party membership or otherwise.

In a minimalist and functional reading of participation, it ensures the acceptance of collective choices. In more robust theories of democracy, participation may also be understood as a virtuous activity which promotes individual self-fulfilment and reveals the collective will of the political community. There are many models of democracy and in all of them some form of participation is at the core of the democratic process.

In the minimalist account of democracy, citizens cannot do much more than to choose among competing sets of leaders at regular intervals. Regular elections afford citizens a minimum of control over public officials. Economic theorists of democracy have long wondered why citizens vote if a single vote counts so little in large-scale democracies. It has been said that individuals might have an intrinsic motivation to express themselves. Voting could also be seen as a civic duty or social norm. From a different perspective, deliberative democrats are concerned with how the quality of political participation could be improved to lead to more reasoned and informed outcomes.

The most important insight for us is that participation is a central element of democracy.

2 CONCEPTUALISING POLITICAL DISENGAGEMENT

Political disengagement is mostly known by its symptoms. Electoral turnout is decreasing, membership in political parties is faltering, and there is low trust in political institutions and elites. None of these trends currently threatens the existence of democracy. The idea of democracy is still widely accepted. The trends are concerning, nonetheless, because they seem to suggest that citizens increasingly think that something is wrong with democratic politics.

Non-participation in formal politics is not equivalent to political apathy. For some citizens, informal activities such as membership in NGOs, protest or consumer movements have partly taken the place of formal participation. Nevertheless, single-issue initiatives cannot deliver one of the essences of politics – the articulation, reconciliation and adjudication of interests across issues. Participation in informal political activities is positive but it cannot replace formal participation.

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The phenomenon underlying the growing withdrawal from the formal political process, in our opinion, is a view of politics as a distant, negative activity conducted by primarily self-serving elites and hardly accessible to the individual citizen.¹³

The withdrawal from formal participation is one of the dimensions of disengagement. There is, however, a less tangible dimension which one could refer to as critical awareness in public affairs. “Critical awareness” is the ability and willingness to form opinions about matters of public interest. This dimension differentiates, for instance, apathetic individuals from those for whom informal activity replaces participation in formal politics. The ideally engaged citizen both participates and is informed and critical about public affairs. In sum, our conception of political disengagement is two dimensional focussing both on participation and critical awareness.¹⁴

Table 1 Dimensions of political disengagement

<table>
<thead>
<tr>
<th>Critical awareness</th>
<th>Formal participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Table 1 identifies three deficient forms of political engagement based on the two dimensions discussed so far. Cells 2, 3 and 4 are deficient forms of engagement. Ideally, citizens would be both critically aware and participate formally.

### 3 WHY YOUTH PARTICIPATION?

#### WHY EDUCATION?

There are many influences on patterns of political engagement.¹⁵ Since it is beyond the scope of this paper to disentangle the effects of a wide range of influences on a diverse set of social groups we focus more narrowly on a sub-set of influences and groups: young people and education. We look at young people because, firstly, their views will shape political engagement for the decades to come as they successively replace older cohorts. Secondly, the choices of and influences on young people tend to shape their behaviour throughout their lives.¹⁶ As to the meaning of “young”, our discussions mainly concentrate on individuals in school.

Next, we concentrate on education. Several potentially important influences on youth – notably relating to family and friends – are practically and normatively difficult to interfere with. Policy-makers’ influence on private business and media is greater but still constrained by many considerations that, today, may rank higher in importance than political engagement. Political parties, trade unions and comparable organisations may in any case only attract those who are already engaged. The educational system is among the institutions that can best be affected by policy-makers. Even though educational reforms are far from uncontroversial, educational systems are largely under public control and, therefore, potentially within the remit of policy-makers.

We are interested in how “politics” is being dealt with in the educational system. What kind of civic education classes are offered, what deficiencies can be found and what can be improved?

### 4 CIVIC EDUCATION IN EUROPEAN CURRICULA

This section explores the way politics appears in school curricula across Europe. We point out weaknesses and room for improvement. The existing literature highlights that if there is any attention given to citizenship and politics within European domestic curricula, it is usually in the form of traditional educational instruction with few lessons per week and a bias towards factual knowledge as opposed to discussion of democratic ideals and social realities.¹⁷ A cross-national study by the International Association for the Evaluation of Educational Achievement (IEA), found that “civic education is a low-status subject and curricular aim” in most of the twenty-four countries.¹⁸

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¹⁴ This sounds very ambitious but we do not expect full-time participation from every citizen. Participation can take the minimalist form of voting or additional activities. What is important, however, is a commitment to the formal political process that can well co-exist with many or few other forms of political activity.


¹⁷ Idem, p. 32.

The heavy focus on factual knowledge is detrimental to the most important goals of civic education. Previous studies have shown that students who debate political issues in the classroom score much higher on both an anti-authoritarianism measure and on a knowledge test compared to those pupils who memorized dates or facts about politics or participated in patriotic rituals.  

Two solutions advanced in the political socialization literature to address the disinterest/disdain of students for national politics suggest that it might be beneficial to orient civic education more towards community politics, i.e., issues of local interest or conversely, and to concentrate further on abstract topics, such as rights.

4.1 COUNTRY STUDIES

Political participation of young people begins with their socialisation. As mentioned earlier, school plays the major role familiarizing young people with institutions, systems and society. This section highlights the way politics is treated in schools in seven European countries: Portugal, Spain, Poland, England, the Czech Republic, Germany and Bulgaria. We focus on the substance, priorities and comprehensiveness of civic education, the methodology and, to the extent possible, on the acceptance and recognition of the subject. The information we find must be considered exploratory and preliminary as further research would be required to uncover the nuances and variations in civic education one can expect across cities, regions, or federal states.

For reasons of space, we cannot discuss every country in detail, however an overview of our findings can be seen in Table 2. Empty fields indicate that no information could be found.

To sum up the results, the approaches to civic education in the aforementioned European countries differ mainly in their methodology and role within the educational program. Even though we need to be careful with generalising from these brief studies, they display similarities to the picture obtained in the academic literature. Two conclusions might be warranted. First, it appears that the time devoted to civic education is often short. There is obviously a tension between increasing time spent on civic education classes and time available for apparently more cherished courses such as Maths, English etc. With this trade-off in mind, we still believe that there needs to be enough time to at least combine the communication of basic knowledge about the political system with the discussion and analysis of more topical, societal issues (not necessarily restricted to the sphere of government). Second, in several cases civic education suffers from low levels of institutionalisation without specialised teachers, curricula tailor-made teaching materials and low levels of acceptance among teachers and pupils alike.

5 RECOMMENDATIONS

This paper has departed from the general observation that political engagement is in a dissatisfactory state. Our aim has been to discuss a sub-set of the problem focussing on the political engagement of young people and the contribution the educational system could make. We conceive of political engagement as a two-dimensional phenomenon involving actual participation in the formal political process in addition to the critical awareness of citizens. The question, therefore, was how the educational system might contribute to either of these dimensions.

A review of the literature and our analysis of the approach to civic education in a number of European countries allows us to draw a number of conclusions which opens the way for recommendations. We would like to introduce two sets of considerations, one more formal, and one less formal.

"IN THE CLASSROOM"

In the previous section we showed that the approach to civic education in a sample of European countries differs mainly in their methodology and their role within the educational program.

First of all, it appears that the time devoted to civic education is often short. There is obviously a tension between increasing time spent on civic education and the time available for other classes. Keeping this in mind, we believe that there is still the need to give civic education enough time to instil the basic knowledge of the local political system, while also promoting discussion of more topical, societal issues (not necessarily restricted to the sphere of government).

Secondly, it seems that civic education also suffers from other issues, namely: low prestige, too strong a focus on the structure of the political system, and limited innovation in teaching. Simply increasing the number of lessons, therefore, will not help. Rather, what is required are more and better lessons. In our opinion, the organisation of civic education courses would benefit from more debate, discussion and interaction in the classroom that would complement the still dominant insistence on facts. Hence, we call for greater
<table>
<thead>
<tr>
<th>Country</th>
<th>Name of class</th>
<th>Grade taught</th>
<th>Organisation (hours, compulsory (C) / optional (O))</th>
<th>Teachers/ teacher education</th>
<th>Topics covered</th>
<th>Methodology</th>
<th>Material provided</th>
<th>Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portugal</td>
<td>Civic Formation, Personal and Social Development, Education to Citizenship, Civic Education</td>
<td>5–9th C</td>
<td>Coordinator of class, no specific educational background required, no specific curriculum</td>
<td>areas of society and social life</td>
<td>specific educational background is not required and a specific curriculum for civic education does not exist</td>
<td>Written/ oral works, self-reflection</td>
<td>Balanced in comparison to other classes</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>10–12th D</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>Education to citizenship and the human rights</td>
<td>5–6th C</td>
<td>Teachers come from relevant disciplines including Social Sciences, History and Philosophy</td>
<td>social behaviour, Spanish Constitution, democracy, public administration and civic obligations, Universal Declaration of Human Rights, the EU, social cooperation and solving conflicts. Topics on everyday life and participation in democratic societies</td>
<td>debates and discussions</td>
<td>Books</td>
<td>Subject taken seriously</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Education to citizenship and the human rights</td>
<td>10–12th C</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>No civic education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>England</td>
<td>Personal, Social and Health Education [PSHE]</td>
<td>7–11th C/O, depending on the schools</td>
<td>class-teachers or tutors, who need not have a specific background</td>
<td>identity, cultural diversity, healthy lifestyles, community participation, enterprise, sustainable futures and the global dimension, technology and the media, creativity and critical thinking</td>
<td>Debates and discussions</td>
<td>Books</td>
<td>Generally seen with indifference</td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>Social Sciences</td>
<td>8 and 12 C</td>
<td>1 hour per week C</td>
<td>political system of Poland, International Relations and basics about the society</td>
<td>Lectures held by teacher</td>
<td>Books</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Civic education</td>
<td>6–9 C, 9–11 C</td>
<td>1 hour per week 2 hours per week</td>
<td>Teachers paid by amount of years in office, not by education level, so no motivation to get further education</td>
<td>Law Facts about political system</td>
<td>Lectures, discussions</td>
<td>Books, &quot;primary&quot; materials like law-books, teachers have to search for material</td>
<td>Bad perception, &quot;2nd class&quot; subject, behind &quot;proper subjects&quot; like maths</td>
</tr>
<tr>
<td>Germany</td>
<td>Politics Social education</td>
<td>9–11 C</td>
<td>2 hours per week C</td>
<td>Special teachers for politics, have to gain further education regularly</td>
<td>Political system, EU-identity, &quot;soft-skills&quot;, like debating</td>
<td>Lectures, projects, debates, simulations</td>
<td>Books, material provided by the &quot;Bundeszentrale für politische Bildung&quot;</td>
<td>Low priority compared with other subjects like maths</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11–12 C</td>
<td>2 or more hours per week C</td>
<td></td>
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</table>
re-considerations of teaching style and curricula. We do not think that civic education should lead to a specific type of political participation, rather it can help strengthen the ability of young individuals to critically appraise matters of public concern. We consider this critical awareness to be one of the central elements of political engagement.

However, the knowledge of procedures and critical awareness needs to be accompanied by an opportunity for young people to actively contribute and shape local and national politics. It is for this reason that we propose a shift from formal education on citizenship and politics, to a dual approach that encourages action as well as thought.

"OUTSIDE THE CLASSROOM"

We propose that educational programmes should include not only traditional forms of instruction, but also personal contact programmes and youth participation programmes.21

**Personal contact programmes**

If we want to prevent politics from becoming faceless and remote from young people then we need to enable the youth to interact with local public officials. As opposed to sightseeing tours of parliamentary or local council edifices, this would actually present youths with the opportunity to perceive politics as something real, animate, and meaningful. Moreover, it would facilitate interaction between local political structures and the youth who reside within the body’s jurisdiction. This would enable young people to present their views to local officials and thereby influence local politics. We propose that the national curricula of European member states adopt an expanded programme of real-time interactions with local governments and officials and that proactive steps to be taken in order to ensure that such contacts and interactions are made possible. It is hoped that this measure could be undertaken voluntarily by local councils with the understanding that they can play a major role in developing and instilling a sense of civic engagement among young people. We feel that if school programmes have a greater emphasis on the practical side of civic engagement in addition to changing their attitudes on civic education this will have a positive effect on local governments which will benefit from the increased democratic interaction with the young people living in their electoral region.

**Youth participation programmes**

While educational and personal contact programmes are a part of the school curricula, youth participation programmes offer an effective means for young people to

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21 For an overview of how such programs have been implemented in a number of American cities see e.g. Summer in the City Programme, 2004. Political empowerment at the local level: a review of youth civic engagement efforts in 11 U.S. cities. Available at: http://www.iop.harvard.edu/var/ezp_site/storage/ckeditor/file/pdfs/Research-Publications/city_report_04.pdf. Accessed 20/03/10.
interact with local politics outside of full-time education. The onus of responsibility to involve young people of various ages in political processes lies with local governmental bodies. This could be achieved through various programmes such as internships for school-leavers, programmes that allow young people to shadow local officials, volunteer positions for young people to assist during elections, and the establishment of youth councils to advise local policy makers on matters of importance to local young people.

Such activities should not be intended to reduce the need for specialised youth workers and officials, rather they should offer positive opportunities for political involvement of young people. Local governments should be encouraged to consider their responsibility to create and implement their own programmes. This would offer a dynamic opportunity for the cultivation of mutual channels of interaction and ideally lead to an increase of formal political participation of youths.

The idea that benefits exist in bringing young individuals into closer contacts with community affairs and local politics is not new. Bringing about better youth participation, however, could be improved through personal contact and participation programmes. Experiencing politics first hand would increase understanding of what otherwise appears to be a rather opaque process. Again, there is no guarantee that local engagement would result in a livelier participation in formal politics, however it would surely help individuals build an informed, autonomous and critical view of the political process.
WORKING GROUP 1

Disengagement and disinterest in democratic politics

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Dorota Szeligowska (Poland)
INTRODUCTION

Worldwide and European population trends have become a recurrent subject of media coverage and public concern. Institutionally, the relevance and urgency of the demographic challenges the EU now faces are confirmed by the publication of the Commission’s paper “The demographic future of Europe – from challenge to opportunity” in October 2006. This document points to the need to create improved family support systems; promote employment; increase productivity levels; reconsider immigration-related issues; and ensure the sustainability of public finances. Later that same year, the first bi-annual European Forum on Demography convened in order to discuss the available data and the effectiveness of the policies adopted by the Member States. The second of these fora was held in November 2008, and the resulting “Demography Report 2008: Meeting social needs in an ageing society” is the most comprehensive, up-to-date working paper produced by the Commission on the topic.

This paper focuses on the EU and on two of the factors involved in determining the size and structure of a given population: fertility rates and life expectancy. The former is addressed directly, through recommendations aimed at fostering a European social environment conducive to its potential increase; the latter is tackled indirectly, through proposals which deal with the multifarious challenges summed up by the expression ‘active ageing’. Migrations, the third factor defining demographic trends, are not analyzed here due to limitations of time and space.

Since the 1960s, the availability of contraceptive devices and the emancipation of women – of which the increase in the female participation in the labor force is an expressive indicator – have contributed to the privatization of the decision to start a family. Social expectations are not irrelevant in this context, but they have ceased to be the determining factors in what is now considered to be an intimate choice, and not a ‘natural’ social duty. On the other hand, the increased costs of childrearing force would-be parents to attend to issues such as the stability of their financial situation and their future prospects, including pension plans; the impact that a child may have on career development; social benefits for families; and the cost and availability of childcare and schooling facilities. The couple’s health, education level and possibly its legal status also determine the timing and outcome of the reproductive process. The net result of this evolution has been a steady decline in the number of children born to European nationals.
Reduced fertility rates associated with a longer life expectancy are behind the pillarization of the European demographic charts, changes in the prevailing family model and a probable erosion of each individual’s links to the society at large. In some member states and regions, the population is actually shrinking, in contrast with a worldwide expansionary trend. Smaller settlements and the spectre of desertification; the disappearance of local cultures; a less numerous and older labour force (perhaps less innovative); a restricted internal market; and a diminished geopolitical power are some of the problems these territories must address.

Life expectancy at birth for men and women in the EU-25

People now live not only longer, but healthier lives. As the baby-boom generation hits its eighth decade it is becoming ever more difficult to maintain the social-democratic model of pensions idealized in the 1950s. This entails unprecedented challenges related to the maintenance of a satisfactory quality of life for the elderly and the need to create opportunities for them to actively participate in communal life. Healthcare, day-care and elderly-care structures must also be adapted to this new reality. All of this implies serious budgetary problems which have only been aggravated by the current economic crisis.

Because policies do not exist in a vacuum, we do not purport to present an ideal model to alter this scenario. The finite nature or even scarcity of resources, the historically different traditions concerning the role of government and allocation of public investment combined with the particular cultural values that define each national community explain the utopian character of such an endeavour. However, it is possible to learn from successful experiments and adjust them to new settings. Therefore, our analysis occasionally considers various echelons of intervention, taking into account the potential influence of specific policies directed at a regional level, at a member-state level or at an EU-wide level.

Youth, health, family and employment policies are addressed in the following pages. Summing up, our goal is to creatively answer the following questions:

1. What can be done, and at which level, to encourage young European couples to have more children?
2. What can be done, and at which level, to promote the active ageing of the European population?

Our work revolves around our belief that a massive change in mentalities must take place, particularly in two fields: reproductive rights and the status of children in European societies. From the second feminist wave onwards, ‘a woman’s right to choose’ has become persistently associated with her right to not have children, and specifically with the right to have an abortion. The ‘pro-choice’ movement has, in fact, successfully turned the light on reproductive rights – but has done so through a very precise set of feminist lenses, co-opting and adulterating the concept of choice to better serve its purposes. Without entering the debate on abortion, we do nevertheless believe that redefining ‘choice’ and recapturing the meaning of ‘opting between two or more equally valid possibilities’ is fundamental, if we want to arrest the decline of the number of children young Europeans couples have. In other words, we think that those who desire to have large[r] families deserve at least as much attention as those who decide not to have families at all.

In a second sense, this recuperated concept of choice is important as a stepping stone in our reflection. While the state is the foremost guarantor of the life and dignity of its citizens and must fulfil its role, the demographic challenges faced by European nations will reach unmanageable levels unless a more flexible and comprehensive approach is
Towards a Safer Europe – Policy Papers

devised. Europeans must be able to choose not only the type and size of families they want to have, but must also benefit from a wider range of services in healthcare, childcare, elderly care and so on – whether provided by the state, by private-public partnerships, by outright private agents, or by local communities.

Concerning the status of children in contemporary societies, it is crucial to instil in Europeans’ minds the notion that children are not a social cost, but a social investment. The ‘re-socialization’ of the decision to reproduce is not needed, just an enhancement of the perception of the social benefits from its outcome. Serious cultural issues are at stake here, such as the erosion of intergenerational solidarity, and are difficult to tackle. Having said that, the impossibility of maintaining any kind of old-age pensions without an adequate size of the workforce to pay for them is quite easy to grasp, and could provide an adequate starting point for such a shift in the current mentality.

MORE FLEXIBILITY!
– RECOMMENDATIONS CONCERNING YOUTH POLICY

One of the undeniable tendencies observed in contemporary reproductive patterns among Europeans is the postponement of the decision to start a family. This tendency is most easily demonstrated by the increase in the median age of mothers at the birth of their first child. The need not to jeopardize future career opportunities nor the woman’s financial independence (closely related to the completion of an adequate education), in addition to the financial consequences that having a baby has in housing or student loans, contribute significantly towards the reinforcement of this trend.

Were the birth of a child not to be regarded as an unnecessary interruption in the life paths of the young, but as a natural and socially commendable event, pregnant women would be able to freely pursue their studies, maintain their jobs, and have access to diverse types of loans. In the absence of these assurances, young couples are hard pressed to anticipate the beginning of a family, thereby decreasing the number of potential children couples might have. Flexibility is the key in dealing with this problem.

- Flexible housing opportunities
  In an ideal society, empty-nesters would live in small houses, moving into larger ones as they raise a family and see through the growth of their children, before returning later in life to smaller homes adapted to the ‘active-ageing’ principle. In practice, however, because of restrictive housing-market policies this evolution is often difficult to realize. It is thus important to ensure not only young couples have access to a home in the first place, but that different family compositions throughout a lifetime are met with suitable responses.

- Flexible employment and academic opportunities
  Part-time jobs, variable and adaptable working schedules, the possibility of working leaves, shared maternity/paternity leaves and employment opportunities that include working from the home are just some of the various arrangements that may allow young parents to manage their private and working lives in a socially profitable way.

- Gender equality
  Despite the conservative stance of the importance of the traditional feminine role of homemaker, the data shows that in the northern countries, where women enjoy greater gender equality and benefit from wider social opportunities, couples have more babies. Therefore, it is necessary to ensure greater gender equality while betting on the changing attitudes of the young to accept this principle as a crucial and transversal component of any policy design.

CHILDREN ARE OUR INVESTMENT TO THE FUTURE!
– RECOMMENDATIONS FOR CHILD CARE REFORMS

- Child care needs to be inexpensive and widely available in all European areas
- Child care facilities need to achieve a general standard, accepting children of all pre-school ages and maintaining hours compatible with the typical daily work schedule
- Major corporations should be responsible for providing adequate child care for their employees
- A compensation system for parents [in particular mothers] who stay at home with children should be developed so that the parental leave does not cause a serious diminution of their pension.
- Grandparents should be encouraged to assist in the daily child care of their grandchildren
The countries of the European Union are experiencing demographic decline at a rate that is becoming dangerously low, causing many researchers to question how the declining size of the workforce will provide enough tax contributions to maintain the current welfare state model proudly exemplified across the continent. The declining birth rate has emerged slowly over the decades since World War II as the social environment in Europe underwent dramatic change. The increasingly large presence of women in the workforce, combined with the shift from industrial to modern society, inserted new obstacles in peoples’ attempts to balance their increasing career commitments with traditional family life. In an effort to render career and family compatible, many European states began to implement social policies offering support and benefits to parents, either through tax deductions, increased parental leave, or direct financial benefits. In this section another tool – state-sponsored child care – will be discussed, including all the ramifications this may have for altering the demographic decline.

Traditionally, men were the career-oriented breadwinners while women remained at home to care for the children, rendering the need for external child care obsolete. As the 1950s family model has changed and more women juggle careers and families, child care has become a very important factor in a woman’s decision to have children. The cost, availability, and quality of child care all need to be optimized before child care can have a positive effect on the birth rate. Affordable childcare needs to be available in all regions, not merely in large metropolises, and should be of a sufficiently high quality that the educational benefits the child receives will outweigh any social stigma associated with external care facilities. These centres also need to have flexible hours so that working mothers will be able to pick their children up at the end of their work shift rather than having to alter a work schedule to suit day care hours.

It is widely acknowledged that economics decisions affect a women’s fertility choices. Children represent both an actual financial cost to parents as well as an opportunity cost in terms of foregone promotion prospects while on parental leave. Although many policies actively aim to reimburse mothers for the time spent caring for children, these payments are typically in the form of a percentage of salary earned prior to maternity leave and therefore may not be sufficient to support mothers who are in the earlier stages of their careers. Furthermore, these financial incentives may not entice highly-paid professional women who are more concerned with missed career opportunities while on maternity leave than with the money they earn. State-subsidized child care avoids both of these issues, allowing women from all backgrounds to remain in the labour force.

For child care to have a real impact on fertility, equilibrium must be reached between availability and cost. Currently, most public child care facilities are maintained by municipal governments, creating a broad range of regional variation and often disadvantaging parents located outside the major urban areas. Governments should ensure that child care centres meet certain uniform standards, including maintaining hours compatible with the typical work day, offering services to children from infancy to preschool years, and so on. State subsidies should continue to keep child care costs at a minimum, so that mothers from all socio-economic backgrounds can take advantage of child care centres to facilitate their work-life balance. To ensure that adequate facilities exist in all regions, employers in more remote locations should receive greater benefits and pay to encourage high-quality child care throughout the country. In cities, the onus should be placed on major employers to provide on-site child care facilities for their employees, perhaps by providing generous tax breaks to corporations with exceptional child care provisions. This would remove some pressure from the already-strained government budgets and create programs tailored specifically to the needs of employees’ families.

Finally, there is the issue of negative public perception of external child care. While it is very difficult for governments to influence public opinion through policy, certain interim measures can be taken to help transition from a society clinging to a traditional model of family life to one more open to the complexities of modern life. A recent study demonstrated that women who still live near their parents have a twenty percent higher likelihood of having a first child, suggesting that perhaps they are taking advantage of informal child care arrangements. Governments could


allow for earlier retirement for grandparents who desire to provide full-time child care, treating this family responsibility as ‘work’ for the purposes of the pension benefit system. As more women receive support in caring for children at home, they should be more capable of maintaining the educational and professional goals common in today’s world while achieving a stable fertility rate.

FIGHTING INFERTILITY! – RECOMMENDATIONS REGARDING HEALTH POLICY

Life expectancy at birth has been steadily increasing over the last decades: a child born in 1960 could expect to live between 67 and 72 years (for men and women respectively), for a child born in 2004 those figures have risen to 75.6 and 81.7. As a result our population is ageing and our current health-care systems are not adapted to accommodate such a large old-age population. Changes will need to be made if our societies are to provide adequate means for the elderly to live not only longer but also happier lives. This goal of improving the quality of life seems necessarily linked to autonomy, adequate care and retirement income, which should also include an adapted living environment at home, in transport, and within the community. A decrease in the state of mental and physical health is inevitable as age progresses, and we should help create an environment in which these disabilities are not stigmatised but rather accepted and worked around.

As regards fertility, two important aspects should be tackled: firstly, sexual health and the fights against sexually transmitted diseases, and secondly, infertility due to later pregnancies and the possible policy answers to these problems. However, these issues can arguably be seen as merely sideline problems in the fight against falling fertility rates in Europe, and although it is important to provide public support in the areas of health and fertility, solving these would not solve the overall problem.

FIGHTING INFERTILITY

- Promoting and standardising health and sex-education in schools across Europe and providing free contraception to young people

Across the EU, there is a rate of infertility of around 10–12 %, with the highest levels found in countries where contraception is less common, abortions are higher, and general health is poorer. The principal causes of infertility are thought to be health problems linked to smoking and obesity, as well as sexually transmitted diseases (STDs). It therefore becomes clear that promoting contraceptive use and safe sex to younger people, rather than encouraging low-fertility rates may in fact lower levels of infertility by lowering rates of STDs. Whereas in some European countries sexual health is an obligatory part of the school curriculum, in others it is merely optional or not available at all. The goal of health policy should be to make sexual education universal in Europe and to provide cheap or free contraceptives to young people.

- Universal availability of infertility treatments

The second problem with regards to infertility is that couples are choosing to have children later, and levels of infertility rise sharply among women in their late 30s and early 40s. As a result, not only are couples having fewer children because they are having them later, some may not be able to conceive at all. In most areas in Europe, the possibility to have a full diagnosis of infertility problems (hormone tests, ultra-sound, x-rays) is widely available. IVF (in-vitro fertilization) results in many healthy births every year, but this technique is very expensive and its availability differs substantially among European countries. The Nordic countries, for example, have a favourable network for modern and effective infertility treatment with equal access to patients from all levels of society. As a consequence, 6–7 % of all births in these countries result from infertility treatments. This health model is one which should be promoted in other countries, where infertility treatments should be made available on a universal basis. For example, a minimum of one free IVF treatment per infertile couple should be made available. However, the cost implications of such a policy are not negligible, and of course ethical and cultural factors will need to be considered as well. Other alternatives to infertility treatments, notably adoption, should therefore also be made more readily accessible and acceptable.

AIMING TO LIVE LONGER, BETTER

- Regulating and monitoring in-home care services for the elderly

Surveys of the elderly and their care-givers across Europe have shown that there is a general widespread preference for formal services. The elderly themselves

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4 EC Demography report 2008


8 UNFPA, Entre Nous, 2006
have indicated that they would prefer to relieve their children of caring duties and instead be in the hands of a professional care-giver.

The most difficult task ahead will be to improve the wages and training opportunities of care workers and enhance the image of long-term care work without negatively affecting the demand for care and service accessibility of lower-income families. This is a delicate balance, but not addressing the problem would allow the development of an unregulated industry (similar to the situation in Italy), from which both the workers and the elderly clients are likely to suffer over the long-term.

In their paper, Pavolini and Ranci⁹ trace the current trends in welfare reform across Europe and conclude that the introduction of quasi-markets and measures to pay family members are being introduced in order to create a new model for long-term care which places emphasis on autonomy and citizen-responsibility as well as greater flexibility of service provision. This appears to be the right direction for reforms – the goal for elderly care should be founded on choice and independence. We should accept that not only is every nation and tradition different, so is every family, and what may be an ideal solution for one will not be good for another. Therefore the introduction of private services giving choice and lowering price through competition is a positive step but one which needs to be accompanied with strict state regulation in the domain of care provision.

• Promoting ‘ageing in place’

A number of authors from different fields [sociology, health care and technology] have emphasised the tendency towards ‘ageing in place’. The aim of this health policy should be to allow older people to live long and healthy retirements in their own home. This can be achieved through various measures: supporting the provision of home care for the elderly, using adaptable home and urban design and investing in technology which can increase the feeling of security for older people. A lot of research has been undertaken in the area of home assessment technology [e.g. Kaye et al, Stefavnov et al, Wilde] which can be used in a number of ways: sensors in the house can monitor the inhabitant to collate movement patterns and emit alerts to the appropriate person if the inhabitant has fallen, for example; reminders can be emitted to the elderly to take medication at a certain time; doctors can use data collected to monitor the progress of an illness or simply the metabolic states of the patient. Such technology is already being tested but would require a substantial investment to become widespread. However, the long-term benefits of such measures could be cost-effective as it would alleviate the pressure on health care institutions and reduce the need for hospital beds and GP’s time.

ENCOURAGING REFORMS!
– SUSTAINABLE PENSION SYSTEM

One of the main challenges brought about by the ageing of the population is the provision of a sustainable pension system. This system must be comprehensible, assure a decent standard of living for people in their old age, and at the same time constitute a bearable burden for employees and employers; otherwise it will hinder any economic activities. Existing pension systems were designed for a different social and economic situation when many people paid their contributions and relatively few benefited from a pension. Nowadays the proportions are changing: according to the projected age dependency ratio – the proportion between the total number of pension-drawing elderly persons (aged 65 and over) and the number of persons of working age (from 15 to 64) – will double in the EU over the next forty years¹⁰. Thus, a reform is needed in order to avoid total collapse of the system. However, such a reform is very difficult from political point of view. Citizen’s expectations are high and pensions are considered as a simple right. Moreover, the benefits of a reform will not be visible immediately but postponed. In most cases pension systems are extremely complicated and there is little understanding about its financing. Nevertheless, thanks to various models the demographic changes in coming years is known and it shows that serious changes are unavoidable and that it is necessary to think about how to address this problem.

RAISE THE AWARENESS

The question of retirement is very distant to young people who just entered the labour market and who are going to develop their professional career for at least the next thirty years. With such a long time perspective it is difficult to imagine the need to save money for retirement.

However, it is obvious that everybody will need a pension and thus everybody must be covered under a pension scheme.

- It is of utmost importance to provide precise information about the pension system and explain to every contributor which factors influence the amount of their future benefits. It is a necessary condition to assure cooperation on the side of employers and employees to introduce any changes.

- The system should be clear, preferably based on individual accounts so that everybody knows how much money has already been saved and how to calculate future pension benefits depending on different factors such as the number of years they were professionally active and their wages. It is clearly an incentive to encourage people to work as long as they are able to.

- The system must be transparent and accountable to the contributors. Detailed information about all the administrative costs should be presented regularly in order to avoid any unnecessary spending. To enhance the effectiveness of institutions responsible for management of the funds (e.g. social security) serious reform may be needed. However, it is of utmost importance to assure the reliability of the system. People will accept to pay the contributions and respect the rules only under the condition that they have guarantees that they will receive the pension according to agreed rules. For the same reason it is necessary to assure the stability of the pension system. A person who enters the labour market should be able to predict the rules according to which his or her pension will be calculated.

ENCOURAGE REFORMS

The next step should be to create extra incentives for governments to undertake pension system reforms regardless of the serious political risk that is involved. Nevertheless, it cannot be avoided as an important factor for budget stability and further economic development.

- Firstly, the European Commission should investigate within its competences all the possibilities to encourage governments to undertake reforms in order to assure budgetary stability. As proven by the current situation in Greece, it is important for EU economic stability that all countries be regulated, especially when more and more member states have problems with budgetary deficits due to high expenditures on social security. The EC can, for instance, create a special fund in order to help governments to finance the reforms or to create jobs for elderly people.

- The pension system should be financed according to the same rules for possibly all professional groups in order to avoid free-riding. Any previous privileges should be abolished. Early retirement or special pension regimes may be allowed in absolutely exceptional cases (e.g. soldiers, firemen or other groups considered to work in difficult conditions).

- Comparison of pension systems functioning in different EU countries may also enhance reform. A comparison concerning the share of a budget that is spent on social security and pensions in particular clearly shows the stability of the system. Eurostat should be commissioned to prepare such a report that would constitute bases for a further public debate. Furthermore, systems that prove to be efficient should be investigated in detail in order to share best practices in this area.

MAKE PEOPLE WORK LONGER

Encouraging people to work longer should also be a key issue in a successful policy that would answer the pension problem in the context of ageing and shrinking population.

- Therefore the notion of retirement age should be replaced with minimum retirement age. It is necessary to change the perception that retirement at a certain age is not a duty but only one option. Certainly, it is necessary to assure the right to retirement at a certain age, however elderly people should also have the right to continue their professional activities if they are willing to do so.

- It is necessary to encourage employers to keep elderly people at work. Reduction of costs of their work is one of the possibilities while it is also important to create favourable working conditions, by promoting part time work, for instance.

- Special training programs should be introduced in order to enhance the exchange of professional experience, so experts could pass their practical knowledge to those who are starting their career. It would also be an opportunity to show the value of more elderly workers.

- In this context it is necessary to assure the coherence between polices that aim to create jobs for young
people and those that promote professional activity among the elderly.

CONCLUSION

The European population is bound to change radically within our lifetime. A longer life expectancy means that the older segment of the population will become more visible, their needs more urgent, their economic weight and political capital more relevant. The reduction of the number of babies born to successive cohorts of women of reproductive age will reinforce these trends, while opening the way for significant alterations in the racial composition of the population as greater numbers of economic migrants reach Europe’s shores. While we cannot avoid these alterations – nor is it clear that that would be a desirable goal – we can strive to keep them within manageable proportions.

The recommendations we have discussed in this paper are reasonable, feasible and may even garner the support of European citizens should there be political will among different governments, opposition parties and civil societies. The recommendations steer clear of the despair which prompted Russia to launch a nation-wide lottery that equates a baby with a SUV [for the past years, the parents of the first Russian child to be born on a specific day of the year are awarded with a SUV, while others get various electrical appliances]. They also avoid the intrusion of the state in the decision to start or enlarge a family, typical of authoritarian regimes.

However, the recommendations would not solve Europe’s demographic challenges even if their implementation took place immediately. That is why we agree with the trend among demographers to defend the ‘quality’ of life of the European population, over and above its ‘quantity’. More investment is needed in health, education, and innovation to make sure that the continent does not lose its competitive edge and is able to maintain the social model of which Europeans are so proud. We see the type of personal and reproductive liberty we have defended as an integrant element of this ‘qualitative’ approach, as well as the fundamental element in any policy whose goal it is to arrest the problems associated with the quantitative issues we have raised and to guarantee a dignified life for all Europeans in a much-altered future setting.
WORKING GROUP 2

Demographic decline and its implication for the society

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INTRODUCTION

What is global Jihadist terrorism? According to Paul R. Pillar, former Deputy Director of the Counter-Terrorist Centre of the US’s Central Intelligence Agency (CIA), global Jihadist terrorism is a “variety of international terrorism that draws on extreme interpretations of Islam for its rationale, its ideology, and to varying degrees its motivation, and whose focus is not limited to any one national or ethnic milieu or that revolves around any one national conflict or campaign.”¹ The 9/11 terrorist attacks marked a new phase in international terrorism and one of the most challenging threats to both national and international security comes from organisations like Al-Qaeda, Lashkar-e-Taiba (LeT) or Jemaah al Islamiya.

A violent and radical perversion of Islam, Jihadist ideology can be traced back much further than the emergence over the past decade of Jihadist terrorism. Stretching back to the 1920s, a Salafist school of thinking emerged out of Arabia as well as Egypt calling for the reestablishment of the Caliphate. Over time the Caliphate created branches and ideological off-shoots in other regions which embraced violence and terrorism.² Nowadays, Jihadist ideology is spread across borders via the most modern means of communication like the internet.

While exploiting dissatisfaction with Western policies and domestic problems in the Middle East, Jihadists are primarily individuals and groups who share distinct aims and objectives. These aims are the overthrow of governments in the Middle East, the re-creation of the Caliphate and finally the expansion of the Caliphate on the global level.

This dimension is not limited to the Middle East as may be imagined. Training camps in Pakistan and Afghanistan attract recruits from many Western countries. The European Security Strategy of 2003 rightly states that the EU is as much a base for terrorist activities as its target. Although the majority of terrorist attacks have been carried out outside the border of the European Union, high profile attacks like in Madrid in 2004 and in London in 2005 did take place and several other high-profile attacks have been prevented.


Since the 1980s, France and the UK have been a sanctuary for Jihadist organisations and preachers. Most of them were engaged with Jihadist missions in the Maghreb, Near East or the in Afghanistan (during the Soviet invasion). In the 1980s, ideologically led by Abu Qatada, they trained, recruited and radicalised a second generation of Jihadists, who were born and raised in Europe but did not have any previous links to Jihadism in the Middle East. Their spiritual leaders were Omar Bakri and Abu Hamza al-Masri. This second generation represented the first step towards Jihadist terrorism in Europe.

This policy paper focuses on the prevention of violent radicalisation and recruitment to Jihadist terrorism within the context of the European Union (EU). How can we define violent radicalisation? The EU describes violent radicalisation as the “the phenomenon of people embracing opinions, views and ideas which could lead to acts of terrorism”. Violent radicalisation thus can be defined as the embodiment of radical or extremist ideology by an ordinary individual with a motive to partake in terrorist activities. Violent radicalisation “creates the motivational or cognitive preconditions ripe for terrorism.” In the context of global Jihadist terrorism, it translates into the indoctrination of radical Jihadist ideology by a person to a target for the purpose of recruitment to a local or international group of terrorists.

The paper first begins with an identification of the factors contributing to violent radicalisation and then explores four specific fields of action countering and preventing the radicalisation process. Finally, the conclusion provides specific policy recommendations for countering radicalisation and recruitment to Jihadist terrorism in Europe.

**FACTORS CONTRIBUTING TO VIOLENT RADICALISATION**

Many myths surround terrorists and their personal drive, some of which describe them as being ruthless and careles psychopaths. This approach is, however, a way to deny any responsibility whatsoever towards the radicalisation process of specific individuals. Terrorists are neither predetermined, nor do they have a psychologically deviant personality. Terrorists are a very heterogeneous group and the way in which a person becomes a terrorist can vary. Factors playing a pivotal role in one person’s decision to engage in terrorist violence may have played a minor role in another’s or even no role at all. However, there are certain general factors that might facilitate violent radicalisation towards Jihadist terrorism.

In general, it is worth noting that the process of violent radicalisation in Europe “is more of a bottom-up than a top-down activity”, i.e. a form of “self-recruitment”. So far, there has not emerged a clear sociological or psychological profile of a Jihadist terrorist. The background of Jihadist terrorists recruited in Europe varies widely from second and third generation migrants born or raised in Europe, to migrants recently arrived in Europe and to converts with a non-migrant background. Similarly, individuals recruited for Jihadist terrorism have been fathers, students, doctors, blue-collar workers or even well-off youth – some very religious while others with no religious past at all.

According to Neumann and Rogers, the process of violent radicalisation can be described in four stages: [1] cognitive openings, [2] group dynamics, [3] frame alignment

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1 From groups such as the Algerian Groupe Islamique Armé, the Libyan Islamic Fighting Group or the Egyptian Islamic Jihad or the semi-jihad organisation Al-Mujahiroun.
3 b. 1958, Syrian cleric one of the best-known, high-profile Islamic radicals based in London, led Al-Muhajiroun – in 2005 he left the UK for Lebanon.
6 D. MANDEL, Radicalisation: What does it mean, in T. Pick and A. Speckhard’s Indegenous Terrorism: Understanding and Addressing the root causes of radicalisation among groups with an immigrant heritage in Europe, Amsterdam IOS Press.
10 M. SAGEMAN reveals in his book Leaderless Jihad that about 84 % of his sample of individuals who joined global Islamist terrorism were either individuals who were at the time living in a country in which they did not grow, or were the sons and grandsons of Muslim immigrants to the West, see p. 65. C.J. DE POOT en A. SONNENSCHEIN, Jihadistisch terrorisme is Nederland, online www.wodc.nl, p. 61, accessed on 16-03-2010.
and (4) justification of violence. Neumann and Rogers also cite experiences of exclusion and discrimination in Western society as a prominent trigger factor of cognitive opening in the radicalisation process in a European context and is also described by other studies. When facing difficult social and economic situations and living in low-income districts, young Muslims are “unable to identify with their parents’ identities and they are more sensitive than their parents to the feeling of being excluded.” Born and raised in Europe, young Muslims no longer identify with the country and/or culture in which their parents or grandparents were brought up yet, they also feel excluded and rejected by their local environment and thus, in a social and cultural sense, do not feel like European citizens. The personal identity-crisis they experience is exacerbated when faced with xenophobia and discrimination.

However, most of the Jihadist terrorist - including from Europe - have been profiled as having good jobs and education and being fairly well-off. Whilst in such cases, perceived discrimination and exclusion might still play role, they seem rarely sufficient in explaining violent radicalisation. Similarly, concerns about civil liberties or social justice concerns seem only remotely linked to violent radicalisation. As the factors contributing to radicalisation are not static, political issues and their perception can, of course, constitute trigger factors in terms of cognitive opening.

Crucially, in the vast majority of cases the search for identity and “inclusion” translates into the search for a closely knit-group – either in community centres, mosques or the internet – where individuals find likeminded people, fellowship and kinship. Terrorist recruiters take advantage of such meeting places by diverting moral outrage and personal grievance towards violent radicalisation and using history and religious doctrine as tools for mobilisation and action. The Salafist doctrine offers “a shared world view of a worldwide oppressed Ummah and of the Koran as the religion of the oppressed – an ideological role once played by Marxism”. It is used by terrorist recruiters because it finds resonance in one’s own personal experience and many individuals recruited to Jihadist terrorism have a very limited understanding of religion. In addition, mainstream Muslims voices do not often reach sufficiently vulnerable individuals in order to pose an alternative to Jihadist-extremist discourse.

COUNTERING AND PREVENTING VIOLENT RADICALISATION: 4 FIELDS OF ACTION

The EU has paid much attention in recent years to the problem of home-grown terrorism, including radicalisation and terrorist recruitment within its borders. Since 2005, this has resulted in the adoption of the strategy for combating radicalisation and recruitment to terrorism as an elaboration of the prevention pillar of the EU Counter-Terrorism Strategy. Although the issue of radicalisation needs to be primarily addressed by individual Member States, the EU serves as a platform for the Member States to coordinate their national policies and share information on good practices.

The problem of violent radicalisation and recruitment to terrorism requires a comprehensive strategy that must provide measures concerning four fields of action: societal measures, counter-ideology, law enforcement, intelligence.

14 In addition: Alienation from Western society, alienation from “cultural Islam” and humiliation by proxy.
15 The Change Institute, Studies into violent radicalisation - The beliefs ideologies and narratives (2008).
18 T. PRECHT (Research funded by the Danish Ministry of Justice), Homegrown terrorism and Islamist radicalisation in Europe (2007), p. 44.
19 The Change Institute, Studies into violent radicalisation - The beliefs ideologies and narratives (2008), p. 102.
20 Kings College London, Recruitment and Mobilization for the Islamist Militant Movement in Europe (2007), p. 70, 71: “[…] in the vast majority of cases, the transition to violence takes place within the confines of tightly-knit groups, and […] the social forces which unfold here have a strong influence on their judgement and behaviour.”
23 T. PRECHT (Research funded by the Danish Ministry of Justice), Homegrown terrorism and Islamist radicalisation in Europe (2007), p. 46, 47.
and public diplomacy, and foreign and security policy. The strategy must involve the Muslim civil society at all times as an important partner in the fight against violent radicalisation, and it should take its course within a strong human rights framework. The work streams initiated by the Member States under the EU Action Plan on combating terrorism\textsuperscript{26} cover all these aspects to a large extent. Nevertheless it can be interesting to group the current initiatives and discuss the goals that need to be pursued and some caveats concerning the implementation of these measures.

The measures described in this policy document are all of a ’soft’ type, because radicalisation itself is not criminal in nature and therefore law enforcement measures should only be employed in last instance. It is unlikely that soft measures will be able to persuade individuals in an advanced state of the radicalisation process. These measures are aimed at prevention of the radicalisation process taking place amongst young Muslims or converts.

1 – SOCIETAL MEASURES

These measures are not primarily aimed at preventing terrorist attacks from taking place, but are meant to improve cohesion in society, to promote integration\textsuperscript{27} and to tackle social and identity exclusion, which in turn prevents and counters polarisation in society. Many Member States have been confronted on the one hand with racist violence that targets migrant communities, while on the other hand violent radicalisation that takes place within migrant communities.\textsuperscript{28} The ’Us versus Them’ paradigm that is used by both extremist sides needs to be dismantled. In order to do so, it’s important that stakeholders of civil society, such as politicians and the media, draw a clear distinction between violent Jihadism and Islam and use a non-emotive lexicon.\textsuperscript{29}

Societal measures can only be effective if they can count on the approval of the Muslim community. This requires cooperation of stakeholders within civil society to build resilience at the community level. However, most European Member States are confronted with the problem of fragmentation of the Muslim community which impedes the establishment of a representative Muslim organisation.\textsuperscript{30} An internal dialogue between Muslims should be promoted in order to form a strong partnership and advisory organ to public authorities.

Cooperation between public authorities and Islamic organisations, even if they explicitly denounce violence, needs to be considered on a case by case basis. Although it is important to make a clear distinction between fundamentalism and violent radicalisation,\textsuperscript{31} Islamist ideology contributes to the alienation of the Muslim community and subsequently interferes with successful integration and social cohesion schemes. The short term gains in security must be balanced with the long-term implications of a partnership.\textsuperscript{32}

2 – COUNTER IDEOLOGY

Measures to counter Jihadist ideology should have the highest regard for the freedom of speech, one of the foundations of Western democracy. However, the government can assist mainstream Muslim voices to connect to youngsters prone to radicalisation. Government support in these matters is necessary, considering that initiatives of the Muslim civil society can only be sustainable if they receive resources and funding to deploy their activities. Yet State support is also highly sensitive given the fact that these mainstream Muslims must not appear to be ’bought’ or ’instructed’ by the Government and consequently lose their credibility.\textsuperscript{33} To meet a request put forward by the Muslim community itself, the training of imams in the host

\textsuperscript{26} Doc 15358/09 of 26 November 2009. The UK focuses on media and strategic communication, Spain focuses on imam-training, Belgium on community policing, the Netherlands the local authorities, Denmark on disengagement and de-radicalisation among young people and Germany on the internet.

\textsuperscript{27} ’Integration’ has been defined by the European Commission as a two-way process, based on mutual rights and corresponding obligations of legally resident third-country nationals and the host country, which provides for the full participation of immigrants in society. Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on immigrations, integration and employment, COM (2003) 336, p. 17.


\textsuperscript{29} M. DITTRICH, Muslims in Europe: addressing the challenges of radicalisation, EPC Working Paper n° 23, online, p. 26.

\textsuperscript{30} L. VIDINO (2009), ”Europe’s new security dilemma”, Washington Quarterly, 62.

\textsuperscript{31} M. DITTRICH, Muslims in Europe: addressing the challenges of radicalisation, EPC Working Paper n° 23, online, p. 32.

\textsuperscript{32} L. VIDINO (2009), ”Europe’s new security dilemma”, Washington Quarterly, 63. For example, Islamist groups take a position on women’s rights and homosexuality that is difficult to reconcile with Western democratic values. Therefore the long-term repercussions on social cohesion and integration of such engagement, would be much greater than the yet-to-be-proven short-term gains that can be achieved in preventing acts of terrorism.’

\textsuperscript{33} Change Institute (2008), Study on the best practices in cooperation between authorities and civil society with a view to the prevention and response to violent radicalisation, online, www. libforall.org, p. 39-44.
country and the requirement of certain qualifications for foreign imams should be a priority for the Member States. While on the one hand empowering mainstream Muslim voices, the Member States should also counter hate speech and incitement to Jihad on the other. Internet websites are one of the main tools of propaganda used by Jihadist groups and are frequently involved in the radicalisation of vulnerable youth. Internet pages which preach hate should be prohibited and taken off the servers. This requires private-public cooperation with Internet providers, where Internet providers bring these websites under the attention of law enforcement officials which can subsequently make the decision to closely monitor these websites or take them off the servers.

3 – LAW ENFORCEMENT AND INTELLIGENCE

It is essential to establish trust between the police and the Muslim community and to avoid the situation where the only contact with the police is when investigating a crime after it has occurred. Community policing is regarded as a public service with a mandate that is broader than simply fighting crime and includes efforts to address the fear of crime, social and physical disorder, and neighbourhood decay. This requires a decentralised police force with strong ties to the community.

Intelligence gathered by community policing is used primarily in its day to day task to preserve social order. Nevertheless, if compelling reasons exist, intelligence must be passed on to the national intelligence service in order to effectively prosecute those promoting the idea of practicing Jihadism. This requires good coordination between grass-root officers and their hierarchic superiors, but also good coordination at the European level, due to the transnational nature of terrorist groups. Relevant information must also be passed on to the other states, Europol and Interpol.

A quick response is also essential in defeating home-grown terrorism. Terrorist groups exploit the “surprise effect” since the nature and structure of the groups make it really difficult to prevent their actions. A permanent European task force able to react at any time in the 27 EU territories should be an aspect of a common security strategy. Joint exercises already take place every year in order to improve EU member states’ “joint capability” in crisis management but they only involve a few member states. Penitentiary institutions have become an opportunity for violent radicalisation and terrorist recruitment. Prisoners are vulnerable to radicalisation both from radical preachers and from fellow inmates. In order to prevent radicalisation from taking place, prison wardens should receive training to recognize and interrupt radicalisation processes and Muslim preachers working in prisons should meet certain criteria. The prison environment should also allow the development of de-radicalisation strategies, targeting radicalised individuals to give up violence (narrow meaning) and to discourage the growth of radical movements (broad meaning). Prisons are especially suitable for de-radicalisation strategies because of its finite group, an audience that is easy to reach and because radicalised criminals pose a security risk when they are released into mainstream society. De-radicalisation depends on good counter-ideology (for example by meeting imams who confront Jihadist terrorist with arguments on why their interpretation of Jihad isn’t acceptable according to the Koran) and measures tailored to the individual (like job-training and financial support for his family).

Returning Jihadist fighters are often regarded as ‘heroes’ by those prone to radicalisation. A swift response of the criminal justice system and effective prosecution exposes these persons as criminals. Therefore national law should allow the prosecution of returning Jihadist fighters for crimes committed abroad.

4 – PUBLIC DIPLOMACY, FOREIGN AND SECURITY POLICY

The EU not only needs a counter-radicalisation strategy, but also an effective coordinated foreign policy in order to

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36 W. RUDISCHAUER, Head of Unit, Coordinator Terrorism and Prevention, German Permanent Representation, interviewed during the EVN10/ Brussels meeting.  
37 TE-SAT 2009, 39  
38 G. HANNAH, L. CLUTTERBUCK and J. RUBIN (2008), Radicalisation or rehabilitation – understanding the challenge of extremist and radicalized prisoners, RAND Cooperation, p. 15.  
reduce the terrorist threat within and outside its territory. Jihadist recruiters try to garner support by projecting EU Member States foreign policy, especially in the Middle East, as being biased towards Israel and in support of authoritarian regimes. Key to a good foreign policy is transparency and communication. This can be done by an easily accessible website in key languages which provides thorough explanations of EU Member States foreign policies. Clear communication through the media can prevent terrorist recruiters from exploiting conflicts as propaganda material.

An active prevention strategy in the EU also requires a coordinated monitoring of the external borders and movement throughout the EU, focusing both on materials that can be used to execute terrorist attack (e.g. through the CBRN Action Plan) and on persons travelling to conflict areas (e.g. PNR). Moreover, the EU should take steps to establish a common border surveillance system, especially focusing on the Mediterranean, the Balkan States and the CIS countries which are affected by strong migration movements. This might require national intelligence services to not only share information, but also create a common command and control chain to simplify access to information and situational awareness among actors involved in the security field.

European Member States should consider forming partnerships with Muslim countries to counter radicalisation both internally and abroad. This can include providing funding for education and development aid targeted at communities at risk for terrorist recruitment.

The war in Afghanistan puts the EU foreign and security policy to the test. The purpose of the European involvement must be communicated clearly and the EU must better coordinate the policies of its Member States. A more coherent strategy would help ensure that each Member State does not have different priorities and rules defining their deployment in the region. This would also enable the EU to better coordinate with other actors of the international community. Success in building a peaceful and secure Afghanistan would be a strategic defeat for Al-Qaeda while failure in Afghanistan would give a boost to Jihadist recruitment. The stabilization of this region seems to be crucial to deal with Jihadist terrorism in other parts of the globe.

5 – THE HUMAN RIGHTS DISCOURSE

In the fight against terrorism and violent radicalisation there is a thin line between human rights and security. The human rights discourse is a valuable instrument in fighting violent radicalisation because it poses a challenge to the Jihadist narrative. The EU framework of human rights is defined by the European Convention of Human Rights and the European Charter of Fundamental Rights. Both documents serve as a cornerstone for EU legislation. The European Court of Human Rights has acknowledged that the terrorist threat can be considered a ‘public emergency threatening the life of the nation’ (art. 15 ECHR), allowing for an infringement on human rights that would otherwise be unacceptable. However, the situation of public emergency can only be temporary in nature and therefore the measures taken under these circumstances are limited in time. It is thus imperative that the EU and its Member States review their counter-terrorism measures against the background of the human rights framework, according to the criteria set out by the European Court of Human Rights. Firstly, every infringement on human rights should be supported by law. It should be accessible to the person concerned who must also be able to understand its impact on his/her situation. Secondly, the infringement should also be proportionate to the aim it pursues. It should be necessary in a democratic society and not reach further than needed. A restriction of human rights should also be subjected to the subsidiary principle, meaning that only in the situation when no other measure could achieve the same goal, a restriction can be introduced. Finally, in case a person is subjected to a restriction of his rights, an independent body should evaluate the situation at regular occasions and either lift the restriction or explain why the restriction cannot be lifted.

The EU and its Member States should revise the current measures aimed at countering terrorism and violent radicalisation on their effectiveness and their concurrence with the human rights framework.

45 Handyside v. United Kingdom, 7 December 1976, §48.
CONCLUSION

Since 9/11, EU counter-terrorism efforts have ranged from strengthening police and judicial cooperation between Member States to integration policies and (to a lesser extent) coordinated foreign strategies. Today, experts, officials and academics working in counter-terrorism acknowledge that all the EU instruments required to tackle terrorism are already in place, but they also agree on the need for an evaluation, adaptation and improvement of these instruments.

A current report on the terrorist situation and trends (TE-SAT) states that “the number of persons associated with home-grown terrorist groups is rising in the EU. Reasons for this include that members of terrorist cells acting outside the organisational framework of mosques have largely replaced ‘radical imams’ in Islamist terrorist recruitment. Prisons and other places where people are vulnerable are being used for recruitment and radicalisation”.

Understandably, the orientation of current counter-terrorism policies is gradually shifting towards prevention and the study of radicalisation with the development of “counter-radicalisation programmes”. Hence, the recommendations revolve around the need for European prevention and counter-radicalisation measures which should be inserted in European integration, foreign and security policies. In order to be implemented and effective, such measures need to be based on a well-defined and clarified EU counter-terrorism mandate with clear impact assessment procedures and involvement of the Member States at the EU level as a common space of justice, liberty and security.

Civil society involvement and solutions can significantly contribute to responses to violent radicalisation. While constantly monitoring counter-terrorism measures against the background of the European Charter of Fundamental Rights, the EU can act as a key platform for civil engagement and community work throughout a series of clear and effective cohesion and cooperation policies. Societal measures, counter ideology, law enforcement and intelligence measures, a strong public diplomacy strategy and foreign and security policy should be the cornerstone of the EU’s response to violent radicalisation.

RECOMMENDATIONS

SOCIAL MEASURES

• Enhance social dialogue i.e. through the European Integration Forum (e.g. writing, film contests about integration).

• Encourage dialogue among religious communities (including funding for dialogue projects where possible).

• Improve education about religion from a historical and philosophical perspective (e.g. through scholarships, paid/funded internships, exchange programmes with universities in Muslim majority countries, and summer schools)

• Encourage local action and the empowerment and recognition of Muslim communities within Europe through civil society third sector initiatives (capacity-building in mosques and Imam training).

• Develop a coherent anti-marginalisation and integration policy to make all people on EU territory, particularly immigrants and minorities, feel like active citizens who are fully integrated in society, and are fighting against discrimination and prejudice towards foreign or non-EU citizens.

• Raising of awareness among the media and politicians towards the use of the ‘Us vs Them’ paradigm in reporting on terrorist incidents. Jihadist terrorism poses also a threat to mainstream Muslim and has claimed many Muslim victims.

COUNTER IDEOLOGY

• Strengthen mainstream Muslim opinion across the EU as prevalent in the media and local communities. The Quilliam Foundation and the Change Institute in
UK are good examples of dynamic projects, from which every Member State can learn by developing specific European third sector partnerships on countering Jihadist ideology.

- Support initiatives coming from the Muslim civil society to promote mainstream discourse which should be provided with the necessary resources to organise their activities.

**LAW ENFORCEMENT AND INTELLIGENCE**

- Create a radicalisation-prevention-network on the EU level including an internet-platform for the exchange of experience and best practice concerning integration (accessible to local authorities, civil society organisations and police).

- Recruitment of diverse candidates from minority groups to the police force.

- Jihadist fighters returning to the European Union should be criminalised and prosecuted for terrorist crimes committed abroad.

- Faster implementation of EU counter-terrorist and counter-radicalisation legislation into national laws.

- Radicalisation in prisons must be effectively countered by training prison wardens on how to detect and interrupt radicalisation processes and to impose requirements on imams or preachers working in a prison environment.

- Develop a de-radicalisation strategy within the prison environment, targeting radicalised detainees.

- Improve coordination between policy, court and corrections officials. This allows tailoring prison programs to the need of the individual.

**PUBLIC DIPLOMACY AND FOREIGN AND SECURITY POLICY**

- Development aid should also target communities at risk to terrorist recruitment.

- Transparent and clear communication about the foreign policy should be provided in key languages (e.g. Turkish, Arabic, Farsi). Furthermore communication through mass media needs to be improved. This could be done through an easily accessible website, but also in cooperation with the media to inform citizens about EU policy and ensure a general awareness about what challenges the EU has to face and how it does face them.

- Allocating the current allocated budget in a different manner by aiming at sustainable strategies and coordinating these strategies in order to avoid duplicating Member States’ efforts.\(^\text{52}\)

- Europe should develop a global policy with other countries affected by Jihadist terrorism addressing among others the problem of violent radicalisation.

- Establish a European Intelligence Unit ("EuroSpies") on terrorist matters and create a mechanism which facilitates the movement of police and judiciary across EU borders.

- Counter-terrorism and counter-radicalisation measures should be constantly reviewed in a human rights context.

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52 "New Challenges, New Beginnings: Next Steps in European Development Cooperation" Overseas Development Institute, European Think-Tanks Groups, February 2010, argues that a better European cooperation in development policy can help tackle the EU’s challenge of addressing fragile states in which Al Qaeda has safe havens and that better and customised EU policies for conflict resolution and fragile states can help building local and global alliances and enhance peace and security inside the EU itself, 31-35.
WORKING GROUP 3

Violent radicalisation and terrorism

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POLICY PAPER IV

Declining Competitiveness of Europe's economy

EXECUTIVE SUMMARY

The financial crisis has struck worldwide, spreading at a fast rate from the developed to the developing countries. Economic recovery, which is dispersing across countries, is still too hesitant to buck the trend of rising unemployment. Statistics concerning the European Union highlight the urgency of the situation, with a decrease in GDP by 4 % and a sharp rise in the rate of unemployment which reached 10 % in 2009.

It is significant to note that the growth rate of Europe, without taking into consideration the last couple of years and the financial crisis, has been relatively low, in comparison to other global powers, such as the United States. Since 1999, the annual growth rate of the Eurozone was on average 2.2 %, while the growth rate of the United States was observed to be 2.7 % annually. These figures have been the result of a number of different factors, including the low level of labour productivity, shortage of labour, high demand in terms of resources and energy and high production costs in Europe.

The EU economy is said to be recovering slowly. In the third quarter of 2009, the real GDP was seen to grow again, beginning to end the longest recession to have hit the EU since its creation. The measures against the crisis that were put into effect in the EU and the major trading partners of the region played a significant role in the recovery of the European economy. Data and statistics, however, present mixed image of the future. Even though the global economy seems to expanding, especially in Asia, the effects that this will have on the EU are still not clear. Despite an improvement in activity throughout the EU, hard data continues to show less encouraging statistics (primarily in industrial production and retail sales).

As a result, the level of competitiveness of the European economy represents a declining trend, when compared to the other large markets throughout the globe. The aforementioned data highlights the need for the member states to avert a recession and escape the international crisis. In doing so, this policy paper, after providing a detailed description of the current situation in terms of the declining competitiveness of the EU economy, provides a number of recommendations in order to move Europe away from recession, while simultaneously increasing the competitiveness of the EU economy worldwide.

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2 How to increase the competitiveness of the European Economy, op.cit.
Specifically, this policy paper includes a detailed analysis of the key factors causing the declining competitiveness of the EU economy and recommendations on how best to tackle the challenges these pose. The individual factors and recommendations include the following:

1) Enhancement of the Vocational Education and Training systems and labor market mechanisms: Education and training are being increasingly recognized as core elements of EU competitiveness, while the Europe 2020 strategy has also placed great emphasis on the modernization of labour markets and the empowering of people by developing their skills. Europe is suffering from a mismatch of skills, leading to a high rate of unemployment and vacancies that have not been filled. These, in turn, have led to high costs and ineffectiveness in welfare states, companies, and social costs.

Recommendations: (a) enhancing the skills of employed and unemployed individuals through training programs, (b) improvement of information available concerning job opportunities and specific skills needs, (c) reassurances that youth do not leave the education and training systems prematurely and (d) improvement of EURES portal.

2) Strengthening of technological policy and innovation: The technological policy can be defined as the way the community tries to enhance its competitiveness through encouraging technological activities which lead to production of high-tech goods and services. In order to do so, emphasis is put on innovation, research, and structural incentives to push technologically competitive firms to work together. The idea behind this policy is to optimize EU’s productivity, so as to build-up leadership in high value added sectors and strengthen its position in the global economy.

Recommendations: (a) favouring direct contact between enterprise and research/universities, (b) encouraging the free movement of qualified workers in technological sectors, (c) develop the European research area; strengthening of the Framework Programme for research and technological development, (d) stimulating the development of European Technology Platforms.

3) Developing Green Technology and the Implementation of a Green Tax: Sustainable growth is one of the three drivers for growth the Commission has identified when launching the new Europe 2020 strategy. With the aim of promoting a low-carbon, resource-efficient and competitive economy, the strategy aims at, among others, exploiting Europe’s leadership in the race to develop new processes and technologies, including green technologies.

Recommendations: (a) pan-European funding for the development of the green technologies, (b) well-targeted economic incentives for environmentally efficient companies and a “Naming and Awarding” scheme, (c) introduction of a European Carbon Tax to respond to the growing challenges from the developing countries.

Within this scope, if this mix of measures is pursued, it is anticipated that European Economy will pick up and once again lead the way.

INTRODUCTION: IDENTIFYING THE PROBLEM

The years 2008 and 2009 saw an unprecedented recession on a global scale. A decrease in the rates of economic activity coincided with a large increase in the rate of employment. Within the European Union, GDP fell by 4%, industrial production slumped to its 1990s level, and unemployment reached 10%, leaving 23 million active people unemployed. However, today’s challenging economic environment shall not lead to a neglect of long-term competitiveness fundamentals in order to focus solely on the short-term objectives. The European economy has been losing its competitive edge and position in the race for economic and financial prosperity in comparison to other leading global partners. The time to address this problem is now, as Europe re-shapes its policies after the financial crises and the Lisbon strategy comes to its end.

It is difficult to define the word competitiveness as there are many approaches to the term. In a narrow sense, it is often used in reference to international price competitiveness, closely related to the “external performance” of the economy evaluated on the basis of export growth, shares of export markets or current account balances. Competitiveness, when broadly defined, conveys the notion of productivity, which can be measured as value added per hour worked. It is “a set of institutions, policies, and factors that determine the
level of productivity of a country”\(^5\). The level of productivity, in turn, conditions the ability of an economic entity to provide its citizens with growing living standards and a sustainable level of prosperity, granting access to jobs for individuals willing to work. Competitiveness, thus, according to the most extensive definition, means the “ability of economies to thrive in an increasingly integrated international economy and to embark on a sustained path of high output growth that enhances people’s wealth”\(^6\). The World Economic Forum has identified twelve pillars of competitiveness, among which higher education and training, labour market efficiency, technological readiness, and innovation will be of particular importance for this work.

It is not surprising that when people think about Europe the words underdevelopment, poverty and backwardness hardly ever come to mind. Indeed, Europe remains one of the most competitive regions in the world. According to the Global Competitiveness Report, measuring the competitiveness of 133 world countries, five of the European Union’s members feature among the top ten, and twelve are among top twenty\(^7\). The problem does not, hence, lie in “absolute” European competitiveness, but in a “relative” one.

Europe’s growth rate over the last decade has been significantly lower than that of its main economic partners. For instance, since 1999, the year-on-year growth rate in the Eurozone has reached an average of 2.2 %, whereas the United States have been growing by average 2.7 % per year\(^8\). One of the main reasons for this disappointing performance is the widening productivity gap reflected by an increasing discrepancy in growth in labour productivity between the EU and the US over the last 30 years. The two economic partners experienced opposite trends. In the EU, the hourly labour productivity growth rate has been falling since the 1980s: whereas, in the 1980s, it amounted to 2.3 %, thereafter it declined to 1.8 % in the 1990s and experienced a further decrease between 1999 and 2007, reaching a mere 1.2 %. In the US, on the contrary, the hourly labour productivity growth rate accelerated during the same periods: from 1.2 % to 1.6 %, finally reaching 2.1 %\(^9\).

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4. How to increase the competitiveness of the European economy, op.cit.; However: EU GDP/capita amounted to 2.4 % in 2007 and 0.3 % in 2008, whereas US GDP/capita amounted to 1.1 % and -0.5 % in the same period.
5. AMECO database.

### Table 1 The hourly labour productivity growth rate in the EU and the US, 1980–2007.

<table>
<thead>
<tr>
<th>Period</th>
<th>The European Union</th>
<th>The United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980–1989</td>
<td>2.3 %</td>
<td>1.2 %</td>
</tr>
<tr>
<td>1990–1999</td>
<td>1.8 %</td>
<td>1.6 %</td>
</tr>
<tr>
<td>1999–2007</td>
<td>1.2 %</td>
<td>2.1 %</td>
</tr>
</tbody>
</table>

Source: AMECO database

It is thus apparent that Europe was gradually losing its competitive edge even before the outbreak of the crisis of 2008–2009. Moreover, it was facing pressing challenges related to globalisation, as well as a shrinking labour supply, growing number of pensioners, and pressure on energy and resources. Failure to address those issues in the years to come will cause Europe to lag further behind its competitors and a decline in the quality of life due to the slowdown of economic growth and depletion of workforce. In this context, sustainable growth will play a crucial role in boosting Europe’s competitiveness by allowing a more efficient resource production. Structuring the economy so that progress does not come at the expense of the environment is not only essential for long-term sustainability and quality of life, but will also create opportunities for new jobs, which in turn require new skills. It is clear, therefore, that the determinants of competitiveness are highly interlinked: sustainable growth contributes to the creation of new jobs, which subsequently enhance productivity which in turn makes the economy more competitive. As new jobs require new skills, improvement is expected in research and innovation as well as in training and education, and this in turn has a positive impact on competitiveness.

This paper aims at targeting the problem of the decreasing competitiveness of the European economy as a whole by analysing three distinct, yet interlinked areas. It should be noted that there are discrepancies amongst and between individual member states. However, considering the constraints, the policy paper will be dealing with the overall competitiveness of Europe and will be recommend only actions that can be deemed as feasible so as to increase its competitiveness over the long-run.

1. ENHANCEMENT OF VOCATIONAL EDUCATION AND TRAINING SYSTEMS AND LABOUR MARKET MECHANISMS

   Research and innovation, as well as training and education policies are said to have a strong impact on the level of competitiveness of the EU. Education and training are being increasingly recognized as core elements of EU
competitiveness, while the Europe 2020 strategy has also placed great emphasis on the modernization of labour markets and empowering people through developing their skills.

Europe is suffering from a mismatch of skills, leading to a high rate of unemployment and vacancies that have not been filled. These, in turn, have led to high costs and ineffectiveness in the welfare states, the operations of companies, and social costs [...] This is particularly the case of Southern European Member States – namely Portugal, Spain, Italy and Greece, where incidence of low-skilled workers on working population as well as unemployment rates are dangerously high. This section, however, does not aim at addressing national issues, hence recommendations will be provided in order to enhance VET systems and labour market mechanisms of the European Union as a whole.

In order to boost competitiveness, Europe needs to gain a relative advantage in the creation and maintenance of its skilled, competent and flexible work force. The work force needs to be able to adapt to change, through the development of new skills, training and education. Globalization and advancements in technology have created the need for the constant updating of skills and competences, while companies across geographical borders may adopt and utilize technologies in different ways, leading to the need for vocational education and training systems and emphasis on lifelong learning. It is often thought that in times of crisis companies should cut back on investments in training of their employees. However, when activity slows down, in-house training is considered as a means of increasing mobility and flexibility within an organization11.

Training facilitates the movement of workers across sectors and organizations, providing them with the knowledge, skills and competences needed to complete a number of tasks and responsibilities. Further, the correlation between workplace training and the level of productivity has been shown to be positive. Therefore, an increase in workforce training and education leads to an increase in the level of productivity of the workforce, further proving the need for the implementation and adoption of vocational education, training systems and investing in lifelong learning. Human capital has been proven to be a primary contributor to social and economic development and as one of the primary means for competitiveness and innovation.

The implementation and modernization of VET systems to incorporate technological developments, the increased complexity of skills and the increasing supply of labour and competitiveness across geographical boundaries constitute the core actions that need to be undertaken. The modernization of VET is necessary to deal with changing labour-market skills needs and the expanded needs of individuals. Future economic development creates a need for high quality VET systems.

In order to increase the competitiveness of the EU the following actions have to be implemented:

- enhancement of the skills of employed and unemployed individuals through training programs and lifelong learning;
- improvement of available information concerning job opportunities and the specific skill needs;
- assurance that the youth does not leave the education and training systems in their countries of residence prematurely;
- improvement of EURES, the European Employment and Job Mobility Network, through full integration of the Public Employment Services of the member states in EURES and enhancement of EURES’s visibility through an effective communication strategy.

2. THE TECHNOLOGICAL POLICY AS A TOOL TO ADDRESS EUROPE’S COMPETITIVENESS DECLINE

Technological policy can be defined as the way the community tries to enhance its competitiveness through encouraging technological activities which lead to production of high-tech goods and services. In order to do so, the accent is put on innovation, research, and structural incentives to push technologically competitive firms to work together. The idea behind this policy is to optimize EU’s productivity, so as to gain a leading role in high value added sectors and strengthen its position in the global economy. The EU is made up of 27 different economies characterized by significant discrepancies. However, when seen as a whole, the single market shows an obvious trend: its comparative advantage lies in the high-value added goods and services12.

Looking at the theoretical approach of the determinants of productivity, it seems clear that the current situation of

10 Jan Figel, Strengthening practice-oriented VET in Europe: A political challenge, Conference "Dual vocational education and training – the key to a competitive Europe, 29. 01. 2008.

the EU heavily relies on the evolution of technology and its diffusion. The spill over effects of pre-existing quality of products leads to creative destruction, as new high value added goods come replacing the previous leading market products, based on older innovations. This occurred with EU goods and service markets after the ICT revolution: the infrastructure was already there, and the innovation improvement increased the productivity of the single market in many economic sectors.

As the EU is a closely integrated economic zone, within which intra trade is highly developed, the interdependence of the different economies is stronger than at the average world scale. In the case of knowledge and R&D, the effects of spill over between national economies are obvious: the more that member states interact, the more information and technological transfers tend to be spread over the whole market. Indeed, the EU should be described as “a club of likely minded countries”: the advantages of the existence of a single market are incentives to run a common technological policy: firms can work together to set standards and to share costly innovation investments.

In the smaller perspective, the innovation and productivity of the technology sector can be enhanced by a multitude of techniques:

- favouring direct contacts between research centres or universities is likely to diffuse knowledge and narrow the knowledge gaps;
- encouraging free movement of qualified workers in technological sectors helps to build a European human based technological conscience;
- placing emphasis on joint research projects, by agency or commission initiative, develops the European research area.

However, the rationale of EU’s technological policy does not only rely directly on technology-targeted actions. On the larger scope, wider policies can also be considered as assets to enhance the technological competitiveness of European industries:

- trade in general can be considered as a technological weapon for the EU: encouraging commercial contacts with the rest of the world, for example promoting FDIs within the borders of the single market, is a potential tool to import foreign technologies or research skills;
- the externalities of EU’s commercial policy are in that case positive with regard to the single market’s competitiveness. Cross-border externalities are key to improving a Europe based on technological force, with gains as homogeneous as possible;
- bureaucratic procedures are definitely affecting the competitiveness of the European economy. These time and resource-consuming barriers lead to the aversion of investments and decrease of incentives to start and operate businesses on European soil. Improving transparency, speed, and effectiveness of procedures would make the European Union more competitive.

Further, Europe’s productivity has to be developed through tangible achievements:

- strengthening and further development of the Framework Programme for research and technological development.

The Seventh Framework Programme of the EU was adopted by the Council in December 2006, for the period between 2007 and 2013. It has a budget of 53.2 billion Euros, the largest financial support allocation for such a programme. That it is a strong political sign to Member States, which are supposed to increase research spending from 2 % to 3 % of current GDP in 2010.

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15 Jean Pisani-Ferry, Jacques Sapir: Last exit to Lisbon, Bruegel Policy Contributions, March 2006, p. 3.
17 Communication from the European Commission, Putting Knowledge into Practice : a Broad-based Innovation Strategy for the EU, OJEC, 2006, p. 3.
18 Philippe Aghion, A primer on innovation and growth, Bruegel Policy Contributions, October 2006, p. 4.
19 Source: FP 7 leaflet – taking European Research to the forefront.
• stimulating the development of European Technology Platforms20.

It requires promoting clusters by the interaction of R&D stakeholders with different backgrounds (academic community, scientist and researchers, on the one hand, and industry and commerce, on the other), by means of a "long term R&D strategy", mobilizing public and private investments. A closer cooperation will boost a more strategic and coordinated European research agenda, developing national and regional technological policies21. Thus, high-tech clusters - like Cambridge, Munich or Helsinki- are "at the heart of dynamic, high-growth knowledge-based regions"22.

3. GREEN TECHNOLOGY AS A KEY TO SUCCESS

Sustainable growth is one of the three drivers for growth the Commission has identified when launching the new Europe 2020 strategy. With the aim of promoting a low-carbon, resource-efficient and competitive economy, this strategy is meant to, among others, exploit Europe’s leadership in the race to develop new processes and technologies, including green technologies23. These may be defined as technologies designed, manufactured, developed, distributed and operated in ways that reduce energy consumption and the use of toxic substances, and minimise the impact on the environment during the lifecycle and disposal of a product24.

Investment in green technologies would create new business and employment opportunities and hence boost the competitiveness of the European economy, while helping Europe in meeting the 20-20-20 climate/energy targets and contributing to the fight against the climate change. According to the President of the European Commission, Jose Manuel Barroso, the European Union has been for the most part the first mover in green solutions, but its advantageous position is currently challenged by key competitors, notably China and North America. The EU’s competitors’ predominance can be explained by the funding mechanisms for developing green technologies available to them. While the Chinese government does not encounter any obstacles in mobilizing research funding, and the United States and Japan have a strong track record, the 27-nation European Union is forced to navigate through a complex funding process. Furthermore, despite the fact that, according to industry experts, the EU disposes currently of around 7.5 billion Euros available for green technology research, it is still less than 1 % of the total current EU budget, which amounts to 862 billion Euros. The European Commission has estimated that an additional 80 billion Euros will need to be raised over the next decade in order to maintain Europe’s preeminent position in the race for green technology25.

Some may argue that a low carbon economy does not come cheap. The crucial question of “who will pay” remains at the centre of the debate. EU industry says it cannot make the necessary investments on its own. The argument follows that a commercial and technology risk of investing money on demonstrating technologies that are not yet commercially viable is high. As the EU’s 27 countries emerge from the deepest economic crisis since the 1930s, they cannot be expected to invest substantial funds in new technologies and innovation. Europe, in order to maintain its lead in the market for green technologies and to enhance its competitiveness, needs therefore to promote funding towards the development of green technologies at a pan-European level, by means of initiative such as the recently-launched Strategic Energy Technology funding plan26. Therefore, national funding alone is not a realistic option.

Another way of encouraging corporate investment in green technologies and the development of these is to provide for EU-wide tax advantages. Tax benefits for money spent on green technologies would largely facilitate the financing of these investments. First, research & development (R&D) expenses should not only be treated as tax deductible when calculating the taxable income of the company, as is the case in most countries, but also tax-credits beyond that should be granted. In the case of start-up companies, which are not profitable yet, these tax credits should be immediately disbursed in cash instead of being

20 These platforms were first introduced in December 2002, by the Communication of the Commission Industrial Policy in an Enlarged Europe, COM (2002) 174 final.
22 Report from the High Level Group chaired by Wim Kok, Facing the challenge, op. cit., pp. 20–21.
25 Pete Harrison, “Europe all mouth and no money in green tech race”, Reuters, 01.03.2010. Available at: http://www.reuters.com/article/idUSTRE2113820100302.
carried forward to subsequent years. Some EU countries’ tax laws provide for one or the other tax advantage of R&D expenses. Second, besides R&D, other investments made by companies towards actions relating to the environment should be treated tax-beneficial. For example, the Spanish Parliament has recently passed a law doubling the tax rebate offered to companies for their environmental spending from a 10 % rebate to 20 %. Under this law small and medium-sized enterprises (SMEs) receive particular preferential treatment as they get a rebate in the amount of 30 % of their expenses. The proposed tax incentives should be introduced consistently throughout the EU. They will help companies at any stage to finance investments in green technology. Subsequently, the best performers in terms of development and usage of eco-technologies could be rewarded under a pan-European scheme of “Naming and Awarding”.

Another measure aimed at helping Europe to meet its climate/energy targets as well as enhance its competitiveness by promoting sustainable growth is the planned EU-wide minimum tax on carbon. As reported on March 10th 2010, the tax would be introduced through an amendment to the EU’s Energy Tax Directive, which sets minimum tax rates for energy sources such as petrol, coal, and natural gas. Under the current law, the tax to be paid is calculated according to the quantity of fuel that is consumed. The new Commissioner for Taxation and Customs, Algirdas Šemeta, has made the revision of the Energy Taxation Directive his priority. The new measure should aim at changing the former taxation method, in order to calculate it according to carbon dioxide (CO2) emissions and to the energy content of the fuel consumed. In particular, a 2009 draft proposal for the revised Directive introduced minimum levels of taxation (€10 per tonne of CO2 emitted) on different types of fuel, to be effective from 2013.

The widespread support for the new EU carbon measures can hardly be taken for granted. The EU industry already feels beleaguered by competition from non-EU countries where, as it considers, manufacturers do not have the same environmental costs. In addition, a number of Member States (Sweden, Finland, Denmark and others) have already introduced carbon taxation at a national level and an amended proposal may provoke fierce opposition from countries opposed to EU involvement in taxation.

Many fear that the introduction of a European Carbon Tax would increase costs of production for EU manufacturers, effectively benefiting those who import goods from outside the EU. In order to counter it, the tax would also introduce import fees to be levied on goods manufactured in non-carbon-taxing countries, so as to level the playing field for EU manufacturers and encourage global emission reductions. Such a measure would does possess potential for distortions in international trade, as countries cooperating with Europe might have to obtain emission permits. To this point, serious concerns have been raised by developing countries, especially Brazil, South Africa, China and India (the BRIC countries), with the Indian Government warning the European Union that it could exercise its option of appealing to the World Trade Organisation (WTO) Dispute Settlement Body, should the carbon tax be imposed on its exports.

To sum up, in order to increase the competitiveness of the EU’s economy through measures relating to the green economy, the following moves have to be undertaken:

•  pan-European funding for the development of green technologies;
•  well-targeted economic incentives and tax advantages for environmentally efficient companies and a “Naming and Awarding” scheme;
•  the introduction of a European Carbon Tax to respond to growing challenges from developing countries.

CONCLUSION

In the middle of 2008 the global economy experienced one of the worst economic declines in the past decades. For the EU on an economic level, the crisis meant a decrease in the level of GDP by 4 %, a contraction of industrial production levels to their previous 1990s levels, and unemployment rate that rose to as high as 10 %. Gloomy as this pictures, it cannot, nevertheless, overshadow the fact that Europe’s economic condition worsened significantly even before the global financial crisis, as compared to its main global competitors. In fact, Europe’s competitive edge, as expressed in the growth in labour productivity, has been declining for the past 30 years.

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27 ETAP, Spanish tax benefits for the environmentally minded, 01.05.2010. Available at: http://ec.europa.eu/environment/etap/inaction/policynews/392_en.html


Re-emergence from the economic crisis constitutes a good opportunity for a new beginning of the development of the EU economy and its competitiveness. In the view of the authors of this policy paper, the EU is likely to regain its competitive advantages by concentrating its efforts on three distinct, yet interconnected issues.

First of all, the EU should focus on Vocational Education and Training systems and the labour market. The increased supply of a qualified labour market would strengthen competitiveness across geographical boundaries. This can only be achieved by means of an effective implementation and modernization of VET systems aimed at responding to the changing technological environment and increased complexity of skills required. These changes should contribute to the emergence of a modern labour market characterized by matching skills with markets and budgets. An additional factor prompting the creation of such a market could be given by the improvement of the European Employment and Job Mobility Network, EURES.

Actions undertaken in the field of technological policy would lead to a significant boost to the competitiveness of the European bloc. Although existing at an EU level, it has so far contributed to little progress towards the economic performance of the EU. In order to strengthen the European competitive edge in production of high-tech goods and services, the EU should focus both on actions geared directly towards the technological sector and moves that will place it on a broader perspective of trade policy and commercial ties. Initiatives providing tangible results are also of utmost importance. Therefore, this policy paper recommends the strengthening and further development of the existing Framework Programme for research and technological development, as well as the stimulation of the creation of the European Technology platform.

Among technologies geared towards enhancing the competitiveness of the European economy, the environmentally friendly innovations, so called green technologies, play a crucial and significant role. They can not only boost Europe’s competitiveness but also bring it nearer to the fulfilment of its energy/climate change related targets. The development of green technologies should be secured by a pan-European funding scheme and well-targeted economic incentives that reach the best performing companies.

Benjamin Disraeli once said: “There can be economy only where there is efficiency”. In accordance with the research and belief of the authors of this policy paper, a boost of the competitiveness of the European economy can be achieved when decisive action in the field of vocational education and training, labour market and technology policy, including green technology, is undertaken.
**WORKING GROUP 4**

**Declining competitiveness of Europe's economy**

**Coordinator: Theodore Vassilopoulos (Greece)**
Theo is Executive Assistant to the CEO of Epuramat SA. He took Economics as an undergraduate at the Aristotle University of Thessaloniki and continued his academic endeavour with an MBA (double concentration in both Marketing and Entrepreneurship). Moving on, he decided to pursue a MSc in Applied Informatics and IT (major in Business Informatics) and thereafter an International Master in European Studies with focus on Community Advisory. Theo Vassilopoulos was engaged with a number of professional activities that began as a trainee for TD Canada Trust Bank in Calgary, AB, Canada (through AIESEC) and others, and as a junior project manager position at a hometown consultancy firm. During the course of his career he set up his own consultancy firm on strategic management while he was offered a CFO position at A.I.T. SA (Advanced Industrial Technologies), a spin-off company, where he stayed for 4 years. He has been an external advisor and has been involved in lobbying activities on behalf of the Greek Federation of Accountants / Economists / Tax Consultants to CFE (Confédération Fiscale Européenne) as a member of the Fiscal Committee and Professional Affairs Committee while also representing the Greek Delegation at the General Assembly. He has attended a number of conferences/events across the world and also participated as invited speaker/COORDinator in a few of them.

**Group Members:**
Alfredo Gomez Alvarez (Spain)
Joanna Leontarakis (Greece)
Danuta Rydlewsk (Poland)
Diana Schipper (Germany)
Carmine Soprano (Italy)
INTRODUCTION

An effective energy policy is essential for the European Union to function as a united political bloc, yet energy security has recently become one of its greatest challenges. The EU currently imports 50% of its energy needs, withstanding any significant changes the European commission expects this figure to rise to between 65% and 70% by 2030. About half of the EU’s national gas is imported, 36% of which comes from Russia.¹

Europe’s growing dependence on Russian and North African gas has raised concerns that Europe is overly dependent on unreliable suppliers for its gas supplies and that these countries may use this leverage as a ‘political weapon’ to threaten the entire EU bloc. This danger goes beyond mere economic or commercial considerations; energy security has already affected thousands of European citizens and could ultimately determine the fate of the Union’s prosperity and unity.

In fact, this excessive dependency creates a wide range of security problems for the entire EU region. These risks include the internal political instability of the supplier, political pressure applied by the supplier, internal tensions between transit countries and final consumers’ countries and unpredictable disruptions of supplies due to geopolitical considerations, e.g. 2009 Ukrainian-Russian gas crises.

This paper is designed to formulate recommendations to tackle the challenges posed in ensuring a secure supply of energy for Europe’s citizens and to further Europeanize external and internal energy policy. It will adopt a pragmatic approach taking into account that a solely internal based solution is not feasible given the limitations of indigenous resources within the EU. Climate change is

¹ This policy paper has chosen to give focus to gas rather than oil. Gas represents an affordable, accessible and transferable energy and will be an increasingly important energy source in Europe’s energy mix over the next 20–30 years.

² We interpolated data coming from the “Eurogas Annual Report 2008–2009”.
also a major challenge for the EU and in light of this all our recommendations will be in alignment with the EU’s climate change-energy package commitments, in particular, the reduction of 20 % GHG emissions by 2020.

Paper Outline

In this paper we have identified both internal and external based solutions. In both dimensions we have chosen to focus our attentions on issues where the EU has a massive potential to achieve a sustainable energy mix and moderate its level of import dependency.

From an external perspective, the EU needs to promote a coherent holistic approach and deal with third parties as a united bloc. In order to achieve this we will recommend short and medium term solutions, which include collective security, a new legal framework and an updated transit country policy at the EU level. The EU also needs to diversify its energy suppliers to diminish the dependence on unstable sources. Here we will assess the opportunities in different regions and recommend some policy directions.

As for the internal dimension, we have chosen to focus on two areas internal to the EU where the most progress can be made. The first will involve gas liberalization, the implementation of the 3rd energy package and an assessment of unconventional energy sources, in particular shale gas, at EU level. The second internal solution will involve both renewable energy sources and energy efficiency policies and what approach the EU should take to maximize its progress in these key areas by 2020.

1ST SECTION: THE EXTERNAL DIMENSION CHALLENGE RE-THINKING UNITY AND SOLIDARITY WITH PRAXIS

1. INCREASING EXTERNAL POWERS – ‘27 SEPARATE POLICIES DOESN’T WORK’

Member states perceive energy security as a strategic issue and are intent on maintaining control as a matter of national policy. Assumptions that energy security can be achieved at the national level are misguided and a European approach aimed at greater solidarity among members is needed instead. This principal of solidarity is one of the foundations upon which the EU is built. Currently proposed gas pipelines which bypass the Central Eastern countries and Baltic States understandably create a feeling of insecurity for these member states and create a division among member states within the EU, thus violating the solidarity principal. Instead the EU needs to close ranks internally and externally present a single face in its relations with both producer and transit countries.

2. LEGAL FRAMEWORK

The Lisbon treaty should be viewed as a missed opportunity since it failed to provide the necessary provisions for a more united coherent approach. Without any accepted definition on the principal of solidarity, questions will remain about whether Article 194 TFEU setting out the 4 main areas of the Union’s energy policy will have any implications in practice. Externally, the document only moderately improved the EU’s representation on the International scene. In particular, the failure to assign Catherine Ashton as the high representative for Foreign and Security Policy in EU energy matters represents a major weakness of the document.

SHORT TERM – COLLECTIVE SECURITY OR “SCHENGEN-IN” ENERGY POLICY AREAS

EU energy policy is characterized by a very patchy allocation of authority between the EU level and national bodies and results in a fuzzy interplay of regulatory competence. As with any area of multi-level governance, this certainly undermines the EU system and law and presents challenges to adapting to new realities. Echoing some comments from European Parliament President Jerzy Buzek and former European Commission President Jacques Delors, we advocate the idea of Schengen-ing some specific areas of EU energy policy. Groups of like-minded member states, especially in Eastern Europe, could undertake closer intergovernmental cooperation amongst themselves in specific energy matters based on partial agreements under international law. Infrastructure, smart grids, renewable energies projects, common funds for energy technology and a friendly and competitive gas and electricity market are areas that EU Baltic and Eastern countries should definitely explore. Enhanced cooperation should not be limited to EU members but include Balkan countries and European Neighbourhood countries under a transparent monitoring mechanism driven by the European Commission.

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1 Particularly with regard to the third legislative energy package coming into force in March 2011, a detailed case-by-case analysis is needed in order to scrutinize whether a ’Schengen-ing’ of projected areas for differentiation will actually be feasible legally. With regard to a Schengen-like agreement for gas security of supply governance, the proposed 2010 Regulation on gas supply security dealing with solidarity, an emergency as well as a transparency mechanism could be challenging.
Along this line, we welcome the Visegrad Group’s intention to enhance and deepen sectoral cooperation, especially on energy, wherever it is necessary and possible with a view to better represent and promote the common interests of the Czech Republic, Hungary, Poland and Slovakia within the EU. We stress the importance of the Hungarian EU Presidency next year (2011) to inaugurate a new phase of regional cooperation on infrastructure, gas stocks, renewable energy and a transit policy which embraces a real collective security system within the EU.

Medium Term – A new energy Community treaty

As a medium term aim we support the idea of developing a European Energy Community with its own rules and methods specific to the energy field. It could also be useful to envisage Treaties with third country suppliers in order to regulate transportation and to promote a legal framework compatible with the EU market, in order to bind the countries suppliers to a common legal framework. This new legal framework should not be a mere update of the Energy Community Treaty but a comprehensive legal framework that has to consider new perspectives, actors, technologies and environmental concerns. In fact, we strongly believe that renewable energy rules, smart grids and unconventional energy sources provisions cannot be secondary but need to be crucial aspects for a new regulatory framework.

Transit Policy and Gas Pipelines

Recalibrating EU energy policy towards Ukraine

Gas imports through pipelines involves more than just relations with source countries. A strong working relationship with both EU and third country transport route countries is also a necessity. Nowhere was the importance of transit route policy better demonstrated than in January 2009 when, following a dispute between Russia and Ukraine, supplies to Central and Eastern Europe were severely disrupted leaving the Eastern half of the continent short of vital energy supplies for.

In the short-term, the EU needs to re-calibrate its energy policy towards Ukraine. Under the new Yanukovych Presidency, Kiev’s foreign policy has become more interest-oriented by seeking economic and political opportunities from either the West or the East. The ‘Black Sea Fleet deal’, that clearly linked politics and commercial gas interests, showed that Moscow is ready to ‘recover’ and consolidate its influence on its neighbour country. Kiev’s pendular logic is not encouraging for Brussels but this does not mean that bilateral relationships and pending energy agenda reform should be put aside to ‘respond’ and ‘punish’ this new political context. Instead, the EU should further engage on all the concrete and reciprocal energy issues that will boost cooperation in other areas and, above all, secure gas supplies to Eastern Europe. For instance, Ukraine needs to modernise its pipelines networks, its infrastructure and continue to develop coherent policies to maximise its energy efficiency. Both policy areas are on the interests of the EU and there is no gain in abandoning Kiev on those issues.

At the same time, we encourage all the efforts to conclude the Energy Community accession process since it is essential to integrate the EU’s energy and environmental standards into Ukraine’s modus operandi. We consider that the visa facilitation regime and the conclusions of the Association Agreement are also important but we call on the European Commission to be cautious while negotiating the agreements and ensure that fundamental reforms, especially liberalisation of energy markets, will be part of the conditions to move forward.

Nabucco: An opportunity for the EU and Turkey

Nabucco is a key project for the EU for several reasons. On the one hand, it could make Eastern European countries less dependent on Russian gas supplies and increase the energy security of the EU as a whole. On the other hand, it could also help reduce EU internal divisions over Russia and foster stronger ties between the EU and potential supplier countries such as Azerbaijan and Turkmenistan. There are however four main problems:

- The consortium companies that support Nabucco cannot afford the whole project but only 30% of the 8 billion euro needed. New private investors [e.g. US companies] are needed to make sure that EIB and EBRD keep their promise to contribute to financing.
- Several Member States are very skeptical of politically supporting Nabucco. Gaining political support from big member states and the US government is essential at this stage.
- The original plan to include Iran is now frozen. Gas flows coming from Caspian countries are less predictable than Russian and Algerian routes, further boosting risks.

More information on the Visegrad Group: http://visegradgroup.eu/main.php?folderID=1&articleID=23256&ctag=list&iid=1
- Nabucco project has been extremely politicized. The project is seen as a response to Russia rather than as a good European project itself. The consortium representing Nabucco should depoliticize the process and send clear messages to investors and governments that this is about a viable commercial project and not a political battle.

In addition, Turkey’s role as the main transit country for Nabucco is essential for the viability and credibility of the project. As Turkey wants to become the Eurasian energy hub and reduce dependency on Russian gas, the EU should support Ankara to further liberalize its own gas market, modernize its infrastructure and comply with most of the energy acquis communautaire established in the Energy Community Treaty.

At the same time, we welcome Pytel’s approach that proposed an “extended and reversible Nabucco”. According to him, “a new significant region of exploration and production of natural gas is emerging: Central and Eastern Europe, in particular Poland, Austria and Hungary”. Pytel continues proposing to build Nabucco as a “reversible gas pipeline from Turkey, through the Balkans, Hungary, Czech Republic, Poland and Baltic states up to Finland”. We agree that a reversible and longer gas pipeline will enhance competitive regional markets from North to South, will increase security of supply to Baltic countries and will create new regional political synergies and incentives to invest in gas and infrastructure in the region.

2ND SECTION: THE INTERNAL DIMENSION

CHALLENGE

SOLUTIONS THAT NEED TO GO BEYOND FUTURE GAS DISRUPTIONS

The attention EU policy makers are devoting to natural gas is mainly due to its fast growing role in the European energy market. In 2008, gas was the second largest energy source, providing 25% of energy consumption and eroding the market share of both oil and coal.

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**Expected gas supply (Eurogas, Natural gas demand and supply – Long term outlook to 2030)**

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<td>2005</td>
<td>187</td>
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<td>2010</td>
<td>260</td>
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<tr>
<td>2015</td>
<td>270</td>
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<td>2020</td>
<td>264</td>
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<td>2025</td>
<td>261</td>
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<tr>
<td>2030</td>
<td>226</td>
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**Growing market share expected for natural gas (Eurogas, Natural gas demand and supply – Long term outlook to 2030)**

<table>
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<tr>
<th>Year</th>
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<tbody>
<tr>
<td>2005</td>
<td>24.1</td>
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<td>2010</td>
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<tr>
<td>2015</td>
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<tr>
<td>2020</td>
<td>28.8</td>
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<td>2025</td>
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In the next 30 years natural gas will be the key enabler of renewable energy, allowing industries to properly develop more advanced technologies for the deployment and development of such important energy sources.

The unexpected and long disruption of gas supply in 2009 spurred European policy makers to start reconsidering the internal dimension of EU energy policy to overcome obstacles for the proper development of a common energy market as well as to strengthen the “solidarity principle”.

In 2009 the third energy package, aiming to further liberalize the internal gas market, was approved and introduced two important elements, notably the so-called...
“Gazprom clause”⁴ and the unbundling regime.⁷ However, the compromise agreement which the European Council and European Parliament reached cannot guarantee the proper functioning of the European energy market over the coming decades. Indeed, the growing and strategic role that natural gas will play over the next 30 years in the development of renewable energy demands European policy makers to approve a more stringent energy package, notably the fourth one, establishing “Ownership Unbundling” as the single system allowed in the EU. In this way, the role of incumbents would be decreased along with their weights in the market, raising business opportunities for new players as well as competition in the EU.

In the fall 2009, after the January Russian-Ukrainian gas crisis, European Commission presented a revision of the security of gas supply directive⁶, proposing to establish early warning for supply disruptions as well as the creation of a preventative and an emergency action plan. Furthermore the proposal included the introduction of the reverse flow capacity in gas pipelines and the so called “N-1” parameter, aimed to prevent gas disruptions in case one infrastructure is either not working properly or not receiving gas from the network. This parameter has raised several concerns due to the consistent investments in new infrastructures, which would impose high costs and raise gas prices for customers. Even though the parameter can play an important role for EU energy security, it is strongly required for the EU to establish a wide and appropriate incentives’ framework to spur the private sector to start building new interconnections. Indeed, these would require between 5 and 6 years from entry into operations, and any delay in their planning would negatively affect energy security. Currently the act, which is scheduled to be voted on in the first reading by the European Parliament in the plenary session, will probably be adopted before the end of the year, even though Member States in the European Council are facing conflicts over the proposed revision. The infrastructure package the European Commission will propose at the end of 2010 shall devote much attention to the upgrade of the current European gas pipeline network. In particular, it shall completely finance the introduction of the reverse flow in the European pipeline network as required by the revision of the security of gas supply directive. In this way the gas network would be rapidly upgraded, raising European energy security, and gas groups would not pass costs to final customers.

A ROAD MAP FOR UNCONVENTIONAL GAS RESOURCES

Even though the financial crisis affected EU production in the last 18 months and decreased EU energy demand, domestic gas production represents only 37% of domestic consumption and the decreasing production rate from the Northern Sea gas fields should spur EU policy makers to start considering new alternative energy sources.⁷ The successful development in the production of shale gas in the USA, which caused a decrease in natural gas prices, should lead operators to start investing in gas exploitation from such strategic fields in Europe and elsewhere. At the same time, the lack of a proper environmental regulation, both in the US and in the EU, should induce European policymakers to take global leadership in writing the proper legislation on this issue. Consequently, the European Commission should elaborate as soon as possible an impact assessment over the exploitation of this source in Europe, which should be analyzed and discussed in an ad hoc forum, composed of EU stakeholders and experts. The forum would evaluate whether the development of this unconventional energy source could have such a strong environmental impact in the EU territory, especially in some Eastern Europe countries with enormous potential such as Poland and Hungary, i.e. water quality, biodiversity in lakes and rivers] to require the elaboration of a specific Regulation (being immediately applicable). This new piece of law should consider the following elements:

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⁴ A clause forbidding each single citizen or company, belonging to a third country, to operate over a Transmission System Operator, operating within the EU, unless the EU and the third country signed an agreement explicitly allowing the purchase. At the same time the clause recognizes to the Commission the single right to deal on such a strategic issue, withdrawing this competence from Member States. In this way no-European energy groups, supplying important amount of gas, can buy assets in the EU market to raise their influence and reduce European energy security.

⁷ Even though the package recognize to Member States the responsibility to choose the ownership model among three systems, notably Ownership Unbundling, Independent System Operator and Independent Transmission Operator, the text was consistently watered down by European governments over the legislative procedure. Indeed, even though a consistent amount of deputies and stakeholders invoked ownership unbundling as the single system to be introduced, the firm opposition made by Central-Eastern Member States was able to introduce in the text the possibility for national governments to choose the most appropriate system between the three above mentioned.

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Toward a Safer Europe – Policy Papers

- Basis for a transparent and competitive EU-shale gas license market;
- National action plans for Member States (similar to those adopted under the Renewable Directive) indicating the potential of shale gas shares in their energy mix for 2020 and 2030;
- Framework for EU and coordinated national support schemes to facilitate fracturing techniques and related technologies for the industry;
- A specific mandatory environmental criteria for shale gas techniques;
- EU mapping of existent unconventional gas projects.

A new legal framework for unconventional energy sources should be supported by EU funding. Both the European Commission and the European Parliament should formulate a list of EU unconventional energy projects, especially focused on those countries that are most affected by potential gas disruption from third country suppliers, that could be eligible to be funded within the upcoming infrastructure package\(^\text{10}\) and the 8\(^{th}\) Framework Project for a longer run perspective. Technology, environmental and business best practices in this field should be reported in the EU-US Energy Council to ensure a harmonised and predictable business environment between transatlantic energy private and public sectors.

Therefore, private gas companies would find the required environment to properly invest in such a new and emerging market, raising the volumes of indigenous gas produced in Europe and enhancing EU energy security.

**RENEWABLE ENERGY AND ENERGY EFFICIENCY POLICY**

As stated before, gas should be a valid enabler to allow a smooth transition towards renewable energy sources. The EU has already adopted the Renewable Directive in 2009 with particular interest in promoting biofuels and other kind of renewable energies.

**BIOFUELS: THE NEVER-ENDING DEBATE: BAD OR GOOD?**

The contribution of biofuels to the EU national energy mix is and will be important for industry, transport and carbon emissions reductions. The EU is a global leader of biofuels, competing with emerging energy producers, particularly Brazil, Argentina and South Asian countries. The implementation of the sustainability criteria in the EU is maybe one of the most controversial issues for the predictability of the European and international biofuels markets. The EU should avoid developing disproportional criteria that would only fuel green protectionism locally and anarchy globally. That is an important risk which the European Commission should address. Our recommendation is to immediately enhance bilateral cooperation between US Environmental Protection Agency (EPA) and the EU Joint Research Center (JRC) to work together on key issues that relate to indirect land use change values and land change for different feedstock. The EU cannot apply a go-alone policy because it will only undermine the EU’s economic competitiveness. Brussels must engage with the Food and Agricultural Organization (FAO) and several global NGOs to endorse balanced sustainability criteria with regional specific default values which will apply to the whole EU market without any exception. Moreover, the EU should lead the efforts to create a modern and dynamic WTO legal framework to develop international trade law specificities on biofuels.

**WIND, SOLAR AND ENERGY EFFICIENCY**

Wind and solar power are maybe the trendiest words in Brussels but their development and potential is extremely fragmented within the EU markets. Spain and Germany are world leaders in wind power while other EU countries are lagging behind. Put simply, national schemes diverge significantly and there is no clear convergence of the energy mix in these two renewable sources.

At the same time, the EU lacks a common energy efficiency policy. Even worse, the EU lacks a clear idea of the impacts that a binding energy efficiency policy, either sectoral or general target policy, could have on the economy (public finances) and other important carbon policies like the European Emission Trade System (ETS). There is a vast range of policies, directives and non-binding initiatives which makes the EU energy efficiency policy a broken puzzle. Moreover, energy efficiency is extremely focused on demand side but almost completely forgotten on supply side.

Both solar-wind power and energy efficiency are policies that desperately need one element: infrastructure that provides the basis to make it happen. Smart grids, another trendy concept in Brussels, is not yet there. Public funding is scarce and incentives to massively invest in infrastructure of all kinds are not materializing following the financial crisis.

Against this background, we first suggest to elaborate a road map of sectoral energy efficiency targets to be included in the upcoming Energy Action Plan 2011 to be adopted by the European Commission. The road map must include a clear integration of this policy with its impacts on ETS and how both can contribute to reductions in energy demand and enhance security of supply while reducing carbon emissions by 2030. Such a road map has to identify both demand and supply energy efficiency potentials and how to address such policies over the next 20 years through partially binding targets. The European Commission should accompany this road map with guidelines to enhance regional and local energy efficiency policies with tax deduction regimes or bonuses for citizens.

### CONCLUSION

This paper has outlined the importance that energy policy has for the well-being and security of EU citizens. A sustainable energy mix to move towards a low carbon economy is an ongoing challenge that the EU is facing with relative success. Our proposals range from enforcing a real single market for gas to a more decisive road map to exploit the benefits derived from energy efficiency policies. Put simply, the EU needs to be creative, flexible and smart to coordinate resources, political will and policies in order to secure energy supplies.

At the same time, this paper confirms that a one-size-fits-all policy is inadequate to meet EU energy demand in the long run. The EU needs to play an active role to accelerate the Europeanisation of energy policies and create the necessary incentives to protect EU interest as a bloc. In fact, the energy situation of some Eastern European countries and Baltic states show that unconventional energy sources and renewable energy are alternatives to be further exploited and assessed.

To conclude, this policy paper intends to send a clear message to the European institutions and national capitals of the EU. We call on both levels of government to keep working together towards a more coherent and coordinated energy policy which can maximize the utilization of indigenous energy sources and simplify the positioning of the EU as an external energy player. We believe that the risk of inaction is extremely high and therefore we call the decision makers to immediately respond to the challenges that energy dependency poses today for the EU by assessing our recommendations and deliver short and long term actions.

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<td>Deployment of “Smart grids” and “Smart metering”</td>
<td>Upgrade and build new gas-fired combined-cycle power plants</td>
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<td>Launch a Pan-European energy efficiency-week to promote best practices among households customers within and outside the EU</td>
<td>Deployment on a large scale of electric vehicles within 2035</td>
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<td>Research and development on large power storages for Transmission System Operators</td>
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Finally, solar and wind power must be conceived and projected together to boost its potential and technological pool to further support large-scale projects like Desertec. We believe that solar and wind power can reshape and revolutionize the entire economic and political conditions of Southern European and North African countries. Political will should be accompanied by a strong legal framework that would compensate and incentivise Desertec-based models to make Europe the first decarbonised economy of the world by 2040.
WORKING GROUP 5

Growing EU’s energy dependency from unreliable suppliers

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Policy Paper VI

Climate Change

Transformation Horizon

Without unequivocally answering the question of whether or not the temperature trajectories and global warming are caused by anthropogenic activity, people can observe climate shifts. Discussion on genesis is resulting in ideologization of the problem, which is destroying the global spirit of mobilization effect. Meanwhile, the global warming debate should be backed by undeniable facts. It’s stating the obvious to say that the burning of fossil fuels releases pollution, which affects the local environment where we live, has a crucial impact on people’s health. Green- and zero carbon energy sources are not only clean sources of energy, they are also domestic sources of energy which make them valuable from a geopolitical point of view. It is for these reasons that the EU is constructing its own Renewable Development Strategy (RDS) and sticking firmly to the paradigm that building an economy based on Renewable Energy Sources (RES) brings benefits to its citizens. The fundamental legislation acting within the EU is the Climate-Energy Package 20-20-20 which was accepted in December 2008. The package establishes a framework and sets ambitious objectives for the EU-27 to meet over the next decade. This legislation was spurred on by the worldwide Kyoto protocol which initiated a revision in the way people think about environmental issues.

This paper seeks to point out the motivation of the European Community in forming a new eco-agenda and anticipated practices which will permit implementation of a New Sustainable Revolution. The structure of this paper is as follows: the Introduction defines the problem before presenting potential solutions. The paper concludes by putting forth recommendations.

The EU as an Ethical Power and the Conditionality

The EU, through its foreign policy, is seeking to advance European values such as: democracy and the rule of law, liberty and solidarity, tolerance and human rights. Today, the EU is becoming an “ethical power” and is moving from defining itself by “what it is” to “what it does.” An ethical foreign policy is not merely based on altruism and moral volunteerism, but “material interests and ethical considerations tend to be intertwined”, with the European Neighbourhood Policy (ENP) being a good example.
The ENP, however, also advances EU interests; namely, having a neighbourhood area of stable and secure states, democratically governed, that does not pose an obstacle for the security, stability, and prosperity of the EU. According to the popular Kantian principle, democratic countries are usually less inclined to solve their disputes in an armed way.

The EU has several ways of influencing non-EU governments to advance common EU values in the world. As the world's largest economic market, the EU can impose a series of conditions in its commercial trading, development aid, and trade relations. As a matter of fact, in all the bilateral and multilateral agreements in these fields, the EU includes an opening statement where a series of ethical values are listed and which must be actively supported by both parties of the agreement.

Regionally, the EU uses two ways to ensure policy or institutional outcomes: enlargement, and the ENP. When it comes to enlargement, the non-EU member countries are pushed to comply with the criteria that Brussels has established for EU membership, namely the Copenhagen criteria. As a matter of fact, enlargement is an instrument which exports EU values. Concerning the ENP, the EU tries to promote ethical values as well as stability, security, and prosperity in countries which are not likely to become EU Member States in the short-term.

The EU, however, is not consistent in pursuing the advancement of ethical values in the world. Many argue that the EU lacks consistency, because it uses double standards and hypocrisy in its foreign policy. There are two main problems: the first is that the EU member states may come to a consensus on abstract ethical principles, but not on specific concrete situations where these principles should be applied. Secondly, interests of the EU often prevail over its ethical values in foreign policy. Examples of the first case can be seen in the Palestinian elections in January 2006, the Gaza war in 2009, or the Jenin invasion in 2002. In the latter two cases, the EU did not impose sanctions against Israel, while at the same time, the EU took actions against Zimbabwe for abusing human rights, showing the world the inconsistency of the EU foreign policy as far as the protection of human rights and ethical values are concerned.

On the one hand, the EU should continue supporting ethical values in the world, basing the EU relations on transparent relations, but it should be a "calculator not a crusader". In other words, the EU should not pursue its ethical principles at any costs, but should act as a "responsible power", balancing interests with ethical action and not pretending to be an "ethical power", characterized operating in a persuasive rather than an imposing way.

In this context, the EU should continue to enhance EU ethical values through the proposed and discussed instruments. However, it should make environmental protection a priority among the other issues that it usually advances namely democratization, human rights, and good governance.

Including strong environmental clauses, in EU aid results in support and implementation of environmentally-friendly projects and policies in those countries that receive aid. By external acting in this sphere Community should provide multifield proposals, from "hard" to "soft" powers of persuasion. These clauses therefore, need to be seen not as impediments to development, but rather as an opportunity to convert current policies into more eco-friendly ones with the financial and technical support of the EU.

Consequently, the European Commission should act in the following way. The DG RELEX should focus on the conditionality towards the non ACP (African- Caribbean-Pacific) countries, while DG DEVELOPEMNT should focus on the conditionality towards the ACP countries.

The EU should, for instance, start by updating environmental agreements with the ENP countries, and then review environmental agreements with the non-ENP countries as well. The ‘greening’ of these agreements should start from the next revision and should be proactive.

Environmental protection and the fight against climate change are not only ethical values of the EU, but also EU strategic priorities and interests.

**ECO-LABELLING**

Tackling climate change is not only about reducing greenhouse gas emissions, it also concerns public interest and environmental behaviour. Taking this into the consideration, eco-labelling, as one means to integrate consumers in a bottom-up approach in the climate change debate, should be further enforced. Eco-labels are marks awarded to products indicating their environmentally-friendly nature. There are many factors which prove

1 These criteria are: "stability of institutions guaranteeing democracy; the rule of law, human rights and respect for and protection of minorities; the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union."

2 Like 'environmentally determined' grants and subsidies

3 By proposing programmed teaching for its national education system and by organising training courses for national staffs and gouvernmental sections being responsible for environmental issues.
that a product is eco-friendly\(^4\). Verification confirms the impact of the product on the environment by analyzing the production process or by stating if the product is neutral towards the environment. Current status quo within eco-labelling process is rather unsatisfactory. Simplification and universalization are crucial to achieve widespread awareness. Nowadays, customers in Europe and all over the world are inundated by fans of different kinds of eco-labels and are not able to recognize the majority of them, unwittingly missing ‘patched products’ appearing in shop shelves.

For these reasons, EU eco-labelling should be reformed. Currently, there are several EU environmental labels available amongst other public or private initiatives on different levels. Nonetheless, a common, coherent EU eco-labelling strategy should be reinforced. With regard to climate change a strong impetus is put on carbon footprint labelling\(^5\). However, it is not useful in providing comprehensive ecological performance data to the consumer. According to the 2009 joint position of the ANEC (the European Association for the Co-ordination of Consumer Representation in Standardisation), the BEUC (The European Consumers’ Organisation), ECOS (European Environmental Citizens Organisation for Stabilization) and the EEB (European Environmental Bureau) an eco-label focusing only on greenhouse emissions is not desirable because it may lead to consumer confusion, since consumers are not able to properly evaluate CO₂ emission amounts. Comparable data is limited to consumers and they are therefore inclined to ignore footprint labels. Furthermore, manufacturers can bypass the ecological criteria by simply reducing greenhouse gases emissions and switching to other energy sources such as nuclear power or electricity which simply reallocates emissions instead of reducing them. The carbon footprint also does not provide information on biodiversity or on toxic chemicals used in production. Producers, for instance, could promote monoculture cultivation rather than a diverse cropping system since monocultures produce less emissions.

However, carbon footprint estimations are still an essential tool in assessing the environmental impact of a product. The main obstacle in introducing carbon footprints is the variety of calculation methods, especially with regard to deviations during the production, transportation, and approaches of lifecycle assessment. Accordingly, the EU should establish a common framework of lifecycle assessment after having conducted extensive studies. Since carbon footprints alone are not a sufficient measurement, we need to consider more criteria including biodiversity, the use of toxic chemicals, the country of origin, water usage and pollution, recycling information as well as energy efficiency in the production process and the EU eco-label ‘the flower’ (if applicable).

The label should be kept simple and clear in order to make quick buying decisions. One option could be to use a system of traffic lights, such as has already been applied to illustrate food ingredients. The product can then be quickly assessed according to the individual environmental criteria with the help of colours.

In order to prevent an accumulation of eco-labels, goods should be labelled consistently with an accepted eco-label. In order to achieve this, strong coordination will be required between the respective working groups for energy, environment, and the economy is essential so that a uniform eco-label can be applied to various kinds of products. Hence, precede with telecommunication consultations, one-time global conference in the shape of Conference of the Parties, should be organised to articulate common, worldwide standards for eco-patching system.\(^6\)

Most importantly, the new scheme should incorporate a wider range of products than existing eco-labels and should be legally binding. Labels should not only present a quality sign, but should also give producers incentives to reassess their environmental performance, while competing with other producers in the market to improve their environmental standards. On the consumer side, this eco-label raises awareness of environmental issues, enhances consumers’ rights and equips them with civil responsibility for climate change issues. The new eco-label also strengthens the EU single market, making products comparable even across borders and promoting competition.

Currently, the EU commissioned several environmental agencies and NGOs to undertake studies on methods of calculating carbon footprints, impact assessment and the effective application of eco-labels on diverse product groups. By the end of 2011 the research phase should be completed and directives to regulate the implementation

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\(^4\) Fx. Carbon footprint, enclosed to the product, is an information for the consumers, keeping them informed about amounts of GHGs emissions manufactured during production process. Desirable is to force producers to decrease energy consumption benchmarks to the lowest limits. Eco-labels are standing out products from other ones by being a clear evidence of noninvasive character for the environment for instance, due to used biodegraditive components which are not affecting the biosphere during usage.

\(^5\) For instance, the carbon footprint label introduced by the Carbon Trust in the United Kingdom.

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\(^6\) Blue Angel (German), EcoLogo (Canada), Japan PC Green Label (Japan), IT Eco Declaration (Denmark, Norway, Sweden), Korea Eco-Label (Korea Republic), Taiwan Green Mark (Taiwan), TCO (Sweden) – it is only short list of diversified and scattered across the world eco-patches. Current situation is complicating achievement of real consumers awareness.
process of the new eco-label in 2012 should be passed. Producers and manufacturers should be included and actively participate in the research process in order to be prepared for the introduction of the new eco-label as soon as possible.

The EU Eco-labelling Board (EUEB) should strive to establish an International Reference Life Cycle Data System setting up and assessing criteria as soon as possible. National executing organs who also undertake the monitoring process can be defined by the Member States. In all Member States, institutions concerned with the current EU eco-label have already been established. Regardless if they are state institutions or NGOs, they should be further expanded and equipped with more competences.

Retailers should also be more integrated in the labelling process since they can support locally produced consumer goods, e.g. by means of special tags. All these measures should be accompanied by education programmes and campaigns for climate friendly products, which can be supported by local and national environmental NGOs.

A strong emphasis should already be placed on research and methodology on calculating carbon footprints and establishing harmonized environmental performance criteria, in order to implement a coherent eco-label directive as soon as possible.

Very high environmental standards are important for the European Union. And involve inter alia climate change mitigation. One of the many possibilities to achieve this objective is to also promote eco-friendly products also outside the EU.

In fact, the European Union established the European Ecolabel in 1992 which aims to encourage businesses to market products that are kinder to the environment. Products bearing the European Flower are used in the EU and EEA (European Economic Area) countries. Even more intensive international cooperation related to trade regulations between EU Member States and other countries is needed. In this case, the simplest and the most effective method is the implementation of common eco-labels between EU countries and non-EU partners.

The sale of ecological products continues to grow. It is certain that in the EU, where ecology is promoted, the demand for green products is increasing and will continue to increase. Compulsory participation in this scheme is not currently in compliance with the WTO framework. Nearly 500 million citizens live in the 27 EU countries placing the EU just after China and India in terms of population size. The undeniable fact is that this extensive market cannot be ignored. The standards should be implemented in accordance to wishes of the EU residents. The eco-labels schemes implemented between EU member states and third parties should be compulsory the rules to join this process should be clear and provide easily accessible information.

By proposing these kinds of innovations, the EU can strengthen its leadership role in the creation of new environmental standards. This would reinforce the overall position of the community in the international arena. The main problem, therefore, concerns EU co-operation with the governments of other countries and various interested parties (through consultation). The main bodies responsible for implementation of the relevant criteria should be the European Commission and an expanded European Union Ecolabelling Board (EUEB), which together with interested parties would be responsible for the development, publication, and promotion of these criteria.¹

The purpose of eco-labels is not about impeding international trade, rather it is improving the global environment that is the most important function. In principle, the technological and financial support for developing countries could make them both greener and more competitive exporters.

Eco-labels are encouragements for research aimed at innovation. The European Union should support such scientific studies since the results of the contributions would be a cleaner environment and possibly cheaper import costs in the future. New regulations and measures related to eco-labels should be agreed upon as soon as possible since the process of implementing new rules could be lengthy.

To sum up, it should be noted that goods with eco-labels produced outside the EU may prove to be successful and become a universally applicable standard. Products with eco-labels would remind consumers about the need to change of our consumption habits and perhaps, could even contribute to the prevention of further adverse developments and counteract harmful practices.

### LOW CARBON ZONES

Currently, in the EU some specific regions are particularly energy-intensive and polluting. Therefore, a possible solution to reduce their impact on the environment could be the introduction of Low Carbon Zones. Materialization and real implementation of this

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¹ It should be remembered that different regions have different environmental priorities, for instance some of them to target policies that save water, while others aim at reducing acid rain and carbon dioxide emissions. This is why it is difficult to establish uniform rules for all parties. The standards should take into account different options for different partners.
issue will demand involvement of three-sides coalition. EU Commission, for the reason that it is an executive body guarding European common and binding law, States which can not financially afford and within the energy-intensive and polluting regions are, finally, private enterprises holding fans of intellectual property rights which are essential for empirical fill in the idea of forming of LCZs because this concept refers to privileged areas where there would be implemented a green- and low carbon economy. In other words, these regions would have ecologically-friendly policies where the production and consumption of renewable energy is strongly supported.

LCZs require financial and legislative actions at the governmental level, which should attract entrepreneurial investments and establish innumerable joint public-private partnerships. Active participation of the private sector is crucial. Specialized enterprises holding intellectual property rights in the 'green field' of zero- and low carbon technologies, can bring know-how downstream. Both may boost anticipated Renewable Energy Sources (RES) capacity by lowering the barriers of entry to the market, improving supply-side efficiency by building social awareness, retrofitting end-users of high-tech appliances, be a trial area of advanced research and development activities and finally, enhance geostrategic positioning. In addition, helping the handicapped actors within the European Community to correlate their landscaping blue prints with climate trajectory policies.

Realizing that a Business as Usual (BaU) scenario is not an option, some local authorities acting within the state, are currently preparing multidirectional Low Energy Development Strategies (LEDS). To lean rent-seeking administrative districts and their low income households – which acting alone could not pay – the Low Carbon Zones concept come into being. Highlighting energy output and input along chain length, tackle fuel poverty and at the same time, reduction en masse consumer’s energy bills, is tantamount to reaching two-in-one socio-economic and ecological profits. Means of achieving such aims are widespread.

Firstly, establishing the Low Carbon Zones is essential. Secondly, it is important to determine the beneficiaries according to annual income and by the percentage of domestic budget allocated to heat and electricity expenses. Finally, implementing of LEDS on the basis of public funds. All these activities should be done within three-sides communications route.

Its structural basis construction is similar to Special Economic Zones (SEZ’s) already existing in many EU locations. Foundations of LCZ area are case-by-case tax and non-tax support mechanisms both for RES’ suppliers and producers, concentrated in the privileged areas. In order to pull high-tech foreign investments low carbon technologies, in non-direct way reduce ‘green secondary energy’ prices.

Criteria qualifying a specific undertaking for LCZ area should be, as in SEZ, the development index beneath EU average and, what important, the air pollution index exceeding the norm. LCZ as a temporary institution of EU regional policy would be an expression of solidarity with regions which could not economically cope with overall guidelines arising from new climate policy.

Not connected with budget expenditures instruments can be: tax breaks for RES producers, concessions, overnormative lower VAT rates. In exchange, producers could annually, in favour of residents of LCZ area, equip them with domestic-scale expensive green technologies, simultaneously popularizing theirs’ products. Return RES’ flows should exist with maintain an appropriate balance, protecting enterprises’ profits. Compulsory term should be an option of ‘tieing’ exploiting and presented RES with LCZ soil, to eliminate con eLast but not least technical issue is efficient and adjusted to requirements of supply-demand chain – energy infrastructure functioning within each Low Carbon Zone. There would be no sense in establishing case-by-case area without possibilities of green-electricity and heat flows along both sides. Therefore, local authorities who would implement LCZ, should prepare topical registration of losses and deficiencies of regional power grid to fill in the gaps before its literal introducing. It is fortunate that EU is granting that kind of investments. Main tool awarding creation of eco-friendly power media is Cohesion Fund established by European Council in 1994.

In order to avoid the potential collision the proposed instruments with the existing pillars of EUs’ competition policy, the new provisions should be compatible with the principle of ‘prohibition of uncompetitive’ state aid. Environmental policy objectives sit with Commission’s aid control under Article 6 of the EC Treaty. Keynes-like makeup of LCZs and business concentration kindles objections and dispute nature in EU legislative surface, where Competition Policy is a rule of thumb or even ‘divine’ axiom. Such special

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9 Originally worded in Chatham House the Royal Institute of International Affairs) report in November 2007 ‘Interdependencies on Energy and Climate Security for China and Europe’

10 Foundations of LCZ area are case-by-case tax and non-tax support mechanisms both for RES’ suppliers and producers, concentrated in the privileged areas.

11 Cost of producing 1 MWh of electricity from Photovoltaics (PVs) panels is nearly ten to fifteen times higher than from coal-fired power plant

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regional forms raises doubts and questions about adequacy and aptness as disturbing European harmonisation. Recognizing the fact that global warming is as great a threat as an economic downturn, the European Commission contributed in January 2008 much the same eco-consents in form of new document – Community Guidelines on State Aid for Environmental Protection – which is authorising environmental aid and supplementing range of instruments to combat climate change. It includes few eligibility criteria like: State aid measures has to result in a higher level of environmental protection than would occur without the aid and to ensure that the positive effects of the aid outweigh its negative effects in terms of distortions of competition (article 6. cited above), aid for undertakings which go beyond Community standards or which increase the level of environmental protection in the absence of Community standards (article 42., paragraph 1.5.1 cited above), moreover, state aid may be appropriate where the investments resulting in energy savings are not compulsory pursuant to applicable Community standards and where they are not profitable, that is to say where the cost of energy saving is higher than the related private economic benefit (article 47. cited above).

Moreover, all states’ activities appearing in accordance with Sixth Community Environment Action Programme priority areas: climate change, nature and biodiversity, environment and health and natural resources and waste, can count on lenient and positive interpretation of Commission. It has to be marked that each case study would be examined individually, checking the balance rule level. A criticism can be noted that the public authorities’ intervention in the Single Market could result in a distortion of free market rules. Finally, each action touching environmental issue should respect and consider the most advantageous from the point of view of social and economic criteria.

**SUMMARIZING REMARKS**

The history of mankind has witnessed technological revolutions, which were the sources of new development lifelines. Nowadays, it seems to be following ecological one, which is appearing simultaneously with transformation within the service and information segments. Ecological horizon showed up from New Environmental Paradigm (NEP) standing against expansive Resources Paradigm and assuming implementation of sustainable development throughout responsible usage of fossil energy sources and development of new zero- and low carbon green technologies. Necessity for change came when the perception about becoming energetic shortages started functioning in social mainstream, eco-movement (Third Sector) has taken to the negotiation floor and countries switched on specialized ecological diplomatic service. As can be seen, institutional foundations are existing. Serious problems are observed toward economic and technical issues of transformational process. It’s hard to achieve consensus within these field. There is a big role to play for European Community. EU-27 should be conscious that Europe acting alone can achieve competitive advantage over the rest continents but it will be not result in elimination of pollution and bituminous depletion. Europeans together with Americans and Japanese (owners of lion’s share of IPRs) should both, produce sorts of financial incentives to make green sector commercially profitable and carry out externalization of good practices and well-tried zero- and low carbon technologies to the world. The proposed solutions and recommendations capture external (eco-conditionality and eco-labelling) and as well as internal (low carbon zones) dimensions. Its realization to the accomplishment of tools and practices mentioned above openly increase the probability of creating a sustainable world.

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12 Legal practice of guarding competition principle Directorate General for Competition is signing of exception to overall rule. The most present example is global financial crisis. To help to restore EU-27 economies Directorate released commerce package of exclusion clauses, allowing – on some conditions – countries to bailout the most risky sectors.

13 Being a consequence of anthropogenic business activity, emissions do not know boarders and any disciplinary lines that cause original nature problem.

14 Enabling consumer choices to change and enabling positive feedback between consumers and producers of energy.
WORKING GROUP 6

Climate change

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EXECUTIVE SUMMARY

The main research question this paper aims to answer is the following: Given that conflict dynamics in the South Caucasus pose a growing threat to EU security, what are the appropriate responses of the EU to prevent and deter military escalation in the region and resolve the conflicts?

The paper analyses threats to the Union stemming from the above mentioned security environment in the region, it describes current and past EU involvement in the South Caucasus and proposes a set of policy recommendations to be implemented by the Union.

Taking into consideration the new mechanisms and tools for conflict resolution provided by the Lisbon Treaty, the policy recommendations primarily focus on three categories of instruments: declaratory politics and preventive diplomacy; wider socialisation in the framework of the Eastern Partnership (EaP); and eventual deployment of ESDP instruments. In other words, the paper proposes to transform the current engagement of the Union in the Southern Caucasus into effective and sustainable conflict resolution.

BACKGROUND

When analysing armed conflict in Europe’s greater neighbourhood it is highly important to draw attention to the region of South Caucasus. Since the great enlargement in 2004 and 2007, the South Caucasus has become very close to the European borders and is hence part of the European Neighbourhood Policy (ENP) since 2006. The conflict in Georgia in August 2008 confirmed the region’s “vulnerability” and displayed how “the EU’s security begins outside our borders.” Apart from the conflict in August 2008, the region is formally characterised as one of mostly “frozen conflicts”. Not only European sources refer to the region as the most volatile but also the US Intelligence Community emphasises how difficult it will be to predict how long the general stability in the South Caucasus will remain.

Despite numerous declarations of interest, the EU has done little with regard to conflict resolution in the South Caucasus. Often labelled as ‘frozen’, because of the

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2 Annual Threat Assessment of the US Intelligence Community for the Senate Select Committee on Intelligence, February 2nd 2010, pp. 37–39.
lack of concrete progress in negotiations, experts have pointed out that the conflict dynamics are in fact constantly changing, the risk of conflict escalation in the region thus remains high. As the recent war in Georgia has shown, the costs of prolonged passivity can be tremendous. The question is: how to move forward? How can the new and old instruments the EU has at its disposal be used in order to live up to the stated principles of effective multilateralism, conflict prevention and comprehensive engagement thus providing sustainable and coherent conflict management in the region? Can the EU prove that it can handle conflicts in its direct neighbourhood without the help of foreign actors even though it cannot offer EU membership as incentive?

POLICY RECOMMENDATIONS

The policy recommendations primarily focus on three categories of instruments: 1. declaratory politics and preventive diplomacy; 2. wider socialisation in the framework of the EaP; and 3. eventual deployment of ESDP instruments.

DECLARATORY POLITICS – PREVENTIVE DIPLOMACY:

The EU is currently undergoing a process of change and adaptation. There is thus a great risk for the EU to look inward while the external world is waiting for a visible effect of the Lisbon Treaty on the outside. With many procedural and institutional changes it is also natural that the EU needs time to re-organise and redefine competences and responsibilities. Meanwhile, the EU should continue to do what it is best at: to play its role of ‘civilian power’ using its existing and new instruments of declaratory politics.

- Increase the use of the EU’s existing and new declaratory instruments;
- The EU should actively support the multilateral negotiations lead by the OSCE in the Nagorno-Karabakh (N-K) conflict, provide confidence-building measures and facilitate communication between the parties involved.

WIDER SOCIALIZATION – ENP/EAP:

In addition to stronger engagement on the diplomatic side the EU should work with mid- to longer-term socialising measures.

- The EU should offer clear incentives, especially in the field of political association, and prioritise the use of these tools to advance conflict resolution, the main obstacle being regionalisation in its neighbourhood.
- The EU should upgrade the EaP budget in order to implement it goals and to increase its visibility in the region.
- The EU should make full use the new instruments created by the Lisbon Treaty to increase coherence in the planning and implementation of conflict resolution in N-K.

ESDP INSTRUMENTS

It is only logical that with the displaced EU borders, the ESDP missions follow the enlargement and now also focus on the new neighbouring areas. ESDP missions encompass a wide range of actions including peacekeeping, imposing the rule of law and border assistant missions.

Considering the recent alarming developments in the field, the Union should send a civilian observation mission to Nagorno-Karabakh to establish a common threat assessment in order to be able to speak with one voice.

In order to facilitate and accompany the negotiation process, the EU should deploy a sizeable rule of law mission to Nagorno-Karabakh, refraining from any pre-determined approach to the final status of the region.

A. WHY ACT, WHY THE EU, AND WHY NOW?

1. WHY THE SOUTH CAUCASUS?

When analysing armed conflict in Europe’s greater neighbourhood it is highly important to draw attention to the region of the South Caucasus. Since the European Union’s

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[EU] enlargements in 2004 and 2007, the South Caucasus has become very close to European borders and is hence part of the European Neighbourhood Policy (ENP) since 2006. The conflict in Georgia in August 2008 confirmed the region’s “vulnerability” and displayed how “the EU’s security begins outside our borders”.\(^1\) Apart from the conflict in August 2008, the region is formally characterised as one of mostly “frozen conflicts”. Not only European sources but also the US Intelligence Community refer to the region as most volatile and emphasise how difficult it is to predict how long the general stability in the South Caucasus will last.\(^5\)

Considering the conflicts in Georgia and the one between Azerbaijan and Armenia over the independence of Nagorno-Karabakh, it is expected to declare the South Caucasus as a region in which armed conflict could (easily) break out. Within this framework, one should also consider the current stalemate in the Armenia-Turkey rapprochement. The reasons for this recent stalemate are the Turkish conditions for the ratification of the protocols on the establishment of diplomatic relations between both countries (i.e. the withdrawal of the Armenian forces from Nagorno-Karabakh and the demand to end the international campaign for the recognition of the Armenian genocide) that are unacceptable to Armenia. The suspension of the protocols will do nothing but reinforce the volatility of the long-standing conflict in the South Caucasus – with the region of Nagorno-Karabakh now at the heart of the dispute. The rapprochement is unlikely to continue until a resolution to Armenia’s conflict with Turkish ally and energy trading partner Azerbaijan over the breakaway Nagorno-Karabakh (N-K) region is found.

Before going further into detail, the paper will briefly present the conflict dynamics and recent developments in the N-K region. N-K is a region within Azerbaijani territory and is a de facto independent state, which is not recognised by the international community. After the collapse of the Soviet Union the Armenians living in Nagorno-Karabakh voted for an independent state by referendum. The declaration of independence was followed by a large-scale war between Azerbaijan and N-K (1988–1994) in which Armenia supported N-K against Azerbaijan. Since the cease-fire in May 1994, the region’s status has been subject to several peace negotiations but also cause for recurring tensions. The roots for the conflict are primarily to be found in ethnic tensions within the region. Numerous refugees and internally displaced persons resulting from the war still shape today’s conflict dynamics. As of today, the ethnic conflict has led to the killing of 35,000 people on both sides. This number is likely to be rising as today both countries, Azerbaijan and Armenia, claim they have the right to use force: Azerbaijan to restore its territorial integrity, Armenia to protect N-K’s Armenian population.\(^6\)

Currently, especially in the context of the suspended protocols between Armenia and Turkey mentioned above, one can observe a rise in military rhetoric between Armenia and Azerbaijan. Furthermore, military spending has heavily increased, especially on the Azerbaijani side. The (still) ‘frozen conflict’ remains one of the main obstacles for a peaceful development of the region. The possible internationalisation of the conflict, with Russia, the US and the European Union engaged in the South Caucasus, only adds to the importance of a settlement of this regional conflict.

Regional conflict dynamics in the South Caucasus pose a severe threat to the EU. According to the European Security Strategy (ESS), regional conflict arenas are likely to entail “extremism, terrorism, state failure and organized crime”.\(^7\) Additionally, the South Caucasus is “strategically important in oil and gas production and transit”.\(^8\) As the European Union’s “concerns about energy dependence have increased over the last five years”\(^9\) the significance of the region’s stability becomes even more crucial. The “Report on the Implementation of the European Security Strategy” is another example reflecting the growing importance of the South Caucasus for the EU.\(^10\) Not only does this report clearly emphasise the South Caucasus and its “frozen conflicts” but it also refers to the region when addressing other significant security issues, as for instance energy security.

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\(^5\) ibid., p. 6.
2. WHY THE EUROPEAN UNION AS AN ACTOR?

Having outlined the risk of conflict in the South Caucasus, a region in the EU’s neighbourhood, it is important to explain why it is particularly the EU’s responsibility to become an active political actor in this volatile region. First, due to the geographical proximity and the region’s importance for the EU’s energy supply, the situation in the South Caucasus represents an increasing threat to the security of the EU. Analysing the current political confrontations in the South Caucasus (Russia-Georgia, Armenia-Azerbaijan, Turkey-Armenia), it is in the very interest of the EU to respond in a timely and effective manner to this kind of threat because it is the EU’s declared goal to establish a secure, stable and prosperous ring of “well-governed states” in its neighbourhood (ENP). The EU regards the ENP as an instrument which “will reinforce stability and security and contribute to efforts at conflict resolution”.

In addition to the fact that it is in the interest of the EU to secure and stabilise the South Caucasus region, one should also emphasise that promoting peace, democracy and the rule of law is part of the EU’s values. Furthermore, the EU must demonstrate its capability to respond to conflicts in its own backyard and show that it has learned its lesson from the Balkans. Managing the current volatile situation in the South Caucasus by applying an effective multilateralism with the US and Russia, two major players in the region, the EU could regain foreign policy legitimacy.

3. WHY ACT NOW?

As outlined above, conflict dynamics in the South Caucasus pose a growing threat to the EU. Simultaneously to the ‘external’ rationale to act in a timely manner, respectively now, the pressing and volatile situation in the South Caucasus, the ‘internal’ rationale should be considered. The new instruments and mechanisms provided by the Lisbon Treaty have created a new setting for the EU to engage in the South Caucasus effectively. The implementation of the Lisbon Treaty is a process in which every player has to learn its new responsibilities and to discover new room to manoeuvre. It is crucial, particularly in the Common Foreign Security Policy, to make use of the new mechanisms the treaty provides. The new office of a High Representative of the Union for Foreign Affairs and Security Policy (HR) forming a lynchpin between the Commission and the Council represents the opportunity to conceptualise and to plan EU external relations in a coherent manner and with less inter-institutional conflict. Another new mechanism provided by the Lisbon Treaty is the European External Action Service (EEAS). The EEAS – the EU diplomatic service supporting the HR – supplies the EU with a tool to also implement foreign policy coherently.

Already in 2003 the EU declared that it needed to “take a stronger and more active interest in the problems of the Southern Caucasus, which will in due course also be a neighbouring region”. Despite this declared commitment, the EU did little to prevent the Georgian war in 2008. The EU should act now, knowing about the current developments and being aware of the high risk of conflict escalation in the region. Adhering to a pattern of precaution and prevention the EU would be able to fend off armed conflict with a significantly lower financial and political burden than if intervening after military escalation. In the Implementation Report of 2008, the EU declares that it aspires to be “more active, coherent and capable”. Measuring the EU along its own scale and goals it should be proactive and preventive instead of reactive. Currently, after the ratification of the Lisbon Treaty, it is a very critical time for the EU, in particular for the CFSP, because the HR and the EEAS, the major CFSP contributions of the Lisbon Treaty, are struggling with starting difficulties.

Thus, handling a possible military escalation in the South Caucasus in a timely, effective, coherent and proactive manner, the EU could create the success story it desperately needs. Particularly at a time in which the EU’s Eastern neighbours start losing confidence in the partnership and the EU, it is significant to demonstrate a serious commitment.

B. THE EU’S ROLE IN THE SOUTH CAUCASUS (SC)

In the past, the EU’s policy towards the SC region was ambitious but did not achieve as much progress as it wished. This is partly due to the fact that the SC only recently got into the focus of the EU when the last two enlargement rounds moved the border of the EU closer to the region. For the first time, the ESS (2003) gave the SC top priority arguing that the EU “should now take a stronger and more active interest in the problems of the Southern Caucasus, which will in due course also be a neighbouring region”. The EU decided to extend economic and political cooperation

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putting a strong accent on the political problems mainly related to the aforementioned ‘frozen conflicts’ in the region with the capacity to spill-over to the EU itself.

**THE EUROPEAN NEIGHBOURHOOD POLICY: EVER CLOSER TO THE SC?**

The first step towards strengthening cooperation with the South Caucasus countries in the aftermath of the collapse of the Soviet Union was the Technical Aid to the Commonwealth of Independent States (Tacis) programme. In the late nineties, this cooperation was slightly strengthened through the negotiation of Partnership and Cooperation Agreements (PCA) designed to strengthen democratic and economic institutions “through cooperation in a wide range of areas”. Amongst others, the PCAs provided for the set-up of ‘political dialogue’ (diplomatic interventions) and the strengthening of trade relationships.

In comparison to the accession candidates, the cooperation between the EU and CIS countries was based on a much weaker foundation and thus also led to much weaker ties with the countries of South Caucasus.

In order to respond to the Eastern enlargement and the accompanying inclusion-exclusion problématique, the EU launched the European Neighbourhood Policy (ENP) in 2004. In 2006, the bilaterally negotiated Action Plans with the SC countries were ratified. The Action Plans gained substantive recognition as ‘road maps’ aimed at intensifying bilateral and intra-regional cooperation, also in the fields of energy and economy, and providing concrete and individually optimised goals for the transformation process towards democratic institution building, the respect for human rights and the rule of law. Particularly the emphasis on the most pressing conflicts in the region, the Nagorno-Karabakh conflict as well as the separatist movements in South Ossetia and Abkhazia, put EU commitment in the region under stronger conditional ties.

To complement the Northern Dimension and the Union for the Mediterranean, the EU launched the Eastern Partnership (EaP) in 2009. The EaP aims at upgrading the Eastern dimension of the ENP, thus at enhancing the relationship with Armenia, Azerbaijan, Georgia, Belarus, Moldova and Ukraine. This new institutionalized form of cooperation is centred on four thematic platforms: Democracy, good governance and stability, economic integration and convergence with EU policies, energy security, and people-to-people contacts. It implies the negotiation of new association agreements including “deep and comprehensive free trade agreements with those countries willing and able to enter into a deeper engagement and gradual integration in the EU economy” as well as visa facilitation measures.

This development of gradually prioritising the South Caucasus reflected the strategic goals of the ESS (2003) that ranked ‘frozen conflicts’ in the region as highly important for the security of the EU itself and its role concept as a ‘normative’ and ‘civilising’ power in international relations. The imminent cause of the prioritisation, however, were the terrorist attacks of 9/11 and the ensuing preventive measures to combat terrorism around the world: The South Caucasus was perceived to be of strategic importance because of its unique geographical position between the Middle East and Europe.

**THE EU SPECIAL REPRESENTATIVE FOR THE SOUTH CAUCASUS**

In 2003, the EU installed an EU Special Representative (EUSR) for the South Caucasus. The task of the EUSR, being executed by the Finnish ambassador Heikki Talvitie and later by Peter Semneby, was to support the work of the High Representative for the CFSP in transforming the region. In 2005, the OSCE Border Monitoring Mission in Georgia was replaced by an EU Border Support Team headed by the EUSR.
However, the scope of the mandate, the small staff and budget of the EUSR did not match the increasing importance of the region. In 2006, the mandate was slightly strengthened and the EUSR’s mission was reformulated from merely “assisting in conflict resolution” to contributing “to the settlement of conflicts and to facilitate the implementation of such settlements”. Nevertheless, the EUSR did receive neither the right nor the means to directly intervene in the region. Peter Semneby himself admitted that the 2006 change in mandate was not so much of practical significance but more of a political signal.

**ESDP: EUJUST THEMIS AND EUMM**

The EU also demonstrated stronger commitment to the region by deploying two civilian ESDP missions to Georgia. In 2004, the EU Rule of Law Mission to Georgia (EUJUST THEMIS) was set up. EUJUST THEMIS was mainly designed to support the Georgian authorities in reforming the criminal justice system of the country and ended successfully in 2005. In 2008, the EU reacted to the war between Russia and Georgia over the conflict in South Ossetia and Abkhazia by sending the European Union Monitoring Mission (EUMM). This operation was implemented to pacify and stabilise Georgia and its surrounding region by implementing the so-called six-point Agreement concluded between the conflict parties through the mediation of the EU troika.

**ENERGY COOPERATION**

From its beginning, the EU’s interest in the SC region was especially motivated by the region’s oil resources. Since the collapse of the Soviet Union, the EU worked to set up special trade relationships especially with Azerbaijan, an important oil supplier to the EU nowadays. The development of infrastructure for oil and gas supply made it to the top of the EU’s agenda in the last few years. The aim is to secure energy supply from the Caspian and Central Asia and to make EU countries less dependent on unstable Middle East suppliers and Russia, being the Nabucco project the outcome of such an approach.

The early Tacis project Interstate Oil and Gas Transport to Europe (INO gate) concentrated on the diversification of transport and transit routes to secure the supply of oil to the EU and other Western states. A respective landmark was the opening of the Baku-Supsa-Pipeline in April 1998 that by the end of 2006 already transported 10 million tons of Azeri oil per year to the EU. In 2005, the Baku-Tbilissi-Ceyhan (BTC) oil pipeline – another step towards decreasing dependency on unreliable suppliers – was opened. These achievements on the EU’s energy agenda would be at risk in case the ‘frozen’ Nagorno-Karabakh conflict became hot.

**EU ENGAGEMENT IN SC: MIXED RESULTS**

In summary, EU interventions in the region have been manifold. The diplomatic, economic and ESDP engagement in the region brought several important reforms on track. However, although the EU dedicated more than one billion Euros to the development of the South Caucasus region, the reformist policies mostly failed. Respective signs for this mismanagement are increasing corruption and criminalisation, and, most prominently, the still unresolved secessionist conflicts.

**C. RECOMMENDATIONS**

Despite numerous declarations of interest, the EU has done little with regard to conflict resolution in the South Caucasus. Often labelled as ‘frozen’, because of the lack of concrete progress in negotiations, experts have pointed out that the conflict dynamics are in fact constantly changing, the risk of conflict escalation in the region thus remains high. As the recent war in Georgia has shown, the costs of prolonged passivity can be tremendous. The question is: how to move forward? How can the new and old instruments the EU has at its disposal be used in order to live up to the stated principles of effective multilateralism, conflict prevention and comprehensive engagement thus providing sustainable and coherent conflict management in the region? Can the EU prove that it can handle conflicts in its direct neighbourhood without the help of foreign actors even though it cannot offer EU membership as incentive?

28 Coppieters et al., op. cit., p. 17
29 Wolff, op. cit., p. 4.
33 ibid., p. 15.
34 Mayer, op. cit., p. 240ff.
35 Coppieters et al., op. cit., p. 20.
36 Steward, Emma [2008], The EU as an Actor in Conflict Resolution: Out of ist Depth?, University of Bath
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The policy recommendations primarily focus on three categories of instruments: 1. declaratory politics and preventive diplomacy; 2. wider socialisation in the framework of the EaP; and 3. eventual deployment of ESDP instruments.

1) DECLARATORY POLITICS – PREVENTIVE DIPLOMACY

The EU is currently undergoing a process of change and adaptation. There is thus a great risk for the EU to look inward while the external world is waiting for a visible effect of the Lisbon Treaty on the outside. With many procedural and institutional changes it is also natural that the EU needs time to re-organise and redefine competences and responsibilities. Meanwhile, the EU should continue to do what it is best at: to play its role of ‘civilian power’ using its existing and new instruments of declaratory politics.

a) Increase the use of the EU’s existing and new declaratory instruments

Part of the old instruments that remain at the disposal of the EU are Common Positions (Art. 12 TEU) and Presidency Conclusions. Another instrument that can be added to the portfolio of declaratory politics are Statements by the HR. With a relatively low cost, the EU thus demonstrates continued interest in the region and sends important signals to the outside world and to the parties in the conflicts.

b) The EU should actively support the multilateral negotiations lead by the OSCE in the Nagorno-Karabakh conflict, provide confidence-building measures and facilitate communication between the parties involved.

One of the self-declared principles of the EU’s external action is ‘effective multilateralism’. However, multilateral frameworks such as the OSCE Minsk Group have not achieved much measurable progress in resolving the stalled conflicts in the South Caucasus. According to Bernard Fassier, the French Co-Chairman of the Minsk Group, the Group can only put forward political ideas but does not have the financial weight to implement those. The EU instead has the financial weight enabling it to provide positive incentives to Armenia and Azerbaijan. It has the potential to act as an ‘honest broker’ and to attenuate political power struggles in the region as often displayed by Russia and the US. The EU is a mediator that is likely to be accepted by both sides of the conflict and is in a good position to work on confidence building measures while the Minsk Group continues to deliver in the negotiations. Supported by the diplomatic staff of the EU delegations in Baku and Yerevan, the EU should also strive to facilitate communication between the conflicting parties and the de facto Nagorno-Karabakh authorities with the final aim to integrate them in the negotiation process.

c) The EU needs to display more direct high-level diplomatic engagement.

In the aftermath of the Russian-Georgian war in 2008, the trio of the Presidency (Nicolas Sarkozy) the Commission (José Manuel Barroso) and the High Representative (Javier Solana) proved that the EU can be a strong, fair and effective negotiator. With the Lisbon Treaty the EU aims at improving its external representation with the posts of the Council President and the High Representative of the Union for Foreign and Security Affairs. These new positions allow for more direct high-level diplomatic engagement in the region. The frozen conflicts in the South Caucasus represent an opportunity where the EU could show its new face to the world, demonstrate that it is able to take care of its new backyard and build on its experience in the region in order to create a success story and precedent for future conflict resolution.

d) The EU should bolster the budget, staff and political standing of the EUSR for the South Caucasus in order to live up to its declared goals (ESS/ENP).

In order to support the diplomatic efforts in the region and to give the EU a stronger profile on the ground, the role and presence of the EUSR for the South Caucasus should be

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38 Wolff, op. cit.
bolstered. The mandate of the EUSR is very broad. In 2008, after the breakout of armed conflict in Georgia, the EU had to appoint a Special Representative for the Crisis in Georgia (currently Pierre Morel). This was a sign of the overstretched nature of the EUSR for South Caucasus. The appointment of the EUSR for the Crisis in Georgia now leaves more room for a stronger activity of the EUSR for South Caucasus regarding N-K. On the basis of the lessons learnt in Georgia, the EU should provide the EUSR for South Caucasus with an enhanced budget and support staff in order for it to be able to effectively prevent a military escalation in and around N-K. Additionally, the political standing of the EUSR should be bolstered. This could be achieved through greater participation in the ongoing negotiations. He could for instance participate as an observer in the negotiations of the OSCE Minsk Group. The political profile of the EUSR could also be lifted by the appointment of a more prominent political figure (e.g., former foreign minister or foreign prime minister). In order to foster a coherent and coordinated approach to the region, the EUSR should actively participate in the second instalment of the Action Plans of Armenia and Azerbaijan. All these measures should be taken into account for the next Council Decision on the extension of the EUSR’s mandate in summer 2010. Otherwise, “the EUSR will remain nothing more than a token gesture toward the problems of the region.”

2) Wider Socialisation – ENP/EaP:

In addition to stronger engagement on the diplomatic side the EU should work the mid- to longer-term socialising measures.

a) The EU should offer clear incentives, especially in the field of political association, and prioritise the use these tools to advance conflict resolution, the main obstacle to regionalisation in its neighbourhood.

The ENP/EaP was designed to contribute to the creation of a peaceful circle of friends around the EU’s borders. It was modelled on the enlargement process and intends to use similar instruments. However, it lacks the ‘golden carrot’ of EU accession and thus the power of attraction that led to the positive socialisation process undergone by candidate or now-member countries. None of the countries of the South Caucasus has been given a membership perspective, contrary to the Western Balkans. The EU should thus work on real and tangible positive incentives for these countries. While the economic partnership is gaining substance through the negotiation of the free trade agreements, and advancements are foreseen in the field of visa facilitation, the perspective of political association has to be defined and linked to the efforts in conflict resolution. These efforts could also be channelled through stronger horizontal cooperation leading up to the desired regionalisation around the EU. Without these positive incentives the EaP will remain void and the EU will lose credibility and its ‘power of attraction’ in the eyes of the South Caucasus countries.

b) The EU should upgrade the EaP budget in order to implement its goals and to increase its visibility in the region.

It is time for the EU to adjust the means to the ends. The budget of the EaP was originally supposed to amount to 600 million Euros for the period 2010–2013. In the document presented on December 3, 2008 only 350 million Euros are mentioned for this period. For the EU’s coming budgetary period this amount should be increased. The European Parliament should use its budgetary power to influence this goal.

c) The EU should make full use the new instruments created by the Lisbon Treaty to increase coherence in the planning and implementation of conflict resolution in N-K.

New Action Plans will be negotiated in 2011. The former Action Plans were preceded by inter-institutional power struggles between the Commission and the Council. The lack of inter-institutional coordination makes subsequent policy implementation even more difficult. The post of the HR should facilitate the coordination in the planning phase. The involvement of the EUSR in this process would ensure the link between planning and implementation in

42 Wolff, op. cit., p. 5.
43 ibid., p. 4.
46 Wolff, op. cit., p. 3.
the field. This process can be supported by the new crisis management department, which is part of the EEAS and placed under the direct responsibility and authority of the HR. With the new provisions the former Commission, now Union delegations will also be dealing with conflict prevention and crisis management and will thus be able to streamline dynamics on the ground.

3. ESDP INSTRUMENTS

The 17 November 2009 marked the ten-year anniversary of the European Security and Defence Policy (ESDP). The ESDP has been established in 1999 under the impression of the Western Balkan conflict in order to enable the EU to become a more credible actor in promoting international peace and to assure peace and security in its greater neighbourhood. Since 1999, the EU has grown considerably and some of the Balkan countries have become EU members or are waiting to join the EU in the future. It is only logical that with the displaced EU borders, the ESDP missions follow the enlargement and now also focus on the new neighbouring areas. ESDP missions encompass a wide range of actions including peacekeeping, rule of law and border assistant missions.

a) Considering the alarming recent developments in the field, the Union should send a civilian observation mission to Nagorno-Karabakh to reach a common threat assessment in order to be able to speak with one voice.

The ESDP is a policy area that has generally been marked by quarrels and disagreements between the member states. The NATO (ISAF) and EU (EUPOL) engagement in Afghanistan are good examples showing how controversial the deployment of military and civilian personnel outside of the EU’s borders can be. In most cases the difficulties have not been caused by a lack of capacities but rather by the lack of consensus to use ESDP instruments on the one hand and of the lack of agreement between the member states on the deployment of ESDP missions to particular geographic areas on the other hand. In order to overcome these problems of internal disagreement, it is crucial to prepare the ground for a common threat assessment by sending a civilian observation mission to N-K.

b) In order to facilitate and accompany the negotiation process, the EU should deploy a sizeable rule of law mission to Nagorno-Karabach, refraining from any pre-determined approach to the final status of the region.

Rule of Law missions like EULEX in Kosovo and EUJUST THEMIS in Georgia are among the most effective ESDP tools. They help to promote European values of rule of law and democracy beyond the borders of the EU, are one step in the direction of harmonisation of judiciary, police and border control between the EU and its neighbouring states.

A rule of law mission would be especially useful in the context of the Nagorno-Karabakh dispute. By sending such a mission, the EU could help to provide confidence in the democratic process and the rule of law, foster legal reforms and help to deescalate the conflict by facilitating the negotiation process. Moreover, the example of EULEX Kosovo has shown that it is possible to make a contribution to stabilisation without having a common stance on the political finality of the political process. In this context, the EU should also learn from the shortcomings of EULEX.

While in total, EULEX can be considered a success for the EU and Kosovo, the EU lacked an elaborated communication strategy regarding its stance on the final status of Kosovo. The result was that Serbian officials who felt marginalised, at first vehemently opposed the EU’s action making the EU’s work on the ground much harder.

A region like Nagorno-Karabakh, where the EU has much less leverage than in Kosovo, the EU should clearly communicate from the beginning that it acts as a super partes power and that the deployment of the mission does not pre-determine the final status of the region.

It is crucial that the EU uses the instruments at hand to show commitment to peace in its neighbourhood. The EU must play an active role, especially since in the South Caucasus its role is more disputed by other regional actors than it was/is in the Balkans. The proactive and creative use of declaratory politics, more effective wider socialisation measures (EAp) and the deployment of civilian ESDP missions help the EU to show presence in the region, to promote itself as an active and reliable partner and moreover have direct positive implications for the life within EU borders. Even though some of these measures bear additional costs, these are much lower than the financial and political burden resulting from an armed conflict in Europe’s greater neighbourhood.

* The deployment of EULEX Kosovo was decided in February 2008 with the aim of re-establishing the rule of law and re-building judiciary and police authority in the Kosovar region. EULEX took over the mandate of UNMIK, the UN Mission to Kosovo. This move enabled the EU to show real commitment to peace in its neighbourhood and to prove its capability to assure security in the region. About 2000 security and legal officials from almost every EU member state were deployed and successfully helped Kosovar authorities to rebuild the judiciary system, to establish effective police forces and border controls and to manage the remigration of Kosovars that had fled the country.
WORKING GROUP 7

Armed conflicts in Europe's greater neighbourhood

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EXECUTIVE SUMMARY

2010 is a crucial year for the future of non-proliferation of Weapons of Mass Destruction (WMD) and their carriers. The political relevance of this topic in the field of international security derives from two levels: first, at the level of setting of international norms, there is Security Council resolution 1887, inspired by the Obama administration led initiative for a future world without nuclear weapons, the recent US-Russian agreement on a new Strategic Arms Reduction Treaty (new START), the Washington Nuclear Summit and the Non-Proliferation Treaty (NPT) review conference in May 2010. Second, at the level of international politics, there have been challenges in the implementation of these norms, e.g. the retreat of North Korea from the NPT in 2003 in addition to Iran’s the controversial nuclear programme.

This paper assesses the threats to the European Union (EU) emanating from the weakness of the international non-proliferation system and security concerns with Iran, North Korea, and Pakistan. It is crucial to evaluate how the EU address these threats as a multilayered actor how the EU improve its actions and what are the consequences of inaction.

A thorough threat assessment focusing on Iran, North Korea, and Pakistan reveals that the EU faces different threats, and has limited responses. The EU faces serious risks emanating from direct (Iran) and indirect threats (North Korea, Pakistan). EU counter measures remain limited due to the different interests of Member States, and the lack of a community based tool. An analysis of the EU’s role in nuclear non-proliferation shows that the European actor can have an impact on addressing the root causes (structure of governance and the economy) because it has the tools at its disposal to support good governance processes and to launch economic cooperation agreements. However, the role of the EU on measures such as sanctions and countermeasures is very much limited since it is difficult to achieve a consensus among member states while national security interests still prevail.

RECOMMENDATIONS

A more coherent European policy on WMD

- Management covers the existing EU training and assistance programmes as well as efforts to strengthen multilateral treaties and regimes so as to
promote and strengthen the international system on non-proliferation (NPT, IAEA, OPCW and CTBTO).

- **Carrots** include arms-control arrangements covering the European area and neighbouring regions and security guarantees which have to be other than just EU enlargement. Being serious in mainstreaming WMD clauses in EU external relations based on common interests and threat assessments.

- **Sticks** include common export controls and economic sanctions. Against the background of the Lisbon Treaty and the possibility to develop a common European defence, it would be desirable to foresee a common deterrence strategy as ultima ratio including pre-emptive strikes, and common retaliation.

**Tighten sanctions on Iran**

- **Exert** more pressure through sanctions in order to move advance diplomatic relations.

- **Encourage** a common resolution on sanctions at the UN Security Council level in order to have effective sanctions from the international Community which would require Russian and Chinese cooperation.

- **Seek** sanctions targeting specific members of the regime with travel restrictions and freezing bank accounts in Europe and Iranian companies.

- **Strengthen** effective sanctions in specific sectors of the economy, such as oil refining.

**Enhance the EU “indirect” role in dealing with North Korea**

- **Support**, through the UK and France, effective sanctions against North Korea at the UNSC, mainly focusing on effective measures to ensure DPRK prohibited from exporting nuclear material.

- **Ensure** the effectiveness of international instruments to impose an effective export control regime in the DPRK, including the implementation of UNSCR 1540.

- **Explore** new measures to ensure regional stability on the Korean peninsula such as KEDO, and reconciliation between North and South Korea (also strengthening bilateral relations with South Korea).

- **Explore** new initiatives supporting democracy and stability in the DPRK by supporting human rights, humanitarian aid and social reform in the country.

- **Adopt** a new country strategy paper on the DPRK (the one adopted in March 2002 expired) in order to better define the strategy towards the DPRK.

**Support state-building in Pakistan**

- **Support** Pakistani economy in order to promote stability. In particular, boost Pakistan’s private sector since this is the largest contributor to Pakistani GDP and the largest employer, tackling any bureaucratic bottlenecks.

- **Seek** to closely complement US efforts through state building and institutional reform (including tax and education systems).

- **Encourage** further peace negotiations, CSBMs, as well as normalization of relations between Pakistan and India (including the problematic Kashmir region).

- **Start** an EU assistance border control mission under CSDP. Focus on the frontier regions in order to enable Pakistani security forces to control terrorist activities and address the humanitarian crisis of refugees and internally displaced people.

- **Apply** European experience in law enforcement and judicial reform in conjunction with Pakistani authorities.

- **Institutionalise** EU-Pakistan summits on an annual basis, utilizing them as one of the fora for consultations regarding arms control, disarmament and non-proliferation.
INTRODUCTION

2010 is a crucial year for the future of non-proliferation of Weapons of Mass Destruction (WMD) and their carriers. The political relevance of this topic in the field of international security derives from two levels: first, at the level of setting of international norms, there is Security Council resolution 1887, inspired by the Obama administration led initiative for a future world without nuclear weapons, the recent US-Russian agreement on a new Strategic Arms Reduction Treaty (new START), the Washington Nuclear Summit and the Non-Proliferation Treaty (NPT) review conference in May 2010. Second, at the level of international politics, there have been challenges in the implementation of these norms, e.g. the retreat of North Korea from the NPT in 2003 in addition to Iran’s controversial enrichment programme.

This paper assesses the threats to the European Union (EU) emanating from the weakness of the international non-proliferation system and security concerns with Iran, North Korea, and Pakistan. Being a multilayered actor, the following crucial questions have to be addressed regarding the EU’s role in non-proliferation affairs: what is the threat for the EU? Why is it significant for EU’s security? What are the consequences of not dealing with it? How does the EU address these threats? To what extent can the EU improve its actions?

1. THREATS EMANATING FROM PROLIFERATION ON EUROPEAN SECURITY

There are five main reasons why the EU, its member states and its citizens are threatened by nuclear proliferation: 1) firstly, proliferation complicates the EU’s goal of establishing a global system of effective multilateralism; secondly, international crises between nuclear powers are potentially more severe; thirdly, the probability of accidental or inadvertent use of nuclear weapons is likely to be higher; fourth, terrorist or sub national groups can more easily obtain nuclear weapons; and fifth, at least some of the nations possessing nuclear weapons are likely to be politically unstable, aggressive, and difficult to deal with.

In the European Security Strategy (ESS) of 2003, the acquisition of nuclear weapons by both states and terrorists organizations was identified as ‘potentially the greatest threat to EU security’. The EU’s Strategy against the Proliferation of Materials and Weapons of Mass Destruction (WMD) devised in December 2003 also emphasized the threats emanating from the proliferation of WMDs and nuclear weapons. The 2008 ESS implementation report states that the ‘risk has increased in the last five years’ from Iranian and North Korean actions. The past 12 months have confirmed the international community’s worries: in April 2009 Pyongyang tested a long-range missile before carrying out a second nuclear weapons test in May. In September, Tehran officially revealed its secret uranium enrichment facility at Qom and test-fired a satellite-carrier in February 2010 that could also be armed with a nuclear warhead.

The aim of this first part is therefore to underline the main threats to the EU in order to then analyse how the EU should address these threats in the second part. The threat assessment will show that threats to the EU are serious but mainly indirect.

1.1 IRAN’S NUCLEAR PROGRAM: A THREAT FOR EUROPE?

During the 90’s Iran made progress with its civilian nuclear programs. The clandestine program was uncovered by IAEA inspectors shook the Western world and placed Iran under scrutiny. In their Natanz facility has approximately 8000 machines, half of which are producing two kilograms of low enriched uranium per day. Current stockpiles of Iranian low-enriched uranium are estimated at 1400 kilograms. However, the Natanz facility is under IAEA inspection by IAEA and it will soon be known if Iran’s enrichment capabilities are even greater than previously assumed. The second underground uranium enrichment facility is near Qom city, however high ranking American officials believe that this facility is not yet operational. Nevertheless, this facility is designed to hold about 3000 centrifuge machines and could produce enough enriched uranium for a bomb or two per year. Even though international inspectors have not found evidence linking Iran’s nuclear program to weapons development, international scepticism was aroused in August 2002 when details of a secret heavy water production plant in Arak and the underground enrichment facility at Natanz emerged. The facility at Qom has created
even more concerns. The latest IAEA report urges Iran to fully comply with its obligations. The West’s fears of Iran’s nuclear ambitions were confirmed by the IAEA’s report in February 2010 which referred to Iran’s potential to produce a nuclear weapon, including uranium enrichment and future plans for the development of a missile-ready warhead.

Iran is likely to use nuclear weapons as a way of expanding and consolidating its influence on the regional and international order; it is a way of advancing its foreign policy. Its nuclear capability could destabilise the rest of the region and lead to an arms race and further nuclear proliferation; this could lead to a domino effect in a region which is already very unstable. Another concern is that Iran might attempt to share its nuclear knowledge with other states.

Finally, the nightmare scenario would involve an Iranian attack on Israel. Hostile acts/declarations against Israel have fed fears that Iran intends to use nuclear weapons as a means to a precise goal: Israel’s destruction. “Iran funds and equips via its Revolutionary Guards in south Lebanon, trains and organises the radical Shi’a Hezbollah that gives to Iran a direct role in the Arab-Israeli conflict”. Middle Eastern security, including that of all the states in the region, is a prime obligation of the EU and the Israeli-Palestinian conflict is profoundly important for the EU neighbourhood. The danger is that military capabilities will be spread to non-state militant actors such as Hamas and Hezbollah, groups who already threatening Israel’s security. There are also groups ready to attack cities on the European continent. And after the EU’s 2004 enlargement

1 Known capabilities according to the latest IAEA report Iran has constructed an enrichment plant at Qom that comes in breach of its obligation to suspend all enrichment related activities and that Iran’s failure to notify the Agency of the new facility until September 2009 is inconsistent with its obligation under the Subsidiary Arrangements to its Safeguards Agreement. This evidence gave raise to questions of whether or not Iran has other undeclared facilities under construction. The latest IAEA report repeatedly urges Iran to comply fully with its obligations. Still, in its declarations Iran insists it has the legal right to enrich uranium for peaceful purposes (under the NPT), even as it declares it has complied with NPT obligations and IAEA enactment. It also states that its enrichment program forms part of its civilian nuclear energy program, allowed under Article IV of the NPT. See The White House, Background Briefing by senior administration officials on Iranian Nuclear facility, 25th September 2009 (accessed online at www.whitehouse.gov on 1/4/2010).

1 Iran’s role and influence have grown, especially by means of patron-client relationships with radical Palestinian groups including Jihad (PIJ) and HAMAS. In February 2001 Khamenei spoke of the Islamic Republic’s mission... to erase Israel from the map of the region”. In late 2008 Khamenei reasserted Iranian support for the Palestinians and the Hamas government. See E. Oltolenghi, Under a mushroom cloud. Europe, Iran and the bomb, Transatlantic Institute, Profile Books, 2009, p. 87.


1 Transcripts of Nuclear crisis points: Iran, North Korea, Syria and Pakistan, Carnegie International Nonproliferation Conference, 6 April 2009.


1.2 NORTH KOREA’ NUCLEAR PROGRAM AS AN INDIRECT THREAT FOR THE EU

North Korea is not a direct threat to the EU. It is unlikely that North Korea would attack Europe. Because it is not considered an enemy and is far from the Korean peninsula deterrence should also work against a country so internationally isolated, although there are different point of views on this.

However, as a direct threat to Japan, North Korea poses a danger to a European ally. It has to be noted, though, that North Korea is a small country with a weak economy, governed by the authoritarian regime of Kim Jong II who has devoted resources to military materials instead of economic development. Therefore, it is highly unlikely that North Korea would use nuclear weapons since it would be an act of suicide and this would not be in the self-interest of the regime. At the same time, it is also true that this situation can change: the regime is seen as unpredictable, and it is not clear who will be the next leader in the event of Kim Jong Il’s death; moreover, the country also faces the potential of an internal revolt which would surely destabilize the country.

North Korea is also an indirect threat to Europe for two main reasons: first, it is threatening the international system of nuclear non proliferation by withdrawing from the NPT; secondly, in the last several years North Korea shared information with other non-nuclear states that are interested in having nuclear weapons, (which could represent a direct threat for the EU), as well as to non state actors (i.e. terrorist groups). In particular, North Korea has long been the world’s leading exporter of missiles and related components and technology to many states including Egypt, Iran, Syria, Libya, the UAE, Yemen and Pakistan. Since the late 90s, however, the opportunities for additional sales is declining as some states, such as Iran, achieved an independent production capability while others committed to limiting their missile-related relationship with North Korea (for instance, Libya), but the link between North Korea and other “states of concern” must not be underrated. Moreover, the sale of nuclear materials could

one of the new EU member-states, Cyprus, is close to these volatile areas.
increase if states believe that the non-proliferation regime is too weak and that they have to defend themselves from new nuclear countries.

1.3 THE PAKISTANI SITUATION – THREATS FROM A WEAK STATEHOOD

Within the challenging security environment of the South Asia region, Pakistan enjoys a special status because of its nuclear weapon programme and its absence from the non-proliferation treaty. Against the background of the current weakness of the state and past experiences of nuclear proliferation, the Pakistani situation poses a danger for European security. The circumstances in Pakistan, politically the weakest of all the nuclear-armed states, pose an indirect threat to the EU when it comes to nuclear proliferation. There are the risks that the nuclear arsenal could get into the hands of non-reliable state actors while non state actors could benefit from security leaks and the technological knowledge generated in Pakistan.7

The country's unreliable nuclear weapons programme is subject to leaks of its components/information to sub-national actors due to weak state authority – particularly since western intelligence agencies believe that some groups are secretly backed by Pakistani intelligence; the Inter-Services Intelligence (ISI).8 This dire situation is a remnant of the influx of Afghan refugees (after the Soviet invasion), later trained by the ISI to retaliate against the Soviets. Islamic fundamentalists would certainly take advantage of any political crisis in Pakistan's government. To attack western European societies while the Taliban in Afghanistan could be re-grouping in the Pakistan-Afghanistan border areas.

The reality is that there exists a danger if Pakistan's nuclear arsenal, purportedly the fastest growing, falls into control of non-state terrorist groups, particularly those holding the current popular notion of an 'Islamic bomb'. Past events create cause for concern: Abdul Q. Khan, The Pakistani scientist who created Pakistan's nuclear program, operated outside of the state's control. Nevertheless, with Pakistan's weak state, the risk exists that certain knowledge may fall into the hands of non-state Islamic fundamentalist groups. Similar to Iran's present attempts, Khan's network had originally also started as a way of supporting efforts of uranium enrichment. US intelligence had revealed that the Khan network provided a "one-stop shopping for uranium enrichment technology, enabling recipient countries to shortcut the normally protracted process of developing such capabilities indigenously."9 Pakistan was also, effectively, allowing North Korea to violate the NPT obligations. There is evidence that it was buying missiles from North Korea in return for nuclear technology – in 1999 US Intelligence knew that retired Pakistani scientists were involved in the DPRK's nuclear programme and that they were the source of the latter's gas centrifuge uranium enrichment programme. Such trade between Pakistan and North Korea occurred from around 1997 until circa 2002.

2. EUROPEAN ACTIVITIES ENCOUNTERING THESE THREATS

Against the background of the EU's Strategy against the Proliferation of Materials and Weapons of Mass Destruction (WMD) from December 2003 and its instruments, the impact of the EU in non-proliferation affairs remains restricted both on the institutional and the level of politics. At the first level the divide between nuclear-armed states (France, United Kingdom) and nonnuclear weapons states only produce agreements on the lowest common denominator. In addition, it is still to be seen how 'joint disarmament operations' will be implemented as an extension of the old Petersberg tasks in the Treaty of Lisbon. Despite this new instrument which remains under the sphere of influence of the member states, there is still no community based tool. This deficit makes the European Commission irrelevant in the field of non-proliferation. At the level of international politics, the EU concentrates its efforts mostly on support for multilateral treaties as well as on bilateral training and assistance. In the relations with third countries the EU put non-proliferation clauses on the agenda for negotiations of agreements. However, the impact remains low because third countries have to agree to such a clause and was refused by India, for example. Other shortfalls are the unbinding character of the clauses and the lack of implementation measures in case of defection. However, it is questionable whether the EU would ever generate common ground for common action in such a case. For example it needed an attack from the Israeli air force to destroy nuclear material most probably supplied by North Korea on Syrian soil in September 2007 while Brussels was negotiating an association agreement with Damascus including a non-proliferation clause.

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7 For example, the 2008 terrorist attacks in Mumbai were carried out by Pakistani militants. In 2008 members of a Belgian cell with links to Pakistan were accused of planning a bombing attack in Brussels. Also in 2008, Spanish police arrested individuals of Pakistani citizenship for an alleged plan to attack Barcelona and other European cities.


We will see that in the case of North Korea it is easier for the EU to generate a common position for two reasons: first there is greater consensus on how to deal with North Korea at the international level, second there are few economic links between North Korea and Member States, therefore no special interests are in danger of being violated. In the case of Pakistan it is also easier to have a unified position because the EU follows US engagement. Iran poses a specific challenge for European politics because of different national interests among the member states. The following paragraphs will take a closer look at each case.

2.1 EU’S APPROACH TOWARDS IRAN

The right to develop a nuclear program for civil use is defined as an inalienable right in the NPT so the EU is not contesting the program as such but the lack of transparency towards IAEA verifications. IAEA reports show that Iran has nuclear ambitions beyond the civil program and that Iran is not compliant with IAEA obligations (this led to UNSCR sanctions).

The EU and the US launched several initiatives to settle the situation through diplomacy; however, the main area of concern for the EU is the question of whether or not Iran is a reliable partner playing a transparent game. Past experiences prove the opposite. The fields of nuclear cooperation outlined in the letter by EU3+3 Foreign Ministers (UK, US, China, France, Germany and Russia) of 14 June 2008 have never been seriously taken into consideration.

At the same time, the EU has an advantage it can use in order to exert pressures for Iranian compliance with the NPT and reduce the threat of a nuclear winter. Indeed the bilateral relationships between the EU and Iran demonstrate the importance the two trade partners exert on each other. Iran is an important energy source for the EU and the EU is the source of two-fifths of Iran’s imports. Also, European countries such as Germany and Italy have been present in Iranian trade for years. Europe is one of the most important partners for Iran vis-à-vis imports, exports and trade. The EU is the biggest economic partner for Iran (before China) so it is for granted that Iran depends on Europe more than Europe depends on Iran. Moreover, Iran is the 6th larger oil exporter in the world; however, the lack of modernisation in the oil sector makes it difficult to increase production and to refine oil. The technological assistance from foreign companies, mostly European, plays a crucial role in Iranian economic development. In conclusion, if Iran has the potential to become an energy superpower, for the present it still needs assistance from foreign countries.

2.2 EU ACTION TOWARDS NORTH KOREA

The EU conducts regular political dialogue with North Korea, participating in the Korean Peninsula Energy Development Organization (KEDO), and giving humanitarian and food assistance. Moreover, the EU then adopted Common Positions to implement the UNSC Resolutions (mainly consisting of embargoes on items useful for nuclear weapons such as dual use goods and prohibiting North Korea from exporting nuclear related goods). However, China and Russia, key North Korean allies, resisted making the inspections and some other measures mandatory, so it remains unclear what impact the sanctions will have.

Overall, the major players within the Six Party Talks (involving North Korea, the United States, China, South Korea, Japan and Russia) are the United States and South Korea and the talks might produce a new agreement to replace the Agreed Framework, requiring North Korea to disarm ‘verifi ably, completely, and irreversibly’ in exchange for security assurances and political and economic benefits. As for the EU, it currently supports the Six Party talks while playing an indirect role, however its participation in future talks cannot be ruled out.

The Main objectives of EU policy were defined in a 2000 Council meeting and they build the basis for the country paper, setting out the strategic framework and objectives for technical assistance in the DPRK from 2002 to 2004. In 2010 we are lacking a new perspective towards North Korea and we cannot dismiss the fact that Europe can be a mediator in the region, this role is important and, in some respects, it could be more constructive than the US role. The EU could negotiate grand bargains such as a possible plan to help North Korea reform economically and militarily in exchange

11 KEDO was established in 1995 after an agreement between the DPRK and the US according to which former agreed to freeze and ultimately dismantle its nuclear program while the latter agreed to finance and construct in the DPRK two light-water reactors of the Korean Standard Nuclear Power Plant model and, in so doing, provide the DPRK with an alternative source of energy.

12 See Common Position 2006/795/CFSP and 2009/573/CFSP.

13 See UNSC Resolution 1718 of 2006 and Resolution 1874 of 2009, adopted after the DPRK conducted nuclear tests. These Resolutions condemned those tests, deplored the DPRK’s announcement of NPT withdrawal and refl ected a cohesive response of the international community on the issue.

14 See Council meeting – General Affairs, Brussels, 20 November 2000. According to it the development of the EU’s relations and those of its Member States with the DPRK will in particular take into account the genuine continuation by Pyongyang of the rapprochement begun with South Korea; responsible behaviour vis-à-vis nuclear and ballistic non-proliferation; development in human rights; and access by the population to external aid.

for more trade (possibility to offer the Generalised System of Preferences to North Korea).\textsuperscript{14} Moreover, the aid given results in the most substantial western presence on the ground, possibly being a more successful strategy.\textsuperscript{15} Finally, promoting stability in the Korean peninsula is another important way to ensure international peace and security. In addition, the EU can have a greater role than US since there are different positions on reconciliation with DPRK between US and South Korea\textsuperscript{16} and EU can better support South Korea efforts to normalise its relations with DPRK.

2.3 EU ACTIONS DEALING WITH PAKISTAN’S THREAT

Thus far, economic cooperation has dominated EU-Pakistan relations while the US has dealt with the political and security issues. The EU has financed Pakistan through programmes and specific projects since 1976. Despite this financial help, Pakistan has never been a major trading partner for the EU although the EU is a major trading partner for Pakistan. Moreover, a Cooperation Agreement on Partnership and Development entered into force in 2004; however, it does not include a WMD clause. In 2007 there was an EU Country Strategy Paper focusing on poverty reduction, education and human resources development, to be implemented before 2013.

Complementary to US security activities trying to stabilize Pakistan, there is also the EU-Pakistan Counter-Terrorism Dialogue agreed upon in the first EU-Pakistan summit in June 2009.\textsuperscript{17} Following the revision of the US strategy in Afghanistan, the US also developed a new strategy in dealing with Pakistan while the EU also committed itself to further stabilising the region. The EU aims to achieve a secure and stable Pakistan that will then have a stabilising on Afghanistan, efforts that would be helped if India and Pakistan both signed the NPT. Due to the fact that European countries are participating in NATO efforts in Afghanistan, and taking into consideration the shared border between Pakistan and Afghanistan, the EU should have a stronger role in the North-West Pakistani frontier.

CONCLUSIONS

A thorough threat assessment focusing on Iran, North Korea, and Pakistan reveals the different nature of threats and the EU’s limited actions. The EU faces serious risks emanating from direct (Iran) and indirect threats (North Korea, Pakistan). Since its member states have different interests and lacks a community based tool, EU counter measures remain limited. An analysis of the EU’s role in nuclear non-proliferation shows that the European actor can have an impact on addressing root causes (structures of governance and economy) because it has tools at its disposal to support good governance processes and to launch economic cooperation agreements. However, the role of the EU on measures such as sanctions and countermeasures is very much limited since it is difficult to achieve a consensus of Member states while national security interests still prevail.

RECOMMENDATIONS

A more coherent European policy on WMD

- Management covers the existing EU training and assistance programmes as well as efforts to strengthen multilateral treaties and regimes so as to promote and strengthen the international system on non proliferation (NPT, IAEA, OPCW and CTBTO).

- Carrots include arms-control arrangements covering the European area and neighbouring regions and security guarantees which have to be other than just EU enlargement. Being serious in mainstreaming WMD clauses in EU external relations based on common interests and threat assessments.

- Sticks include common export controls and economic sanctions. Against the background of the Lisbon Treaty and the possibility to develop a common European defence, it would be desirable to foresee a common deterrence strategy as ultima ratio including pre-emptive strikes, and common retaliation.

\textsuperscript{14} M. O’Hanlon, The United States, Europe and East Asia, in A. de Vasconcelos, M. Zaborowski (ed.), The Obama moment, European Perspectives, ISS, p. 205.

\textsuperscript{15} R. Rustici, EU Policies in North Korea: A Better Approach?, 22 July 2009 (available at www.acus.org). According to the author, rural development aid, outlined in the EU’s country agenda 2001–2004, allows Western ideals to percolate through the general population of North Korea, an essential part of Kim Jong-il’s power base. Thus, North Korean officials find it increasingly difficult to decry the predatory nature of an international system that is increasing the average Korean’s standard of living by providing aid for water management, food production, rural livelihood and income generation, among other poverty reduction measures.


\textsuperscript{17} The second summit scheduled for April 2010 was postponed due to the closure of European airspace following the eruption of the Icelandic volcano.
**Tighten Sanctions on Iran**

- **Exert** more pressure through sanctions in order to move advance diplomatic relations.

- **Encourage** a common resolution on sanctions at the UN Security Council level in order to have effective sanctions from the international Community which would require Russian and Chinese cooperation.

- **Seek** sanctions targeting specific members of the regime with travel restrictions and freezing bank accounts in Europe and Iranian companies.

- **Strengthen** effective sanctions in specific sectors of the economy, such as oil refining.

**Enhance the EU “Indirect” Role in Dealing with North Korea**

- **Support**, through the UK and France, effective sanctions against North Korea at the UNSC, mainly focusing on effective measures to ensure DPRK prohibited from exporting nuclear material.

- **Ensure** the effectiveness of international instruments to impose an effective export control regime in the DPRK, including the implementation of UNSCR 1540.

- **Explore** new measures to ensure regional stability on the Korean peninsula such as KEDO, and reconciliation between North and South Korea (also strengthening bilateral relations with South Korea).

- **Explore** new initiatives supporting democracy and stability in the DPRK by supporting human rights, humanitarian aid and social reform in the country.

- **Adopt** a new country strategy paper on the DPRK (the one adopted in March 2002 expired) in order to better define the strategy towards the DPRK.

**Support state-building in Pakistan**

- **Support** Pakistani economy in order to promote stability. In particular, boost Pakistan’s private sector since this is the largest contributor to Pakistani GDP and the largest employer, tackling any bureaucratic bottlenecks.

- **Seek** to closely complement US efforts through state building and institutional reform (including tax and educations systems).

- **Encourage** further peace negotiations, CSBMs, as well as normalization of relations between Pakistan and India (including the problematic Kashmir region).

- **Start** an EU assistance border control mission under CSDP. Focus on the frontier regions in order to enable Pakistani security forces to control terrorist activities and address the humanitarian crisis of refugees and internally displaced people.

- **Apply** European experience in law enforcement and judicial reform in conjunction with Pakistani authorities.

- **Institutionalise** EU-Pakistan summits on an annual basis, utilizing them as one of the fora for consultations regarding arms control, disarmament and non-proliferation.
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Nuclear proliferation

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Acknowledgements

This publication and the entire European Values Network 2010 program would not be possible without the kind and generous support of many individuals and institutions, to whom we would like to express our true gratitude. First of all we are thankful to the President of the European Parliament, Mr. Jerzy Buzek, who has kindly bestowed his patronage over the programme.

Members of the EVN 2010 benefitted greatly from lectures and discussions with prominent politicians, diplomats and experts based in Brussels and national capitals. We are very thankful that they kindly accepted our initiative to share their views on the EVN policy issues. In the European Parliament we had the privilege to discuss with Gunnar Hökmark, MEP, Vice-Chair of the Group of the European People’s Party and Member of the Committee on Economic and Monetary Affairs, Simon Busuttil, MEP, Member of the Committee on Civil Liberties, Justice and Home Affairs, and Eva Palatová, Advisor to the Foreign Affairs Committee. The programme in Brussels was supported by the European Office of the Konrad Adenauer Stiftung, whose representative Olaf Wientzek has kindly joined discussions with our participants.

Each panel of the final Conference in Prague was attended by distinguished experts in their respective fields. (In the order of appearance during the conference): Zuzana Krejčiříková, Director of the EU Affairs Department, CEZ Group, Maïté de Boncourt, Research Fellow, Institut Français des Relations Internationales, Brussels, Alexander Ritzmann, Non-Resident Fellow at the American Institute for Contemporary German Studies, and Senior Fellow at the European Foundation for Democracy in Brussels, Oldřich Krulík, Fellow of the Crises Management Department, Police Academy of the Czech Republic, Mitchell A. Belfer, Editor in Chief of the Central European Journal of International & Security Studies, Ondřej Ditrych, Research Fellow, Institute of International Relations, Prague, Luděk Niedermeyer, Consultant with Delloite, Former Vice-Governor, Czech National Bank, Jürgen Matthes, Senior Economist, Internationale Wirtschaftspolitik, Institut der deutschen Wirtschaft, Köln, Tomáš Kučera, Research Fellow, Demography and Geodemography Department, Charles University in Prague, Tomáš Chmelík, Manager of Environmental Products, CEZ Group, Karel Müller, professor of political science, University of Economics, Prague, Jan Havránek, Research Associate, Prague Security Studies Institute.

We are very thankful to all the guest speakers who accepted our invitation and took part in the programme both in Brussels and in Prague. Their participation was an
The EVN 2010 programme could not be realized without its main partners and their kind representatives to whom goes our gratitude. The European Commission’s “Europe for Citizens” programme provided the chief co-financing. We are especially thankful for the valuable support and close cooperation provided by the Konrad Adenauer Stiftung office in Prague and to its director Dr. Hubert Gehring. We are equally grateful to the Prague Embassy of the French Republic and to the Ambassador H. E. Pierre Lévy, who has expressed special support to our work. Furthermore we extend our thanks to the CEZ Group, energy company, and the European Movement in the Czech Republic for their contribution. Representation of the State of Baden-Württemberg to the EU was very kind to host our Brussels programme in their beautiful premises. CERGE-EI hosted the workshops in Prague. The media partners of the Prague Conference included EurActiv.cz, Czech business daily Mladá fronta E15 and Czech Radio 6 (Český rozhlas 6). Last but not least, it would not have been possible to organize the EVN 2010 programme without the long-term support of MAITREA a.s. and The Institute of Finance and Administration [VSFS].

It would, however, be impossible to list here each and every institution and individual who in some way helped towards the realization of the European Values Network 2010. It should be emphasised that none of the above mentioned bears, of course, any responsibility for the content of this publication.

On the side of those who made the whole programme and this publication a reality, we would like to give thanks to the co-ordinators who were guiding the working groups, moderating the discussions, and editing the papers: Thomas Winzen, Igor Breitner, Daniel Trautvetter, Theodore Vassilopoulos, Máximo Miccinilli, Rafal Riedel, Nuno Wahnon Martins and Sargis Ghazaryan. Our final words of gratitude go to the members of the team of the European Values association who spent many days and nights organizing the EVN 2010: chiefly Michaela Trakslová as the project manager and Linh Nguyen as the programme assistant, and several other willing associates and volunteers.

Radko Hokovský
On behalf of the EVN 2010
About European Values Association
The founder of the European Values Network

European Values is a non-governmental, pro-European organization that, through education and research activities, works for the development of civil society and a healthy market environment. Based in Prague, we are active Europe-wide.

We stand for ...

- A more democratic and effective European community
- A liberal and competitive economy
- The preservation of the heritage and values of Western civilization
- The development of renewable resources and nuclear energy
- A stronger European defence
- A firm Trans-Atlantic partnership

Our vision is Europe freer, stronger and safer.

Since 2005, we have continued in our role as a unique educational and research organization and think-tank, making important contributions to the public and professional discussion about social, political and economic developments in Europe.

In the Czech Republic we like to point out that, due to our membership of the European Union we can for the first time in our modern history participate in the decision-making processes concerning the future of Europe, and ensure that we are no longer just a passive voice, an object of desire in the playground of larger powers. In the same breath we, however, add that our membership in the EU is not and will not come without difficulties and problems. The only way to make the most of all the possibilities and opportunities brought through membership of the EU – especially in light of the Lisbon Treaty, is through a professional and self-confident promotion of the interests of the Czech Republic as a credible, strong and proactive partner.

Since 2007 and the commencement of our international program the European Values Network has also contributed to a Europe-wide debate on the challenges that Europe faces today. We notice that politicians and the public take for granted the benefits of post-war development on our continent. But it is our belief that there are many global trends that threaten the freedom, security and prosperity of Europe today. We analyze these social, political, security and economic trends, and offer solutions to problems associated with them.

The European Values Association is also active at various European levels. Amongst others, we are part of
the network of centre-right think tanks titled the European Ideas Network. In 2005 we were one of the main initiators of European citizens’ initiative Voice for Europe, whose aim was to stimulate public interest in the future direction and enlargement of the EU, part of which involved collecting signatures for a petition against the opening of accession negotiations with Turkey.

In addition to publishing our own monographs, publications, studies, recommendations, comments, and media contributions and commentaries, we also organize seminars, conferences and training courses for professionals and the wider public. In our activities we arrange dialogue between politicians, journalists, businessmen and academics.

**OUR MISSION STATEMENT**

“Our vision is of a European society aware of the values and identity it is based on. We stand up for a European political community that draws from these values, and is able to protect and promote them.

We endorse the values we consider to be the very foundation of the development of Western civilization. We insist on personal freedom and responsibility, human dignity, solidarity, active civil society, the market economy, democracy, and the rule of law.

Preservation of the European way of life based on these values is far from certain today. Europe may easily turn into a passive object of global developments, and thus lose any chance to determine its own destiny.

Our mission is to formulate and promote solutions to enhance Europe’s freedom, safety, strength and prosperity. Hence we conduct research and educational activities, address politicians, experts, and the wider public.”

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Towards a Safer Europe – Policy Papers

Panel on Terrorism: Gauri Khandekar, Sarah Drexler, Daniel Trautvetter – Coordinator, Oldřich Krulík – Fellow of the Crises Management Department Police Academy of the Czech Republic, Alexander Ritzmann – Senior Fellow at the European Foundation for Democracy in Brussels

Official opening of the conference: Radko Hokovský – President of the European Values Network, Pierre Lévy – Ambassador of France to the Czech Republic, Hubert Gehring – Director of the Konrad Adenauer Stiftung

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Panel on Terrorism: Gauri Khandekar, Sarah Drexler, Daniel Trautvetter – Coordinator, Oldřich Krulík – Fellow of the Crises Management Department Police Academy of the Czech Republic, Alexander Ritzmann – Senior Fellow at the European Foundation for Democracy in Brussels
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Audience at the Prague conference

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Panel on Competitiveness: Theodore Vassilopoulos – Coordinator, Jürgen Matthes – Senior Economist, Internationale Wirtschaftspolitik, Institut der deutschen Wirtschaft, Köln, Luděk Niedermayer – Consultant with Deloitte, Former Vice-Governor, Czech National Bank
Panel on Demography: Tomáš Kučera – Research Fellow, Demography and Geodemography Department, Charles University in Prague, Igor Breitner – Coordinator, Joana Cansado Carvalho

Panel on Climate Change: Jacek Sobanski, Maximo Miccinilli – Coordinator, Tomáš Chmelík – Manager of Environmental Products, CEZ Group

Panel on Armed Conflicts: Ulrike Esther Franke, Sargs Ghazaryan – Coordinator, Jan Havránek – Research Associate, Prague Security Studies Institute, Nicole König

Panel on Democratic Politics: Karel Müller – Professor of Political Science, University of Economics, Prague