

**ECONOMICS AND
SECURITY**

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NATO Parliamentary Assembly

SUMMARY

Meeting of the Economics and Security Committee
Room 2000 D, Québec City Convention Centre, Québec City, Canada

Tuesday 14 November 2006

International Secretariat

November 2006

Assembly documents are available on its website, <http://www.nato-pa.int>

ATTENDANCE LIST

Chairman	Paul E. Gillmor (United States)
General Rapporteur	Jos van Gennip (Netherlands)
Special Rapporteur	Hugh Bayley (United Kingdom)
Co-Rapporteurs of the Sub-Committee on Transatlantic Economic Relations	Petras Austrevicius (Lithuania) John Boozman (United States)
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	Marie-José Laloy Philippe Mahoux Luc Willems
Bulgaria	Tatyana Doncheva
Canada	Leon Benoit Marcel Proulx
Czech Republic	Rotislav Slavotinek
France	Philippe Nogrix
Germany	Kurt Bodewig Robert Hochbaum Kurt J. Rossmanith
Greece	Ilias Papailias Assimina Xirotiri-Aikaterinari
Hungary	Attila Mesterházy
Iceland	Dagný Jónsdóttir
Italy	Adriano Paroli
Luxembourg	Lydia Mutsch
Norway	Lars Peder Brekk Tore Nordtun
Portugal	Antonio Ramos Preto
Romania	Marcu Tudor
Slovakia	Maros Kondrót
Slovenia	Anton Anderlic
Spain	Segundo Bru
Turkey	Emin Bilgiç Bihlun Tamayligyl
United Kingdom	Peter Bottomley Jimmy Hood John Sewel

United States

Ben Chandler
John Tanner
Tom Udall

Associate Delegations

Finland
Georgia
Russian Federation

Suvi-Anne Siimes
Irakli Kavtaradze
Victor Dobrosotski
Rafael Gimalov
Franis Sayfullin
Anatoly Semenchenko
Oleg Tolkachev
Edi Engelberger
Theo Maissen
Lev Hnatenko
Hryhoriy Illyashov
Ihor Mysyk
Andriy Shkil

Switzerland

Ukraine

Parliamentary Observer

Japan

Masataka Suzuki

Interparliamentary Assembly

WEU

Michael Hancock

Guests

China

Jian Li
Shumin Lu
Zhiwen Tang

Speakers

Ann Weston, Vice-President and Research Coordinator, The North-South Institute, Ottawa, Canada
Taras Kuzio, Senior Transatlantic Fellow, George Marshall Fund of the United States, George Washington University

Committee Secretary

Stéphanie Bond (Canada)

International Secretariat

Paul Cook, Director
Reena Panchal, Co-ordinator
Arianna Checchi, Research Assistant

I. Opening Remarks

1. The Chairman, **Paul E. Gillmor** (US) began the meeting by welcoming members and speakers, and by thanking the Canadian delegation. **The draft agenda for the meeting [200 ESC 06 E] and the minutes of the previous meeting [136 ESC 06 E] in Paris were adopted without comment.** The Chairman then explained the procedure for submitting amendments to the draft Resolution on *Improving Global Energy Security* [196 ESC 06 E].

II. Presentation by Ann Weston, Vice-President and Coordinator of Research, The North-South Institute, on *The Global Development Agenda and the State of the WTO Talks*, followed by a discussion period

2. In her presentation, **Ann Weston** outlined the current status of the WTO trade negotiations launched in 2001 at Doha and explored the development implications. She addressed five main questions: 1) What was the Doha development agenda (DDA)? 2) Why has Doha failed (so far)? 3) What is happening outside the WTO? 4) Whither the WTO? 5) What can the WTO contribute to development?

3. The speaker explained how the DDA was seen as an opportunity to correct existing imbalances within the WTO and improve rules governing agricultural trade, industrial goods and services. For developing countries, the major objective at Doha was to make the Special and Differential Treatment (SDT) provisions more precise, more effective and less costly. While for developed countries, the DDA provided an opportunity to introduce new areas of negotiations, such as trade facilitation.

4. As for Doha's failure, Mrs. Weston mentioned the following reasons: disagreement between the United States and the EU over agriculture, lack of agreement between developing and developed countries on further liberalization, and diverging interests amongst developing countries. The persistence of these divergences during the Ministerial meetings in Cancun (2003) and Hong Kong (2004) finally led to the suspension of Doha negotiations in July 2006.

5. Moving to the third question, Mrs Weston noted that the Doha negotiations are gradually being displaced by regional and bilateral trade agreements. This could lead to trade diversion and harm those countries left outside those agreements. It might also challenge the key objectives of the WTO.

6. Mrs Weston, however, suggested that it is premature to write off the WTO process. Not only has the WTO been negotiating new memberships (Vietnam and Russia) but it also continues to play a key role in dispute settlements and has launched two new capacity building initiatives: Aid for Trade and an Enhanced Integrated Framework.

7. Mrs Weston concluded that, for the Doha round to achieve the eight Millennium Development goals, it is necessary to develop friendly WTO rules, obtain greater commitment to liberalization by developing countries, and increase financial support from developed countries. Despite the breakdown in negotiations, the speaker noted the myriad benefits that WTO membership can bring to developing countries.

8. In the discussion, one member expressed concerns about continuing US reluctance to find a compromise on agriculture with the EU. Mrs Weston responded that the results of the last US mid-term elections might positively influence Washington's policy towards WTO negotiations. The speaker dismissed the idea that increasing competition between Bangladesh and China in the textile sector might compel the former to move to high-value exports.

9. The US delegation was asked about the trade implications of the recent democratic victory in congressional elections. Members of the US Delegation suggested that while it was too early to know for certain, the potential for greater communication between the majority and the minority in Congress might open new avenues for progress on the US negotiating position in WTO talks.

10. Mrs Weston was asked why she did not mention environmental issues in her presentation and did not focus on the service sector. She suggested that the WTO might learn from the NAFTA and other regional agreements about ways to inject environmental considerations into a trade dialogue. She acknowledged that services are also a key element of the WTO talks.

11. Another member asked about the impact of the EU sugar regime on developing countries. Mrs Weston suggested that those very poor countries that are highly dependent on sugar production - such as Caribbean countries - might experience high losses due to a difficult adjustment process.

III. Presentation by Taras Kuzio, Senior Transatlantic Fellow, George Marshall Fund of the United States, Georges Washington University, on *The Situation in Ukraine*, followed by a discussion period

12. In his presentation, **Taras Kuzio** focused on the situation in Ukraine after the Orange Revolution and its implications for Ukraine's foreign and security policy. He noted that some democratic changes have been implemented under the new presidency, but the election of Mr Yanukovitch as a Prime Minister may pose new challenges to the transition. However, Dr Kuzio pointed out that the gains of the Orange Revolution would be difficult to reverse. Although Ukraine has only made limited progress in the rule of law and corruption, it has made great strides in terms of freedom of the media, free elections, and political competition.

13. Dr Kuzio then addressed the consequences of the new political situation for Ukraine's foreign policy. During Yulia Tymoshenko's tenure as Prime Minister, President Yushchenko pushed for a strong Euro-Atlantic orientation: Kiyv's relations NATO, the EU and the United States were the primary focus of Ukraine's foreign policy. With the election of Mr Yanukovitch as Prime Minister, the country seems to have moved back to its tradition of "multi-vector" foreign policy, according to which pro-Russian and pro-Western tendencies within the country have to be balanced. As for Ukraine-NATO relations, Dr Kuzio stressed that, although Ukraine began to ask for NATO membership in 2002 and had intensified the dialogue on membership issues in 2005, the war in Iraq and the election of Mr Yanukovitch as Prime Minister, have made NATO membership less desirable for many Ukrainians, at least for the moment.

14. In the ensuing discussion, Dr Kuzio indicated that about 60% of the population is against Ukraine's membership. He also suggested that concerns about a geographical split within Ukraine are overstated. For most inhabitants of Ukraine's East, joining Russia in some kind of state union is not desirable. Separatism is only apparent in Crimea. Ukraine's progressive shift towards the West - especially towards the EU - will actually decrease its interest in the economic area of the CIS.

IV. Summary of the future activities of the Sub-Committee on East-West Economic Co-operation and Convergence, presented by Kurt Bodewig (Germany), Chairman of the Sub-Committee, followed by a short intervention by a representative of the Georgian government

15. **Kurt Bodewig** (DE) thanked both Margus Hanson (EE) for producing the report on Ukraine and the Polish for their hospitality during the visit of the Sub-Committee. Then he announced that the Sub-Committee would visit Kiyv (on 15-16 March 2007) as well as Tbilisi (in September 2007). He also indicated that he would like to draft a very short special report on the Moldovan problem next year.

16. **Irakli Kavtaradze** (GE) thanked the Committee for the attention it would be paying to his country in 2007. In addition, he stressed recent economic improvements of Georgia - such as the success of the BTC pipeline and increased foreign investment - and expressed concerns for continuing high energy prices. Finally, he re-stated Georgia's determination to deepen cooperation with the West.

V. Consideration of the draft Report of the Sub-Committee on East-West Economic Co-operation and Convergence, *Transition in Ukraine* [171 ESCEW 06 E] by Margus Hanson (Estonia), Rapporteur

17. Mr Hanson introduced the report and stressed the important political changes that have occurred in Ukraine over the past six months. In the discussion, the report was welcomed as an important contribution to Western understanding of the situation in Ukraine. It was also pointed out by one Ukrainian member that many Ukrainians are pessimistic about the prospects for deeper cooperation between the EU and Ukraine.

The draft Report [171 ESCEW 06 E] on *Transition in Ukraine* was adopted.

VI. Summary of the future activities of the Sub-Committee on Transatlantic Economic Relations, presented by Hugh Bayley (United Kingdom), Chairman of the Sub-Committee, followed by a short intervention by Ambassador Shumin Lu, Chinese Ambassador to Canada

19. **Hugh Bayley** (UK) reported on the Sub-Committee trips to Arkansas and San Francisco (June 26-30, 2006), as well as the visit to China (October 23-27, 2006). Then, he announced plans for the Sub-Committee to travel to Japan (June 2007) and to participate in a Parliamentary Conference on Environmental and Energy Security in Budapest (November 2007).

20. The Chinese Ambassador to Canada, **Shumin Lu**, then briefly discussed economic development in China. He noted that economic reforms have helped make China the fourth largest economy in the world. However, Ambassador Lu recognized the limits of the Chinese development: lack of innovation, low level of technology, environmental constraints, and weak governance. He suggested that these remain key challenges to Chinese development. China committed to building a harmonious society through increased democratization, liberalization, a major emphasis on people, as well greater scientific development. On the foreign policy front, China has adopted a strategy of peaceful coexistence with other countries based on cooperation, liberalization and peace.

VII. Consideration of the draft Special Report on *Monitoring G8 Commitments to Developing Countries* [173 ESC 06 E] by Hugh Bayley (United Kingdom), Special Rapporteur

21. Mr Bayley introduced the report and focused on the great difficulties the international community will confront in achieving the 2000 Millennium Development Goal of halving world poverty by 2015. He also discussed the suspension of the Doha Round, the role of international aid and the situation in Darfur. The Rapporteur pointed out that the main object of the report is to emphasize the role of parliamentarians in ensuring that their governments live up to their commitments to the developing world.

22. In the discussion that followed, the Rapporteur recognized the important role of the EU as a donor to developing countries. The problem of Uganda and Ethiopia, which are governed by undemocratic leaders, was also discussed. Mr Bayley agreed to several small changes in the text of the report. Members also provided additional information for the report appendix.

The draft Special Report [173 ESC 06 E] on *Monitoring G8 Commitments to Developing Countries*, as amended, was adopted.

VIII. Consideration of the draft Report of the Sub-Committee on Transatlantic Economic Relations, *China's Development Challenge* [172 ESCTER 06 E] by Petras Austrevicius (Lithuania) and John Boozman (United States), Co-Rapporteurs

23. In his presentation, **Petras Austrevicius** (LT) focused on uneven economic growth between urban and rural areas in China and their implications for Chinese foreign policy. **John Boozman** (US) focused on economic and political cooperation between China and the United States.

The draft Report [172 ESCTER 06 E] on *China's Development Challenge* was adopted.

IX. Consideration of the draft General Report on *Energy Security* [170 ESC 06 E] by Jos van Gennip (Netherlands), General Rapporteur

24. **Jos van Gennip** (NL) noted that national approaches to Energy Security are no longer sufficient to cope with the global and multifaceted nature of Energy Security challenges. He called for a NATO contribution to member countries' security of supply. Mr van Gennip pointed to a set of important recent developments including Russia's withdrawal of the environmental approval for the Sakhalin-2 project; an OPEC output cut; terrorist attacks to pipelines and chokepoints; and increasing energy demand in developing countries. He suggested that multilateral approaches were needed to meet these challenges. He called for a concerted effort to diversify supply, improve energy efficiency and foster dialogue amongst producing and consuming countries.

25. In the discussion, the Rapporteur was asked to expand on the relationship between energy and democracy; energy and economic development; as well as peace and energy. Mr van Gennip observed a strong link between all of these variables. On energy and democracy, Mr van Gennip brought up the case of enriched uranium in Iran. Regarding to energy and economic development, the Rapporteur pointed out that renewable resources are not a short-term solution. Confirming that there is a link between peace and energy, the Rapporteur urged for a new definition of the concept of security.

26. Another member suggested that the report had paid scarce attention to renewable resources and the problem of water scarcity. The Rapporteur recognized the importance of renewables but suggested that they do not offer a short-term solution to the current energy security challenge.

27. Another member suggested that NATO ought to stay out of energy security matters as it is beyond NATO's fundamental competences. A small amendment to the report was offered dealing with the Russia-Bulgaria-Greece pipeline and its economic and security advantages. The Rapporteur agreed on inserting a description of the Burgas pipeline but he suggested that it might be premature to make any evaluation of the project.

The draft General Report [170 ESC 06 E] on *Energy Security*, as amended, was adopted.

X. Considerations of the amendments and vote on the draft Resolution on *Improving Global Energy Security* [196 ESC 06 E] presented by Jos van Gennip (Netherlands), General Rapporteur

28. Three amendments to the draft Resolution on *Improving Global Energy Security* were submitted. Of these, amendments 1 (Benoit, van Gennip, Bayley) and 3 (Zavarzin, Ozerov) modified, were adopted. Amendment 2 was rejected.

The draft Resolution [196 ESC 06 E], as amended, was adopted.

XI. Election of Committee and Sub-Committee Officers

29. Economics and Security Committee

Chairman	John Tanner (US)
Vice-Chairman	Jos van Gennip (NL)
General Rapporteur	Hugh Bayley (UK)

Sub-Committee on Transatlantic Economic Relations

Vice-Chairman	Jean-Luc Reitzer (FR)
General Rapporteur	John Sewell (UK)

Sub-Committee on East-West Economic Co-operation and Convergence

Vice-Chairman	Adriano Paroli (IT)
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All re-eligible Committee and Sub-Committee Officers were re-elected.

XII. Discussion of Committee Terms of Reference [186 SC 06 E]; Date and place of next meeting; and Closing Remarks

30. There were no comments from members on the Committee Terms of Reference and no other business was discussed.

31. The Chairman announced that the next ESC meeting will take place in Brussels in February and then at the OECD in Paris.
