

**ECONOMICS
AND SECURITY**

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NATO Parliamentary Assembly

SUMMARY

of the meeting of the Economics and Security Committee
Palazzo del Casinò, Lido, Venice, Italy

Sunday 14th November 2004

ATTENDANCE LIST

Chairman	Paul Gillmor (United States)
Vice-Chairpersons	Monika Heubaum (Germany) Jean-Luc Reitzer (France)
General Rapporteur	Jos van Gennip (Netherlands)
Co-Rapporteurs of the Sub-Committee on Transatlantic Economic Relations	Michael Gapes (United Kingdom) John Tanner (United States)
Chairman of the Sub-Committee on East-West Economic Co-operation and Convergence	André Rouviere (France)
Rapporteur of the Sub-Committee on East-West Economic Co-operation and Convergence	Harry Cohen (United Kingdom)
President of the NATO PA	Douglas Bereuter (United States)
Secretary General of the NATO PA	Simon Lunn
Member Delegations	
Belgium	Mia de Schamphelaere
Bulgaria	Ralitsa Againe
Canada	Leon Benoit
	Charles Hubbard
	Pierre Claude Nolin
Czech Republic	Vladimir Dolezal
	Antonin Seda
	Pavel Severa
Estonia	Sven Mikser
	Toomas Tein
France	Francis Hillmeyer
	Philippe Nogrix
Germany	Fritz Behrens
	Kurt Bodewig
	Wolfgang Börnsen
	Robert Hochbaum
	Helmut Rauber
	Kurt J. Rossmannith
Greece	Ilias Papailias
	Assimina Xirotiri-Aikaterinari
Italy	Giovanni Lorenzo Forcieri
	Alessandro Forlani
	Luigi Marino
	Paolo Ricciotti
Luxembourg	Lydia Mutsch
Norway	Trond Helleland

Poland	Andrzej Chronowski Zdzislaw Kalamaga
Portugal	José Lello Carlos Rodrigues
Romania	Marcu Tudor
Slovakia	György Juhász
Spain	Segundo Bru Alejandro Muñoz-Alonso
Turkey	Aziz Akgül Emin Bilgic Memduh Hacıoglu
United Kingdom	Lord Clark of Windermere John Smith
United States	Michael Bilirakis John Boozman Dennis Moore Ellen Tauscher Tom Udall

Associate Delegations

Albania	Dashamir Shehi
Croatia	Marin Jurjević Velimir Plesa
Finland	Suvi-Anne Siimes
Georgia	David Gamkrelidze
Russian Federation	Victor Dobrosotski Franis Sayfullin Victor Voitenko
Sweden	Carl B. Hamilton
Ukraine	Volodymyr Zaplatynskyi

European Parliament

Holger Krahmer
Pawel Piskorski

Parliamentary Observer Delegations

Japan	Shintaro Ito Masataka Suzuki
Serbia and Montenegro	Aleksandar Zuric

Parliamentary Guests

Algeria	Mahdjoub Bedda
Jordan	Ali Saidat
Mauritania	Cherif Ahmed Ould Mohamed Moussa

Speakers

Ms. Eveline Herfkens, Executive Director of
The Millennium Development Goals
Campaign, United Nations
Professor Luigi Paganetto, Professor of
International Economics, University of
Tor Vergata, Rome

Professor Lord Robert Skidelsky, Professor
of Political Economy, University of
Warwick, United Kingdom

Admiral Guido Venturoni, President of
Marconi Selenia Communications SPA,
Italy

Committee Secretary

Chris Shaw (United Kingdom)

International Secretariat

Paul Cook, Director of the Committee
Helen Cadwallender, Co-ordinator of the
Committee
Ruxandra Popa, Research Assistant

1. During the Venice 2004 Autumn Session of the NATO PA, the Economics and Security Committee heard presentations on current security challenges and the role of defence industries, the state of the world economy and transatlantic economic relations, and UN Millennium Development Goals. It discussed reports about environmental protection in Central and Eastern Europe, relations between trade and migration, drug trafficking in Afghanistan and post-conflict reconstruction in Iraq and Afghanistan.

I. PRESENTATIONS

a) Presentation by Admiral Guido Venturoni, President of Marconi Selenia Communications SPA, Italy, on *The Defence Industry*

2. **Admiral Venturoni** discussed the current security challenges facing the Alliance – the rise of religious fundamentalism, the governance of international relations in the new security environment and the emergence of new actors on the international scene. He demonstrated how, far from undermining NATO, these challenges are reinforcing its relevance and utility. Admiral Venturoni pointed out that changes in European defence industries are themselves shaping the new security environment. Responding to shrinking defence budgets and to the need for technological innovation following 9/11, European industries are undergoing both concentration and internal reorganisation, and this should make them better prepared to support NATO's strategies to new threats and challenges.

b) Presentation by Dr. Luigi Paganetto, Professor of International Economics, University Tor Vergata, Rome, *An Overview of the Italian Economy*

3. **Luigi Paganetto** noted that the world economy confronts two primary destabilizing forces: the American balance of payments and the high price of oil. Both of these could affect future growth in the United States and Europe. He examined strategies by which the United States and Europe might best protect themselves from these problems. America, he suggested, should capitalise on its high productivity growth and use fiscal policy to promote employment. It should also liberalise trade with East Asia. Europe should implement commitments embodied in the Lisbon agenda, i.e. improve its competitiveness, reorient its economy towards growth and innovation and tackle its demographic challenge.

4. Several issues were raised in the discussion: the need for more flexibility in the implementation of the Stability Pact and better integration of the Lisbon objectives [**Carlos Rodrigues** (PT); **Wolfgang Börnsen** (DE); **Carl B. Hamilton** (SE)]; the need for Europe, through the Stability Pact and structural policies, to create the right system of incentives to foster growth (Mr Börnsen); the role of other key players, such as India, China and Russia, in future economic evolutions [Mr Börnsen; **Michael Gapes** (UK); **Victor Voitenko** (RU)]; the costs of outsourcing to Western economies [**André Rouvière** (FR)].

c) Presentation by Lord Robert Skidelsky, Professor of Political Economy at the University of Warwick, UK, on *US-Europe – Common Economic Space*

5. **Lord Skidelsky** discussed the state of transatlantic economic relations. He pointed out that, although politically, US and Europe had grown increasingly apart, economically, the West has remained highly integrated. Trade and foreign investment across the Atlantic are the foundation of this integration. Trade disputes only represent a small share of the total transatlantic trade. US bilateral preferential agreements pose more of a problem. They are bypassing WTO processes and creating a highly fractured international trading framework. Similarly, the level reached by the US deficit is the most urgent problem, since, in the present situation and with Asian nations keeping a fixed exchange rate with the dollar; it poses a heavy burden on Europe, possibly leading

to a currency war. Resolution of these disputes will determine whether the successful transatlantic economic co-operation and integration developed since the end of the Cold War will continue.

6. In the discussion, Lord Skidelsky was asked about the coherence of an American policy of promoting bilateral agreements while insisting on global free trade (Mr Hamilton). Following other comments about current exchange rates [**Memduh Hacıoglu** (TR); Mr Gapes], Lord Skidelsky explained that what was worrying was not as much the level of exchange rates as their volatility and the conflicts of interest involved in their regulation.

d) Presentation by Ms. Eveline Herfkens, Executive Director of the Millennium Development Goals Campaign, United Nations, on *The Millennium Development Goals: Investment in meeting the global security challenges of the 21st Century*

7. In her presentation, **Eveline Herfkens** discussed the role of development co-operation and long-term poverty-reduction policies in promoting international peace and security. The 8th Millennium development goal required action by developed countries, that she suggested was captured by the phrase "GO DUTCH": G for global partnership, O for ownership, D for debt, U for untied food aid, T for transfer of resources, C and H for co-operation and harmonisation between donors. She also noted that national parliaments have a crucial role to play in ensuring that governments live up to their promises in each of these areas.

8. The discussion focused on the need to develop better ways to promote democracy in developing countries [**Jos van Gennip** (NL)], as well as on the contribution and limits of micro-credit in financing development [**Aziz Akgül** (TR)].

II. CONSIDERATION OF THE DRAFT REPORTS

9. The Committee then examined the four draft reports.

a) Consideration of the draft Report of the Sub-Committee on East-West Economic Co-operation and Convergence, *Economic Transition in Central and Eastern Europe and the Environmental Dimension* [162 ECEW 04 E] presented by Harry Cohen (UK), Rapporteur

10. **The rapporteur, Mr Cohen** presented the draft report of the Sub-Committee on East-West Economic Co-operation and Convergence on *Economic Transition in Central and Eastern Europe and the Environmental Dimension*. The report presents progress made by Central and Eastern European countries in the integration of standards of environmental protection, and outstanding environmental challenges.

11. In the discussion, several questions were raised about the adaptation of transportation policies to environmental requirements [Mr Van Gennip; **Monika Heubaum** (DE); **Philippe Nogrix** (FR), **Kurt Bodewig** (DE)]. Other questions touched upon the implementation of the Kyoto Protocol and ways to deal with the US opposition to the treaty [Mr Rodrigues; Mr Nogrix, **Assimina Xirotiri-Aikaterinari** (GR)].

The draft Report [162 ECEW 04 E] was unanimously adopted without amendment.

The adoption of the report was followed by the presentation by **André Rouvière** (FR) of the future activities of the Sub-Committee on East-West Economic Co-operation and Convergence.

b) Consideration of the draft Report of the Sub-Committee on Transatlantic Economic Relations, *The Economic and Trade Implications of Migration and Outsourcing: Transatlantic Challenge* [163 ECTER 04 E] presented by John Tanner (US) and Michael Gapes (UK), Co-Rapporteurs

12. **Mr Gapes** gave the general presentation of the draft report of the Sub-Committee on Transatlantic Economic Relations on *The Economic and Trade Implications of Migration and Outsourcing: A Transatlantic Challenge*. The report examines the politically sensitive issue of the effects of various forms of migration - including migration related to outsourcing – on Western economies. If problems posed by migration are certainly real, migration nevertheless creates valuable opportunities for Western economies. The situation therefore has to be dealt with from a nuanced and dispassionate perspective, striking a balance between the labour needs of Western countries and challenges associated with immigration.

13. **Mr Tanner** then discussed immigration policies in the United States following 9/11. He also touched upon recent progress in the transatlantic trade relationship as well as outstanding problems.

14. The discussion explored proposals to tackle immigration through direct investment [**José Lello** (PT)] or through transit bases [**Alessandro Forlani** (IT)], in countries of origin. It also underlined the need to distinguish between different kinds of migrations and address them separately [Mr Cohen; Mr Van Gennip]. Finally, some comments explored the effects of remittances and the future of US trade policy [Mr Van Gennip].

15. **The draft Report [163 ECTER 04 E] was adopted with an amendment to paragraph 23 and paragraph 48. The amendment to paragraph 48 is to take into account recent developments regarding the constitution of the new European Commission, soften the language used and add a reference to specific problems faced by coastal countries.**

The adoption of the report was followed by a presentation of the future activities of the Sub-Committee on Transatlantic Economic Relations by Mr Cohen on behalf of Hugh Bayley (UK), Chairman of the Committee.

c) Consideration of the draft Special Report on the *Economic Aspects of the Fight Against the Production of Drugs in Afghanistan and the Trafficking of Drugs* [164 EC 04 E] presented by Victor Voitenko (RU), Special Associate Rapporteur

16. In his presentation of the draft special report, **Mr Voitenko** underlined the extent of the drug traffic in Afghanistan and in neighbouring states and examined possible ways for NATO and Russia to address it. In particular, border checks should be strengthened and NATO and Russia, under the aegis of the United Nations, should promote better coordination of international assistance and contribute to the creation of alternatives to the production of drugs.

17. The presentation was followed by a series of comments. Several members took exception to some of the language in the report and its focus on the Northern smuggling route, which it was argued, did not present the full picture. [Mr Gapes; **Leon Benoit** (CA)]. Others approved the tough tone of the report, stressing the need to issue a strong warning to the Afghan government and to the warlords [**Luigi Marino** (IT); Mr Nogrix; **Volodymyr Zaplatynskyi** (UA)]. Finally one member expressed concern about the danger of creating an iron curtain around Afghanistan (Mr Benoit). In his reply, the Special Associate Rapporteur defended the conclusion of the report that efforts to curtail crop production have proven insufficient. He also explained that the report suggests that there is no common understanding on how to deal with drug trafficking in Afghanistan. The report then tries to come up with propositions for such a common strategy. Non-adoption of the report would send the wrong signal to Afghan authorities.

A motion to take note of the draft Special Report [164 EC 04 E] was introduced by Mr Gapes. It was put to vote and adopted by 19 votes in favour, with 2 votes against.

- d) **Presentation of the draft General Report [161 EC 04 E] and consideration of amendments to the draft Resolution [202 EC 04 E] on *Post-Conflict Reconstruction and Development: The Challenge in Iraq and Afghanistan*, presented by Jos van Gennip (NL), General Rapporteur**

18. The General Rapporteur presented the draft general report on *Post-Conflict Reconstruction and Development: The Challenge in Iraq and Afghanistan*. The report addresses the challenges posed by post-conflict reconstruction and development, taking Iraq and Afghanistan as case studies. It stresses the need to define a clear mandate for reconstruction operations, as well as to adapt ordinary development policies to the specific situation of war-torn countries. In particular, priority should be given to the promotion of security, local ownership, social stability, good governance and civil society, as well as donor-recipient co-ordination.

19. In the discussion, concerns were raised as to: the general need for co-ordination of assistance at all levels (Mr Rodrigues); the difficulties of promoting democratisation when the security situation is not stabilized [**John Boozman** (US); Mr Hamilton]; debt relief for Iraq and reparations due to Kuwait (Mr Cohen); the persistence of warlordism in Afghanistan and a range of small factual corrections that needed to be incorporated in the report (Mr Gapes); prospects for the international military presence in Iraq after the elections (Mr Forlani); finally US mistakes in planning interventions in Afghanistan and Iraq and their impact on the fight against terrorism (Mr Marino).

The draft General Report, [161 EC 04 E] was adopted although, it was agreed that several small factual changes would be made afterwards.

20. The Committee then moved to the discussion of the amendments to the draft resolution on *Post-Conflict Reconstruction and Development: The Challenge in Iraq and Afghanistan*. The General Rapporteur commented on the proposed amendments, accepting all of them. Only amendment number 4 was adopted with a modification, which was accepted by the authors of the amendment, the Turkish delegation (the final version of the amendment reads: "*in-depth consideration of the local concerns during shared decision-making*").

After adopting the different amendments, the Committee adopted the draft resolution [202 EC 04 E] as amended.

III. ELECTIONS

21. Moving to the next item on its agenda, the Committee proceeded to the election of Committee and Sub-Committee officers.

Mr Bodewig (DE) was elected Rapporteur of the Sub-Committee on East-West Economic Co-operation and Convergence.

Mr Tanner (US) was elected Vice-Chairman of the Sub-Committee on Transatlantic Economic Relations.

Mr Boozman (US) was elected Co-Rapporteur of the Sub-Committee on Transatlantic Economic Relations.

The mandates of all other officers were renewed.

IV. ANY OTHER BUSINESS

22. Mr Voitenko, Special Associate Rapporteur, proposed to the Committee to prepare a special report for the Committee's spring session on *NATO-Russia Co-operation in Fighting Drugs in Afghanistan*. Several comments stressed the close link between this topic and the topic of the special report discussed by the Committee earlier and raised concern that the decision of the Committee to only take note of the latter report should stand [Mr Gapes, **Michael Bilirakis** (US)].

A more general report on NATO-Russia relations would be welcome (Mr Gapes) or a discussion within the NATO-Russia Parliamentary Committee [**Chairman Paul Gillmor** (US)].

The motion was put to vote and lost by 10 votes against (with 4 votes in favour and 1 abstention).

After some closing remarks, the meeting of the Committee was adjourned.
