

**ECONOMICS
AND SECURITY**

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NATO Parliamentary Assembly

SUMMARY

of the meeting of the Economics and Security Committee
Salle Neuilly, Palais des Congrès, Paris, France

Saturday 27 May 2006

ATTENDANCE LIST

Chairman	Paul E. Gillmor (United States)
Vice-Chairman	Jean-Luc Reitzer (France)
General Rapporteur	Jos van Gennip (Netherlands)
Chairman of the Sub-Committee on Transatlantic Economic Relations	Hugh Bayley (United Kingdom)
Vice-Chairmen of the Sub-Committee on Transatlantic Economic Relations	John Sewel (United Kingdom) John Tanner (United States)
Co-Rapporteurs of the Sub-Committee on Transatlantic Economic Relations	Petras Austrevicius (Lithuania) John Boozman (United States)
Chairman of the Sub-Committee on East-West Economic Co-operation and Convergence	Kurt Bodewig (Germany)
Vice-Chairman of the Sub-Committee on East-West Economic Co-operation and Convergence	André Rouvière (France)
Rapporteur of the Sub-Committee on East-West Economic Co-operation and Convergence	Margus Hanson (Estonia)
President of the NATO PA	Pierre Lellouche (France)
Secretary General	Simon Lunn
Member Delegations	
Belgium	Philippe Mahoux
Bulgaria	Tatyana Doncheva
Canada	Leon Benoit
	Jane Cordy
	Roy Cullen
	Joseph A. Day
	Marcel Proulx
Czech Republic	Jaroslav Mitlener
Estonia	Tiit Matsulevits
France	Francis Hillmeyer
Germany	Wolfgang Götzer
	Robert Hochbaum
	Hellmut Königshaus
	Kurt J. Rossmanith
	Ingo Wolf
Greece	Ilias Papailias
	Assimina Xirotiri-Aikaterinari
Iceland	Magnús Stefánsson

Italy	Alessandro Forlani Luigi Marino Gianni Nieddu
Latvia	Dzintars Rasnacs
Norway	Tore Nordtun
Poland	Michal Jach Tadeusz Mackala
Portugal	José Mota de Andrade Jorge Neto Antonio Ramos Preto
Romania	Constantin Nita Marcu Tudor
Slovakia	Ján Kovarcik
Slovenia	Franc Kangler
Spain	Segundo Bru Rafael Estrella Alejandro Muñoz-Alonso
Turkey	Aziz Akgül
United Kingdom	Bruce George Jimmy Hood Paul Keetch Peter Viggers Wayne Allard Michael Bilirakis Jo Ann Emerson Charles Grassley Joel Hefley Patrick Leahy Dennis Moore Jeff Sessions Ellen Tauscher Tom Udall
United States	
Associate Delegations	
Armenia	Artur Petrosyan
Austria	Walter Murauer Detlev Neudeck
Azerbaijan	Ziyafat Asgarov Tahir Suleymanov
Croatia	Marin Jurjevic Velimir Plesa
Finland	Suvi-Anne Siimes
Russian Federation	Victor Dobrosotski Franis Sayfullin Oleg Tolkachev Victor Voitenko
Switzerland	Edi Engelberger
Ukraine	Valeriy Kelestyn Andriy Shkil
Mediterranean Associate Delegations	
Algeria	Abdelkrim Harchaoui
Jordan	Reyad Abu Karaki

European Parliament

Paulo Casaca
Ana Maria R.M. Gomes

Parliamentary Observers

Japan
Kazakhstan

Masataka Suzuki
Zhandarbek Kakishev

Speakers

Ambassador John Ritch, Director General,
World Nuclear Association

Donald J. Johnston, Secretary General,
OECD

Guest

H.E. Mr Zhao Jinjun, Chinese Ambassador
to France

International Secretariat

Paul Cook, Director
Helen Cadwallender, Co-ordinator
Anna Macdonald, Research Assistant
Devon L. Manz, Research Assistant

I. Presentation by Ambassador John Ritch, Director General, World Nuclear Association, *Getting Energy Right: The Essential Challenge of Security and Sustainable Global Development*

1. **John Ritch** demonstrated how nuclear power fits into three global energy imperatives: (i) a survival imperative: transition to clean energy technologies; (ii) a moral imperative: dissemination of affordable sustainable energy technologies; and (iii) a national imperative: maximising energy autonomy. Mr Ritch suggested that nuclear power could trigger a clean energy revolution. In the context of the global energy situation, Mr Ritch discussed the climate change challenge; the growth in world population; global economic conditions; and related all three to growing energy requirements. Mr Ritch discussed some of the challenges to a nuclear renaissance and argued in favour of a sharp increase in nuclear power capacity.
2. **André Rouvière** (FR) expressed concern that the present state of the world economy is driven by the relentless search for cost-effectiveness at the expense of the environment and asked whether the World Trade Organisation might be an appropriate forum in which to discuss environmental protection. Mr Rouvière noted that the speaker had not stressed the importance of energy conservation or the challenges posed by nuclear waste. He also pointed out that reducing Western nuclear weapons development would reduce the incentives for other countries to increase theirs.
3. With regards to cost-effectiveness, Mr Ritch expressed confidence that if countries take courageous steps to impose externalities costing on emissions then market mechanisms in Western societies would reveal nuclear power's relative cost advantage. The WTO should not be the forum for this dialogue.
4. Mr Ritch argued that focusing too much on energy savings would be counterproductive because India, China and Brazil are unlikely to 'save their way' into technological advance. There will invariably be an explosion of energy consumption on our planet. Government policy should thus strive to find an energy source that is cleanly used and efficiently produced. The industry is managing nuclear waste in a safe fashion and there is no reason why it cannot handle greater amounts of waste. On nuclear proliferation, Mr Ritch lamented the failure of nuclear states to fulfil their pledges under Article 6 of the Nuclear Proliferation Treaty.
5. **Hugh Bayley** (UK) pointed out that the storage of nuclear waste raises both environmental and security issues and suggested the security benefits of having three or four deep storage sites in the EU rather than one in each member state. He asked what the prospects were for international cooperation on this issue. John Ritch agreed that regional repositories were a good idea.
6. **Kurt Bodewig** (DE), **Assimina Xirotiri-Aikaterinari** (GR) and **Ana Maria R.M. Gomes** (European Parliament) appealed for a mix of energy sources. John Ritch recognised that the West needs to take advantage of all of the available clean energy tools but that no solution to the broad energy challenge is possible without building in a central role for nuclear power.
7. Ms Xirotiri-Aikaterinari raised the question of the relationship between political stability and the development of nuclear energy for peaceful purposes in certain countries. Mr Ritch responded that many developing countries like Indonesia, India, South Africa and Taiwan are tapping into nuclear energy. These power plants, he argued, pose no threat.

II. **Presentation by Donald J. Johnston, Secretary General, OECD, *The outcomes of the 2006 OECD Ministerial Council Meeting and the future of the Organisation***

8. **Donald J. Johnston**, Secretary General of the OECD, discussed the recent OECD Ministerial and the future of the organisation. He began by noting that there are currently 30 members in the OECD. Korea, Slovakia and Poland are the most recent members to join. Mr Johnston noted that there has been a convergence of thinking on macroeconomic policies. That said many governments continue to worry about the consequences of allowing markets to work, and he suggested that a sound regulatory environment is needed for this to transpire. He described technology as a driving force of productivity advance and recognised that innovation is needed for long-term growth. Demographic decline in Europe represents another concern. On the one hand, this results in a smaller economic footprint, which is good for the environment, but on the other hand it will result in fewer citizens to support an aging retired workforce. Migration is one answer, but integration remains a challenge. Mr Johnston believes that the OECD should bring Russia into the organisation because this will promote the acceptance of OECD practices in Russia.

9. **Jos van Gennip** (NL) asked about the role of the IMF and World Bank. Mr Johnston replied by saying that the World Bank is monitoring economies in the developing world. He suggested that some consolidation of these bodies could take place.

10. **Roy Cullen** (CA) asked Mr Johnston if the measure of GDP per person is a suitable measure to compare and monitor national economies. He mentioned a quality of life index and asked if the OECD has looked beyond the typical measures commonly used in economics. Mr Johnston agreed that the GDP is a poor proxy, but did suggest that GDP per person is a good measure in advanced countries. Mr Johnston talked about the need to develop better metrics based on the measurements of sustainability (economy, environment, social).

11. **John Sewel** (UK) raised the issue of economic patriotism and the protection of national companies. Mr Johnston said that the OECD does not support national champions, but does believe that some strategic sectors, such as national security, can justifiably be controlled by the state.

12. **Abdelkrim Harchaoui** (DZ) discussed the issues surrounding the transfer of capital from developed countries to developing countries through outsourcing. He asked Mr Johnston what the OECD could do to ensure investment and fund transfers do not restrict free market mechanisms. Mr Johnston said that good governance and adequate investment are both needed. In addition, surveillance mechanisms are in place today to ensure that the Asian economic crisis never happens again.

III. **Consideration of the Draft General Report, *Energy Security* [064 ESC 06 E] presented by Jos van Gennip (NL), General Rapporteur**

13. Mr van Gennip discussed the link between energy security and national security. Soaring demand in China and the developing world is driving energy prices upward in an energy market with an already tight supply. The lack of investment in energy infrastructure puts future energy supplies at risk. Growing US dependence on imported oil and growing European dependence on Russian gas can potentially precipitate interruptions for a range of reasons. National energy champions and economic protectionism is another challenge that faces the European community. Mr van Gennip discussed naval “chokepoints,” where a terrorist attack could impede the transportation of oil to the global market. He suggests that NATO could play a role in the European-Atlantic energy dialogue. Mr van Gennip briefly discussed energy technologies, such as

liquefied natural gas, clean coal, and modern renewable energy as technologies that could play an important role in securing future energy supplies.

14. **Aziz Akgül** (TR) indicated that Turkey can and will play an important role in securing global supplies by ensuring the transport of the world's oil through its oil and gas pipelines and energy terminals. **Victor Dobrosotski** (RU) responded by saying that Russia recognises the concerns of Europe. He stated that Russia has been a safe and secure supplier of energy to Europe over the last 30 years. Mr Sewel agreed that accelerating population growth and economic development will have a frightening impact on energy and suggested that countries should expand their nuclear power capacity.

15. **Victor Voitenko** (RU) offered to supply written amendments to the Report. He responded to the concerns raised in the Report about the Russia-China gas pipeline diverting supplies away from Europe. He said that the gas Europe receives is from a different region than the gas that is supplied to China. He indicated that Russia's role as a stable energy supplier is critical in order to gain membership of the G8. Ms Gomes suggested that transatlantic co-operation is important in the energy sector and that new investment should focus on renewable technologies and energy efficiency. Mr van Gennip briefly responded to the questions and welcomed written evidence from Russia.

IV. Consideration of the Draft Special Report, *Monitoring G8 Commitments to Developing Countries* (067 ESC 06 E Rev.1), presented by Hugh Bayley (UK), Rapporteur

16. In his presentation, Mr Bayley argued that the development commitments made by developed countries to Africa in 2005 must be monitored and upheld. He discussed current development policies and gave a brief analysis of the monitoring mechanisms that are in place to ensure their implementation. Mr Bayley emphasised the need for more effective parliamentary scrutiny of the development policies of respective NATO-PA member governments and the need for information sharing on this issue.

17. Ms Gomes pointed out that the relationship between Africa and Europe needs to be strengthened in order to deal with illegal migration. She emphasised the need to consider what is pushing African migrants to come to Europe. Addressing push factors such as poverty and conflict is also a crucial element in the fight against terrorism. Mr Harchaoui made reference to the recent cases of Sub-Saharan African migrants willing to travel in highly dangerous conditions in order to leave the continent and how this demonstrates that the situation of poverty and extreme marginalisation of people in Sub-Saharan Africa is a challenge for all humanity. Mr Bayley agreed with the fact that people are willing to face death on a dangerous journey to Europe over facing a 'slow death' in Sub Saharan Africa highlights the urgent need to provide a better quality of life through economic development in Sub Saharan Africa.

18. Ms Gomes highlighted the developmental role of migrant's remittances, which exceeds Official Development Assistance (ODA) in many countries. She regretted that security and development agendas are often in conflict. She also pointed out that the draft report neglects the importance of women in international development. Microcredit has played a crucial role in empowering women by allocating even the poorest of the poor a small amount of capital to start businesses. Mr Akgül expanded upon this adding that this strategy has been embraced by the UN, which declared 2005 'the year of microcredit'. Mr Bayley welcomed Mr Akgül's comments and informed the committee that he would be including Mr Akgül's research on the development impact of microcredit in the final version of the report.

19. Mr Akgül also questioned the relationship between poverty and terrorism, pointing out that terrorists are recruited from across the socio-economic spectrum. **Marcel Proulx** (CA) argued that

it is in our national security interests to aid development. He drew attention to the Global Organisation of Parliamentarians Against Corruption (GOPAC). Corruption is a major constraint on efforts for poverty alleviation. Mr Bayley welcomed Mr Proulx's contribution and requested that other parliamentarians offer concrete examples of parliamentary scrutiny of development activities in their respective parliaments for inclusion in the final version of the report.

V. Consideration of the Draft Report of the Sub-Committee on East-West Economic Co-operation and Convergence, *Transition in Ukraine* [065 ESCEW 06 E] by Margus Hanson (EE), Rapporteur

20. **Margus Hanson** (EE) discussed the situation in Ukraine following the Orange Revolution, including the macroeconomic stabilisation, institutional reforms and Ukraine's integration into the global marketplace. He outlined the situation in the Ukraine when in early 2006 the Russian energy giant, Gazprom, dramatically raised imported natural gas prices during a cold snap in the Ukraine and shut off natural gas supplies to the country. He discussed the political developments in Ukraine and the current situation regarding the legal and judicial system, market rules, and recent reforms. There is a long-term possibility that Ukraine may want to join the EU and NATO. Continued open dialogue with the Ukraine and increased support from Canada and the U.S. may turn this possibility into a reality.

21. Mr Voitenko noted that Russia resolves issues in the market on a market basis only, and this is what was done with Ukraine in late 2005 and early 2006. He asked Mr Hanson if he could verify whether or not Ukraine broke its energy contract with Russia. Mr Hanson responded by saying that he did not believe that contracts were violated, but the tremendous rise in gas prices between elections gave the feeling that politics must be involved. Mr Bodewig highlighted the need to facilitate trans-border trade and the need to continue the dialogue with Belarus. **Andriy Shkil** (UA) responded to the comments by Mr Voitenko.

VI. Consideration of the Draft Report of the Sub-Committee on Transatlantic Economic Relations, *China's Development Challenge* (066 ESCTER 06 E), presented by Petras Austrevicius (LT) and John Boozman (US), Co-Rapporteurs

22. In his presentation, **Petras Austrevicius** (LT) emphasised that the international community is looking to China to play a positive and engaged role in international relations and welcomed the fact that the Chinese leadership claims that this is precisely what it seeks to achieve. The draft report, however, recognises that for China to maintain its outward orientation and for it to raise its own stakes in the global order, it will have to ensure that its less developed regions in the hinterland of the country share in this sense of ownership. **John Boozman** (US) gave a brief presentation emphasising support for China's economic rise while also noting that the US government has particular concerns in the areas of intellectual property rights, trade practices, exchange rates and China's military build-up. Mr Boozman outlined the actions the US government is taking to try and increase US-China cooperation and dialogue in order to ease these concerns.

23. The Chinese Ambassador to France, **H.E Mr Zhao Jinjun**, noted that his presence at the committee meeting was an illustration of the 'normal development' between China and NATO. He welcomed the special interest that the Assembly is showing towards China and its hinterland and expressed hope that this interest would continue. He pointed to the 'spectacular changes' that China has undergone since 1978 and highlighted, in particular, its successes in the area of poverty reduction. Ambassador Jinjun noted, however, that rural poverty remained a serious problem and emphasised that the Chinese government is fully aware that it is absolutely crucial to resolve problems in agriculture so that Chinese farmers can benefit from reforms. Ambassador Jinjun also

emphasised that China was committed to peaceful development and that it needs a peaceful international environment in which to achieve this.

24. **Alessandro Forlani** (IT) argued that the key problem in relations between the West and China is the topic of basic human rights, political pluralism and respect for ethnic minorities. He stressed the need to discuss religious freedom, the death penalty, the situation in Tibet, and the need for sovereignty in the Republic of Taiwan. Mr Boozman concurred.

25. Mr Bodewig pointed out that the developed region of China was very dynamic, with a growth rate of 10%, raising the question as to whether or not donor countries should call on China to aid its own rural development. Mr Austrevicius responded by calling for the continuation of international support to China in forms such as technical assistance schemes.

26. Mr Voitenko disagreed with the draft report's assertion that the acceleration of judicial and political reforms will create more political stability in China. He argued that hasty reforms in this area would bring with it social unrest and that China's high growth rate today is a result of balanced policy which the international community should refrain from interfering with. He further emphasised that Russia will be increasing oil supplies to China but that there is no strategic plan to play the Chinese and Europeans off against each other. Mr Austrevicius and Mr Boozman both agreed that pushing legal and political reforms must be done in a reasonable and balanced way; yet implementation of these reforms is vital to both domestic security in China and international security in general.
