

THE BROOKINGS INSTITUTION

ASSESSING THE EU'S ROLE IN THE WORLD

Washington, D.C.

July 7-10, 2008

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

P R O C E E D I N G S

DR. HEIMLER: Maybe we should be recognizing (inaudible). Okay, let's go forward. My task is to talk about the competition as foreign policy. It's a very minor part of the (inaudible) foreign policy competition, so I tried to provide you with an understanding of the role of (inaudible) in the construction of Europe and the relationship with the Union and the other candidates. I would start (inaudible), so -- but I will go quickly.

When the Treaty was being negotiated in the '50s, it was clear that a free-trade zone was not considered sufficient and, indeed, that their vision of the founding fathers of the European Union -- you know, unity -- was (inaudible) governed by the rule of law so it could constrain member families, like the European integration was really a necessity that they could not abandon. And, indeed, according to the

Treaty, I think that the fact that it's not a free-trade zone agreement -- Professor Amato this morning spoke of the Treaty as being (inaudible) organization, (inaudible) this is the case. But the role (inaudible) -- XXX people talking at the same time in the background) that is in particular the European Commission as the (inaudible) of the Treaty at a European Court -- Supreme Court of the Unified Market , and that this articulated institutional setting has no comparison in the world. It was necessary because together with the nation of military barriers, (inaudible) introduced a system of legal obligation, and the system of legal obligation was particularly important with respect to states, with respect to governments. And in fact most of the legal obligations are directed towards governments. Very few obligations that are directed towards (inaudible) and towards (inaudible), but I will stop here (inaudible) obligations first, and these are the competition rules. Article (inaudible) 86 at the time. Now Article 61 (inaudible) two of these

treaties deal with restrictive practices by (inaudible), and the reason that the founding fathers of the European Union refused these provisions was that they felt that it was necessary to make sure that they eliminated regulatory restrictions that were there -- eliminated protections, rules, and regulations that should not be overcome for (inaudible) in the market by private (inaudible), and this is why we have provisions against pollution. Article 81 originally (inaudible) restraints that is provisions aimed at competing markets (inaudible) by private firms and then had provisions against big companies from abusing their (inaudible) power (inaudible) positions.

Also, governments are affected by these rules and, indeed, the Article 86 and (inaudible) restriction is being allowed, and (inaudible) justified (inaudible). And, indeed, no other information on speaking or no other member of state -- Canada, for example or even the U.S. -- does not have the same type of the resolution tools and the distinct

type of legal obligations that exist in the European Union.

Now, Rampoor also in his 1982 book, The Rise and Decline of Nations, to test that the protections and inclusions accumulate over time. And there is a good reason for this, because states are interested (inaudible) and special interests are able to influence legislation very effectively. They do so in time. They need time to -- for politicians to report. They need time for politicians to express themselves politically and to influence the political environment. They're very effective in (inaudible), and what is the counterbalance of special interest? The counterbalance is consumer interest. And, as you know, consumer interest is very confused across society. Each one (inaudible) a very small amount by (inaudible). Special interests which are small -- if they are small, of course, loose a lot because of liberalization (inaudible).

I tried -- I usually use the example of taxi drivers. Everybody knows how taxi service is

regulated. In Rome there are 6,000 taxi drivers. If you multiply by 3, which is the average number of each taxicab family members, there are 80,000 that votes that vote in (inaudible) municipality to make sure that taxi licenses are (inaudible). So, special interest has a political dimension.

We citizens vote for many reasons. We don't want pollution, no taxi service user, and it's very difficult to counteract this sort of political power, which is, like use taxi like any other special interest (inaudible). And, indeed, (inaudible) suggests that the major way of making protections against pollution is free trade. A second, of course, is to make social and political upheavals. A third one is wars. A fourth one is earthquakes, natural disasters. So, the only practical way of (inaudible) special interest is by imposing restraints. And, indeed, (inaudible) small circle competition.

An Australian reformer chaired a very important commission in Australia in 1992, the National Competition Plan, and he suggested that

competition through constrained governments -- a competition constraint should be put in the constitution, because only by (inaudible) that constitution you make sure that special interests don't oppose it too much, because, as you know, every special interest is also a buyer. They are sellers of their own service or their own (inaudible), but they're also buyers, and it's very difficult to form a coalition against very, very general rules; it's easy to form a coalition against the municipality that wants to increase the number of licenses -- taxi service licenses.

It's much more difficult to form a coalition against the constitution of rules, and this is why he suggested in 1992 to introduce such a rule in Australia. This had already been done in Europe in 1957, and the reason was not (inaudible). The reason was not the elimination of pollution and protections. The reason was much bigger. The reason was to avoid wars in Europe, and the objective of European integration was really a (inaudible) more than an

objective itself. It was an instrument more than (inaudible) wars after World War I and World War II, that when it (inaudible). This is why the E.U. system has been so difficult to copy, because the objective was a very (inaudible). Integration of the continent, which was -- the continent (inaudible), but the instrument was an economic instrument of integration, and other (inaudible) that tried to copy this very powerful instrument were not so affective because they did not have this open (inaudible) piece, like (inaudible) objective as Europe (inaudible).

Now, with Lisbon (inaudible) a Dr. --

MS. BINDI: Verola.

DR. HEIMLER: Verola addressed the issue of competition, but know that the Lisbon (inaudible), and I quote, "Competition is an (inaudible) not in the government (inaudible)." And the result of this was that the Lisbon Treaty competition was downgraded. Already their own treaty competition was (inaudible). The (inaudible) Treaty was in Article 3, (inaudible). One of the objectives of the Union was the creation of

the system ensuring the competition (inaudible) is not distorted. And the Lisbon Treaty is opinionated, and now we have (inaudible) ensuring that (inaudible). Competition has been alienated from the Treaty and has been relegated in protocol No. 27 that indeed it says that competition (inaudible -- XXX people talking at the same time in the background) service. Commission officials -- common officials say no, we will not (inaudible). We don't know it will be. As for this argument that (inaudible -- XXX people talking at the same time near microphone) and the French authorities use to downgrade competition, I don't think it's a very good idea. They predict (inaudible) competition is an instrument (inaudible), and this is certainly true. Competition is, indeed, an instrument not (inaudible). But also they (inaudible). Why should we have an internal market if it doesn't provide for (inaudible) well-being to our citizens? The final objective is (inaudible), which is the well-being of European citizens. (Inaudible) market is an instrument, like competition. There is no difference.

So, I think that the decision of Lisbon (inaudible) competition even though it's minor. Again, Article 27 -- it's not only in Article 3, it's in Article 27, because they do not have respect. You can judge the Lisbon Treaty (inaudible).

MS. BINDI: I was asking about the legal (inaudible).

DR. HEIMLER: No, no, the legal (inaudible) is -- there's no difference. It has a political, wider (inaudible), which --

MR. VEROLA (XXX might be Verola): Article 308. Legally, the only effective Article is 308.

DR. HEIMLER: No, no, no, that's right. Legally it's (inaudible).

MR. VEROLA (XXX might be Verola): Okay.

DR. HEIMLER: Politically (inaudible).

MR. VEROLA (XXX might be Verola): Politically.

DR. HEIMLER: That's (inaudible). I don't think (inaudible).

MS. BINDI: So, they (inaudible) but the difference is there.

DR. HEIMLER: Yes.

MS. BINDI: Okay.

DR. HEIMLER: That's (inaudible) political declaration. Whatever you can do with it they will do (inaudible).

Now, just to give you a brief description of what competition has meant in Europe. First of all, (inaudible). At the time in 1967 no country in Europe had a competition law. Germany had just negotiated (inaudible) introduced antitrust law in Germany and, indeed, with the German law (inaudible) at the same time of the Treaty January 1968. No other country had competition law. The founding fathers had not -- (inaudible) understanding of what it meant. They thought it was (inaudible), not very important.

All markets were local, national. The rules of the treaty had (inaudible). Everybody thought that this would have been a marginal (inaudible), that these competition rules would really be marginal. And

this is why the provisions -- the enforcement of these provisions was given to the Commission. It was not given to the Council. It was given to the Commission, not because everybody knew that it would have been (inaudible) and then the technical underpinning of the decision making was important. The reason it was given to the Commission was because it was felt it was a marginal issue, not very important, technical but (inaudible). And this has been rendered a very important move, because by giving the power to the Commission to enforce the competition rules and by giving the court -- the European Court of Justice -- the possibility to control the Commission and the decision making of the Commission led to a greater and greater importance of the competition rules (inaudible).

(Inaudible) economically, because more and more trade became (inaudible) but also legally, because the court (inaudible) even interpretation of the rules. Let's say the rules could be applied only (inaudible). (Inaudible) the Treaty. Someone had to

give an interpretation of what (inaudible) trade means. In court, (inaudible) a very, very tight civil interpretation of (inaudible). (Inaudible) to argue to be one in one country, one in another -- but -- so they interpret (inaudible) but also they interpret (inaudible) is affected.

(Inaudible) is affected potentially, which means that (inaudible). Every practice in Europe (inaudible) is put in place by (inaudible) that is put in place by companies putting control under (inaudible) provision of the treaty (inaudible). And after (inaudible) cannot explain everything but 2003 there was a major (inaudible), and all of the (inaudible) authorities in Europe nullified (inaudible) practices, and which would have been unheard of in 1967. So, there has been an evolution, which was driven by economic considerations, by legal considerations, and by (inaudible). If the competition rules would have been -- the enforcement of the competition rules was given to the Council, to ministers, local government, everything would

(inaudible) very interesting, and, indeed, important (inaudible).

In Europe now (inaudible) provisions, and those (inaudible) I wouldn't say enlightened, because I really think that it was because the founding fathers (inaudible) enlightened, and this is what led to (inaudible). And, indeed, competition (inaudible) integration in Europe, and Professor Amato this morning discussed already briefly that 12 member states in Eastern Europe but also the (inaudible) for regional members of the European Union all came into (inaudible) competition, which she has copied when she's inspired by (inaudible).

The (inaudible) everything (inaudible) authority. The rules are more or less the same everywhere. The procedural rules have the same sanctions and (inaudible). Because of the Treaty, we had created a system of law on competition (inaudible) convergence for many reasons, including the important role -- leading role of the Commission (inaudible). In 1989, after the fall of the Berlin Wall, the

Commission started a process of (inaudible) short-term (inaudible) in order to (inaudible). It was clear that this country would become (inaudible), and this technical assistance (inaudible) and even playing a very meaningful role.

In 1998, the Commission started a very successful program. It's called the (inaudible) Program. It was a very, very successful and enlightening project that the Commission has identified because of the takeover of the (inaudible). The cleaning projects are cleaning, as we see, between (inaudible) administration in the (inaudible) and they get together (inaudible) the demand for assistance by the member states (inaudible), and if technical assistance were to slip such a way that the Commission is funded by the Commission (inaudible) has to agree on what they want to achieve, and the way they assist them (inaudible) the objectives are achieved, and the money that finances (inaudible) if and when these objectives are written down are achieved. The process in over 1000 projects in the course of 10 years in

1998 (inaudible) continues to exist. It now operates in western (inaudible) countries -- Indonesia, Estonia, Albania -- and -- but -- and puts on competition (inaudible), and each project after two years, and what Professor Amato said this morning -- it was not just (inaudible). They need to write it down. They need the provisions that was on the basis of this project.

This project (inaudible). The culture of the (inaudible) the culture of (inaudible) of Europe to these countries was a process of convergence of (inaudible) trying to bring the new culture, the projects. Personally, Italian Commission (inaudible) Romania (inaudible), which means that, like we know very well, in this equation, the culture, the (inaudible), the objectives, the (inaudible) salaries of the people, and how we can feel that (inaudible), and the projects were quite expensive. Each -- there were 1,000 projects, more or less. Each subject matter -- each brought around 1 million euro, and I lost -- the U.S. discussing these projects

(inaudible), and just to give you an idea, the whole budget of the (inaudible) assistance project (inaudible) is 600 million euro dollars in a year, and these projects are 1 million (inaudible). All of these projects (inaudible) tremendous effort by Europe and by the European Commission (inaudible). And the results are astonishing. (Inaudible) by common knowledge that the project (inaudible). There is a process of convergence (inaudible) with the Commission (inaudible) many institutions playing the role of (inaudible).

MS. BINDI: (Inaudible)

DR. HEIMLER: Yes.

Okay, I just would like -- this is one part, the role of the Commission within Europe. There is also a second role that the Commission is (inaudible) competition, and there is -- the Commission tried in the late 1990s to start negotiation on (inaudible). You know, that among the three institutions that were being -- that had been created after World War -- (inaudible) after they were supposed to be created

after World War II, two were effectively created -- the IMF and the World Bank. In one of them, the International Trade Organization, which would -- originated from so-called Havana (inaudible) -- was not created (inaudible) the population of the United States and was still left in the process of being (inaudible). He is somehow an answer to the (inaudible). In 1996 the Commission made a great effort to create in 1996 in Singapore one of -- you know, there were four new topics that were decided in Singapore for (inaudible) negotiations and -- but I remember two (inaudible) number (XXX or "remember") three, four. One was competition; the other one was investments; a third one, a proposition investment --

MALE SPEAKER: (Inaudible)

DR. HEIMLER: Which one?

MALE SPEAKER: (Inaudible)

DR. HEIMLER: Proposition investment environment. A fourth one (inaudible) but, anyway -- which one? No, no, no, environment (inaudible) the proposition (inaudible), and the Commission was very

much pushing for a proposition, the Commission idea, which had been repeated over and over again. It was very difficult for me to find written a document that would make clear what the Commission had in mind.

(Inaudible) many, many appeals, meetings, and -- but I found my way, because the Commission thought of using the WTO and the Commission (inaudible). At that time, Japan was considered to be a closed economy. It was indeed a closed economy, and because (inaudible) entry by foreign companies, and the Commission thought that through propagation in the WTO it would (inaudible) make sure that the Japanese market would be opened up to foreign export.

It was difficult, as I say. The (inaudible) of this group, Singapore. Singapore is very -- was the -- first of all, they created a working group, and the working group mandate was to study issues raised by (inaudible), and I couldn't find any direct book by the Commission. But there was an important study. It was in fact made in 1995 by three leading experts on propagation (inaudible), two lawyers, (inaudible)

Domingas and Erin Hexman plus five other Commission experts. They wrote (inaudible) propagation policy (inaudible) suggested that they would (inaudible) propagation could indeed yield incompetencies over the way the jurisdiction decides (inaudible) propagation in the WTO (inaudible) the law and decided by courts applying the law and its (inaudible) subject in judgment of the court by an international organization, because what is it that the international organizational objects . The rules are in subjugation . The rule in (inaudible). It would be the government (inaudible) be responsible for (inaudible), but if it's the case -- the decision of the case, then an international organization would indeed enter into this sovereign -- the legal sovereign country, something completely unheard of, and this has raised a lot of controversy in the course of the year. As I said, the group was created in 1996. It started functioning the next year under the chairmanship of one of the others of this report (inaudible). And then there was a first (inaudible).

(Inaudible) that substantially reduced the mandate for the group. Technical issues and capacity building (inaudible). (Inaudible) fails is a major pollution, major pollutant, major(inaudible), and having the effect (inaudible) as well. (Inaudible) major cartels, discoveries in raw materials, like cement or (inaudible) or (inaudible) of mankind or steel or (inaudible), (inaudible). The fact is that the situations to which there are very few (inaudible). There is not much technical progress being sanctioned (inaudible), and the profits from cartels (inaudible) huge incentive (inaudible) producers' problems cartelized and affected very heavily.

(Inaudible) countries in particular, and I don't have the figures now, but there are figures that show that the fight against cartels would be much more effective if there was some aid in the developing countries that -- all the aid that the Western world needs in developing countries who promote the (inaudible) or any other (inaudible) poverty in these

countries. So, the (inaudible) are much higher than any (inaudible). Even (inaudible).

After 2001 it was clear that the mandate (inaudible). The working group (inaudible) not a loss because its objectives were unachievable. As I said, market taxes was not an issue that the WTO could address through (inaudible), and I will come later to some proposals had been made after, not before, that you see what competition -- what drove competition in (inaudible) arena. But in the meantime, I would like to report very positive developments. The (inaudible) had promoted and (inaudible) United States in the year 2000 a very important group, the International Competition Policy Advisory Committee, that has been formed (inaudible) under the auspices of the Department -- (inaudible) of the Department of Justice and the (inaudible) Commission chair (inaudible), former assistant attorney general (inaudible), and this committee (inaudible) report, which sets forth recommendations (inaudible) should create some mutual organization for cooperation, and (inaudible). The

(inaudible) Organizational Competition Network was created. Originally it had (inaudible) founding members, and it was a form of (inaudible) from (inaudible) developing countries. It will address (inaudible) enforcement and policies with some common (inaudible). (Inaudible) organization has a -- had a secretariat and (inaudible) play a very important role. It's a (inaudible) organization, and it started (inaudible) with 43 dictions , It now has over 100 members that meet regularly (inaudible), and in the course of this very short time, the (inaudible), etc., etc., implying that the recent process of self-convergence, and this process of self-convergence of which (inaudible) is very important. It is a process that is not really quite common (inaudible). And the difference with our (inaudible) is that the chairman of the Organizational Authorities directly participated (inaudible) gathering of experts on propagation. They meet regularly, discuss issues of common interest, and try to identify best practices. (Inaudible). They are and they aren't

As you know, very recently in 2004, the Commission took a very bold (inaudible). I'm not going into the details of the case, just to tell you that the Commission (inaudible), and after the decision, the electoral authorities issued a precedent, and I would like to read you the precedent (inaudible), and it says, "(Inaudible). It is significant that the U.S. District Court consider and protect (inaudible) similar to (inaudible)." It's very (inaudible), very strong criticism.

Now, the same statement was issued again in 2007. Let me see if I can (inaudible). Some clashes exist and self-convergence not necessarily (inaudible). The results (inaudible) Commission has signed with a number of good (inaudible) in the West, Canada, Japan, Australia. The Commission in the U.S. is similar (inaudible) that called for increased cooperation. As I told you (inaudible) at the beginning of my talk, in 1967 (inaudible). Slowly and slowly the markets are becoming worthwhile, and when markets are becoming worthwhile, (inaudible) would

allow wrong behavior by (inaudible). The U.S. approach was -- the decent approach now is to do so with (inaudible).

Eleanor Cross, professor of law in (inaudible) 2004 (inaudible). This has been (inaudible) proposal in 1993, and that would of course avoid (inaudible) proposal and a voice (inaudible) self-convergence in the other agreements, we don't know. (Inaudible) instances -- many, many instances of very effective cooperation. In the course of the years, (inaudible) of Europe (XXX or "euro") was very, very different.

I started -- I (inaudible) in 1990. At that time, antitrust -- European antitrust was a different animal (inaudible). It was like formal, mechanical. You had markets integration. An executive economical analysis was completely absent. And you can see this by looking at the major (inaudible) of antitrust in those years. In 1990 the (inaudible) on antitrust, Europe was (inaudible) major lawyers and (inaudible). If you look there (inaudible) in 1978 (inaudible)

antitrust (inaudible) policy book of 1992, the first chapter, Economics of Propagation, and the interesting thing is that (inaudible) are lawyers, and lawyers (inaudible) was important in Europe at that time to discuss the economics and the (inaudible) of the antitrust provisions.

MS. BINDI: Those are (inaudible).

DR. HEIMLER: Yes, but with veto. Was very legalese approached. Today economic analysis is tainted in Europe for many reasons, including this (inaudible -- XXX people talking at the same time in the background). People get together at conferences, academic favorite books and papers, and (inaudible) also of antitrust (inaudible). (Inaudible) exist on the way books are (inaudible), but it's not -- they are not (inaudible) where the U.S. is more (inaudible) book, somehow use truncated, and they probably -- what type of -- how rigorous the rule needs to be, and one way or the other book (inaudible) truncated (inaudible). Sometimes (inaudible), but (inaudible) there is no difference anymore.

Competition has been a tool of the integration. All member states and -- but in particular new member states (inaudible) in the traditional -- whenever an accomplishment (inaudible) very pertinent rule favoring integration over in countries in Eastern Europe and is now playing a very pertinent role in favoring institutional building in many countries, in many of our neighboring countries. Guijiano Amato spoke this morning of Ukraine and Turkey. They are committing projects now in Ukraine and Turkey (inaudible), and they are committing projects in the Mediterranean countries in Morocco, Indonesia, and Egypt.

Just to give you -- tell you that the same process of the institutional building that has been so successful (inaudible) is now being applied and promoted to (inaudible). There is a process of institutional building (inaudible). The U.S. always been very critical with respect to this approach in the West for the reasons that I told you (inaudible -- XXX beeping on tape) decisions made by Supreme Court

(inaudible) not be accepted -- would not be accepted outside any practice in existence (inaudible). However, the reason of the creator of the European Union was (inaudible) developing countries. Developing countries people like the recent agenda, because they didn't have anything (inaudible). They thought that by using integration law (inaudible). Yes, but it was such a (inaudible) constraints that (inaudible) and had been subject to (inaudible). And into (inaudible), and much progress has been achieved through this (inaudible) very powerful (inaudible).

MS. BINDI: Perfect.

I have a couple of questions with the court. I ask the questions I'm sure. As usual, please identify yourself.

MALE SPEAKER: Thanks for your speeches. My name is (inaudible).

I have three questions to Mr. Verola. First, (inaudible) what is the expected outcome of the European external services -- E.U. Court -- Diplomatic Court? What I mean is in (inaudible) would say. When

the Ukrainian (inaudible) wants to spread out a message in the E.U. or in the EEC, will they call the European Union ambassador in Kiev or would they call the Polish ambassador with whom he has (inaudible) relations? Or would they call the French (inaudible) ambassador (inaudible)? So, what will be the expected outcome of the E.U. diplomatic (inaudible)?

Second question is what's -- I'd like to hear your assessment of the E.U. Neighbourhood Policy if you could say something about it, because I heard it before -- I mean, it was (inaudible). Even the Brussels policymakers -- some of them are saying the Neighbourhood Policy is just like a joke and some of them are saying that it's creating better concrete results.

My third question is to Mr. Heimler. Now, Edward Lucas from the Economist wrote a book which is the (inaudible) in which he was arguing that Russians are -- (inaudible) in Russia is using finance and energy sectors as tools to improve Russian states' interest, vis-à-vis BBEU . (Inaudible) published a

recent article (inaudible) the E.U. should use its competition policy in protecting the European interests against the Russian (inaudible). I mean, when we look at the recent past week, we see that British petroleum is being expelled from Russia slowly and (inaudible) is just sitting there. What I'd like to hear is can the E.U. use the competition policy to protect the European interests in the financial and energy sectors for Russia?

MS. BINDI: You want the one for -- yeah, so one there --

MALE SPEAKER: (Inaudible)

MS. BINDI: Okay. Those two, and then we're back together .

MALE SPEAKER: (Inaudible) very interesting for me to observe that in the current so-called (inaudible) situation, there (inaudible). Let me give you an example (inaudible), and then I'll give you an example (inaudible). In many cases, especially (inaudible) Commission, (inaudible) responsibility (inaudible) policy decision making often can up with

an idea -- with ideas which were (inaudible) and then tried to push through different ideas (inaudible). Now, if this (inaudible) enters into force, this kind of (inaudible) approach (inaudible) situation. And (inaudible) -- well, what would be your view of (inaudible) and how would (inaudible) situation?

And then I have two questions for Mr. Heimler. What would be your (inaudible) and their role in the (inaudible) policy?

And the last question I had here is concretely (inaudible) there are various ways how the information about the (inaudible) are communicated (inaudible). (Inaudible)?

Thank you.

MS. BINDI: Well, you have enough, both of you. Who wants to start?

MR. VEROLA: Do you have enough?

MS. BINDI: (Inaudible) I think that has been asked.

MR. VEROLA: Well, first of all, concerning the external service, when I first said that you have

many resistances, I said to the Common Foreign and Security Policy, I mentioned the bureaucratical and political resistances. Now, don't get me wrong. I'm not very convinced about the theory that -- the problem with the Common Foreign and Security Policy, its resistance of diplomats, national diplomats, because this would not be explained why you don't have real big progresses in this field. To me, probably the biggest resistances from the political elite -- and I'll tell you why, because in the foreign policy you have a very high political salines also in term of national sensibility and visibility. I mean, for a politician it is irresistible to go somewhere abroad and talk about foreign policy. It's something that was very hardly (XXX or "heartily") renounced for a prime minister, for a minister of foreign affairs. Very difficult to imagine that they can easily renounce this. I'm telling you that, because you correctly mention probably one of the main issues. Once you have imagined a common diplomatic natural tendency, or whatever, of the Union, who will speak

for the Union? We'll see. We'll see. It very much depends on how you will organize. It's not even sure that in those -- who will be in those bureaus or embassies or whatever they will be, because, for example, the Commission says wait a minute, wait a minute, we already have our delegation, so there. So, what do you want? You want to transform there in embassies? And who will be the head of mission? Member states say hmmm, interesting, missions abroad, we might with our men there, but the Commission does not agree. The Council -- Secretariat of the council says whoa, hmm, interesting. The Council Secretariat has a couple of missions abroad, one in New York and one in Geneva. The others, 130 or so, belong to the Commission. So, I mean, it -- sometimes it's also matter of power, power distribution. So, we'll see. Very much depends on how things really (inaudible).

Honestly, I think that in a case you were mentioning, in some cases when there is a firm common position from all member states, it might be the head of mission of the Union. Well, in the best of the

world. Should be. (Inaudible) one -- the only one stock, but it's more likely that you will have the (inaudible) of many voices. But when you have a firm position, firm common position in principle, you will have this, that one talk.

Consider that things change a lot when you talk about classical external relations. In the E.U. policies, when you talk about external relations, you normally talk about external relation of the first pillar. All the agreements that have been negotiated in time by the European Community and by other member states -- cooperation agreement, association agreement, and so forth -- agreements that in principle do not have a direct political impact. They do not regard the (inaudible) foreign policy, because they are the projection of the internal policies abroad to such an extent that now you normally have mixed agreement. When you have a political clauses, such as human rights clauses, disarmament clauses, political issues that are -- then there are mix -- so-called mixed agreements. Partly EC -- European

Community agreement -- partly agreements of the member states. So, those agreements are either ratified by each single member state. Now, with the single (inaudible) normally you should unify these, but it's true that you will have a difference when you are talking -- when you are dealing in sheer political terms and when you are talking in former external relations -- first (inaudible) relation terms -- which leads me to the question of the Commission power.

Now, it's interesting what you said, because you said something that I would not expect. You said Commission is interesting -- plays an interesting role in foreign policy because it's not responsible. Is that correct? Because --

MALE SPEAKER: (Inaudible)

MR. VEROLA: Yeah, I mean, but this -- yes, you're right, this is the Commission's job actually, within the construction -- original picture of the European construction. The idea is that the Commission is the one who brings the idea to such an extent that in all internal policies the Commission

has the exclusive initiative power. The only one. This also applies, to some extent, to the foreign relations because -- I don't have this experience very much, but normally it's a little bit laid back, the Commission, when you talk about foreign policy, because normally -- also because many member states do not like the Commission to put their nose -- to stick their nose into those issues. But, you're right. Honestly agree. I mean, they can play a very important role, but to my -- my impression is that in the field you're mentioning, the real power of the Commission is that sometimes it doesn't have the responsibility, sometimes it is not directly relegated to deal with some issues. But it has the instruments -- cooperation programs, financings programs, taxation negotiations are -- I mean, it is a very important instrument, and notably the control of the European Union budget and allocation of resources, which makes them in the Commission a very important actor, because if you want -- Javier Solana has the prestige of the CFSP, but he don't have a penny or whatever. I mean,

in a way, the one who has real instruments is the Commission --

MS. BINDI: (Inaudible) I would say.

MR. VEROLA: You could put together the instruments of ye-yee-ya behind the double hat is that you put together the instruments that the Commission has and the prestige or the authority of the represent of the member states. Probably those -- this combination is -- might prove to be more effective. But you might be right. Maybe this -- the minister will be left free to produce creative ideas. That's a possibility. On the other hand, he might be more -- in a better position to acquire a leadership in the -- I mean, this is a bet. Will it be an effective figure or will it be a kind of jewel personality with some perturbations -- behavior?

Neighbourhood Policy. Well, (inaudible). It's a little bit difficult to provide. To me, honestly -- to be completely honest, Neighbourhood Policy has a lot to do with packaging, repackaging, and rationalization. I wouldn't say it's something

completely new, because basically it takes the former instrument and puts them in one single framework. So I wouldn't something really astonishingly new. It's more rationalization. And in this respect, I think it's playing an interesting role, but within the instruments that the Union now has in terms of external action, which are important but still with some limitations.

DR. HEIMLER: Yes. (Inaudible) some competition, because the generation is producible. We can build generation specifically anywhere according (inaudible) but you can introduce competition at the generation level. Primary sources of energy (inaudible) gas, oil, and it's much more difficult because the supply is behind that double nature . The (inaudible). It's easy to use, it could be done (inaudible). So, when you speak of Russia and gas, in Russia there are not many tools (inaudible) in Europe except for the wider market in Europe, which has been done -- which will be done -- has been done partly by some decision of the Commission. They tried to impede

the (inaudible) national markets and impede, for example, German gas purchaser to sell gas to other countries so they will have -- a gas (inaudible) introduce (inaudible) of geographic exclusivity. You can buy the gas, you can use it only in Germany, only in Italy. This has been abolished two years ago (inaudible), by the way.

A second possibility is to separate the transmission of gas from supply, and so it's create a greater (inaudible) for collection between countries, because the reason why gas is not flowing within Europe but only bilaterally is, first of all, the law of physics because gas (inaudible) one direction only. But also the fact that these pipelines are built their own capacity. They're being a forecasted event , and there is no spare capacity pipings .

A third very important element is different (inaudible) sources of supply, and (inaudible) forecasted by the (inaudible) energy agency, forecasted in (inaudible) 20 years from now. The nature of supply of some gas in Europe, besides

Russia, will be Nigeria and (inaudible), implying that gas will become much more liquid than in gas form, and the reconsinkination would be much more widespread. Of course, these (inaudible) is a tradeoff in the market (inaudible) strengths (inaudible). In the United Kingdom, they were able to (inaudible) in less than a year. In Italy, this was (inaudible) impossible.

MS. BINDI: (Inaudible)

DR. HEIMLER: That's right. So, they are not many possibilities because of (inaudible -- XXX buzzing on recording), and if you think of (inaudible) the cartels -- (inaudible) was created in 1973. The (inaudible) always some suggestions (inaudible) some secret cartel (inaudible). No cartels operate by (inaudible). There was always a legal problem (inaudible) reason why an investigation was never done. There was not much -- a case was never initiated; investigation was not (inaudible), and there has been a very (inaudible) started again with this proposal. I don't know, I don't think it's a

very effective way of dealing with the nation interest in a legal way, because it's really a matter -- especially (inaudible) is no longer cartel that is operating. The reason, as the gentleman was saying this morning, the increase in prices is not the cartel; it's the increase in demand, and the cartel (inaudible) showing you that there's no -- almost no spare capacity in the world (inaudible) production. So, it's not really -- they are not (inaudible) of 1973 at all. 1973 was (inaudible) cartel. In fact, (inaudible). Today this not the case. (Inaudible) and supply horses and where there is no supply, we need to enforce the reduction -- and the increasing prices are so high because demand is not decreasing as fast as it should. (Inaudible), so I believe at this stage very much also the case be made, because the increasing prices both in (inaudible) are not because -- are not caused by (inaudible).

As for national champions, there are rules in place in Europe against national champions and in particular (inaudible) and rules against restrictions

of ownership of enterprises. They are not allowed, and so the policy against -- in favor of national champions could indeed be fought and has been fought by (inaudible) provisions. (Inaudible) agreement between Andriotta and Bahneer in 1992 to impede the Italian government to sustain again -- to continue to sustain with state aid, ERIE then almost bankrupt. It was a very big state-owned conglomerate. It was the biggest conglomerate in the country, bigger than Fiat in terms of market capitalization, and because of that agreement in 1992, the European -- Europe impeded the Italian government to continue to subsidize the then bankrupt state group that had to be privatized. So, in some sense, the provisions are in place. There are many other provisions on state aid which have gone quite far, and I don't think it's going to be possible to go back to a national champion policy in Europe with existing leader provisions.

As how do you get that information on antitrust cases, the information are provided by the market, not by competitors. Usually competitors

complain for too much competition, not for too little competition. Competitively, it is the buyers that complain against the restrictions of competition, because they pay too much, because they are abused. The problem is that many times the secret cartels are impossible to be identified. We don't know that they exist. You pay the same price from every supplier, and you don't know whether the reason is the cartel or the fact that costs of production are high. And this is why major antitrust enforcers have introduced what are called the leniency programs, that is, programs where companies are given the benefit of not being defined if they come to the authority and denounce the cartel that they are part of -- the secret cartel they are part of, because in this type of situation, only through cooperation, only by having a conspirator come to us and denounce the existence of the conspiracy will get to know these cartels. The program started in the United States in the middle 1990s. It has been very successful in the U.S. It has been -- now it's available almost everywhere in the world, including

Italy and including the European Commission that has run a very, very successful leniency program that has affected many sectors -- as I said, lysine, vitamins, steel product, lots of chemical products -- that indeed were discovered because of the cooperation of a lenience applicant, that because of its cooperation was promised not to pay a fine, a fine which can be in the order of the million of euros -- hundreds of million of euros. It can even be as high as -- higher than the (inaudible) of the company itself. That's to give you a figure, a point of reference. So, you need -- in order to get information on cases, you need institutions with a reputation that would indeed do something good when the complainant would come. And this is the case of the buyer of the product coming to the antitrust authority denouncing an abuse or denouncing an agreement that these restricting -- its possibility of competing or having this leniency program that allow conspirators in secret cartels to cooperate with the antitrust authority in exchange of the benefit of no sanctions.

MS. BINDI: Nicola only has 10 minutes, so keep it short.

MALE SPEAKER: Okay, I'll keep it as short as possible. My name is (inaudible). (Inaudible) in Southern California.

My question actually will be proposed to both but in two different contexts. The first (inaudible) Alberto. In terms of what is your (inaudible) competition as a foreign policy tool in respect to the (inaudible) in terms of whether if competition can be used as a method to either impose or promote the markets with E.U. efforts; and then in terms of --

MS. BINDI: (Inaudible)?

MALE SPEAKER: -- in terms of policy (inaudible) competition, even though it's (inaudible) in terms of the EMP policy (inaudible) the E.U. level and maybe possibly at the Italian level in terms of foreign policy.

FEMALE SPEAKER: (Inaudible) your perspective on (inaudible).

MALE SPEAKER: (Inaudible) University of Miami.

I am interested in the specifically Italian section of the E.U. for Mr. Verola (inaudible). Suppose that the Lisbon Treaty passes some day, and suppose that there is something even deeper that (inaudible) external service is, you know, working. How many Italian diplomats would accept the offer to be certain they are taking into account that the provisional (inaudible) that (inaudible) diplomats would be inserted into the E.U. structure, taking into account that salaries in the E.U. are very high. What would be the prospects of Italian diplomats willing to jump into the E.U.?

And, to Mr. Heimler, there is a saying in Britain (inaudible) that was based on the (inaudible) say what the role (inaudible) for us in talking to (inaudible) E.U. has done for us. Taking into account (inaudible) there is a much more -- you would accept this as (inaudible) some years ago, could you summarize very briefly how would you obtain, you know,

(inaudible) competition policy, you know, what the competition policy did for us so things like 9/11 do not happen again?

MS. BINDI: Francesco, a question and not a statement please.

MALE SPEAKER: Very briefly. I think that there are (inaudible).

MS. BINDI: Questions.

MALE SPEAKER: (Inaudible). The question is that it seems to be that you didn't have a specific (inaudible). So, my question is what role (inaudible) minister of foreign affairs when (inaudible) and foreign policy, because the way you presented it, it seems that the Italian (inaudible).

MR. VEROLA: Well, big questions. I'll start from the easiest, which is (inaudible).

We don't know (inaudible) diplomatic service. First of all, we have to discover what it will be. And we have to decide numbers, because one of the things that has to be decided -- this in percentage how many diplomats from the United States

will join this service. But normal solution will be, in principle, that national diplomats will be (inaudible) for a period to the European diplomatic service and then going back to national services, which is also the healthiest way of dealing with that issue, because it helps the exchange of different levels and experiences. So, I think this will be the solution.

By the way, right now it happens -- the same goes for -- now for a small number of diplomats, but it happens already. For example, the diplomatic (inaudible) the former prime minister was an Italian diplomat who then went for a few years in Brussels in the Commission. Then he went back to the ministry to be diplomatic (inaudible) prime minister now (inaudible) Commission (inaudible). But it's -- I think it's very good, because, I mean, it helps creating (inaudible), an intertwined, if you wish, national and supranational (inaudible), which is probably the way things should evolve.

Eastern perspective. I have been very honest. I don't know the details of the Eastern perspective proposal. I just read the conclusions of the European Council. But it's something that's coherent with what the European Union has been doing in the last years, because you had (inaudible) European Union. You had the Northern dimension. Now you have the Eastern perspective. It's normal, it's rational, because the European Union continent-wide (inaudible), so it has different directions in which it has to look to in order to develop an external relation (inaudible) foreign affairs (inaudible).

So, I mean, I think it's normal. And I've been -- this -- I mean, it's like you were saying for the United States (inaudible) priority. (Inaudible) diplomacy or the policy toward Asia or the policy toward Europe. Of course, they have -- they are a global lender, so they had different policies or different directions for different areas, of course with -- I mean, they might suppress -- live in fear

of different priorities, but they have to develop a vision for each area.

Competition. Well, I would impinge in the (inaudible) observation. In the external relation, it's very important because the European Union is based on rules, community based on rules and normally needs external relations to model the European Union (inaudible). They want to export somehow the fact of rule-based co-existence. So, this happens with a (inaudible). What -- how we perform (inaudible) trying to export first the rules of the European Union, which we are convinced that's brought, as we say, (inaudible) those rules at a community based on the rules that have assured a very long period of peace on the European Union. So we are -- we tried to export those rules abroad, and also the Neighbourhood Policy. We talked about the Neighbourhood Policy in a way. At the base of the Neighbourhood Policy there was maybe a (inaudible) -- in the Enlargement Policy (inaudible) trying to negotiate on rules. If you adopt certain rules, then, we behave in this way. Of

course, in the Enlargement Policy, the perspective was the joining of the -- but in Europe the Neighbourhood Policy is one of the (inaudible) what if we offer everything except the institutions. I mean, Neighbourhood Policy means adopting in a certain way the strategy of enlargement without necessarily the eventual outcome of the membership. This was (inaudible) of the Neighbourhood Policy. So, at the relation based on the mutual acceptance of rules and, of course, competition is a very important part of the European rules (inaudible).

The position of the (inaudible) government -
- well, I was -- I thought I was here to speak about the Lisbon Treaty not about the --

MS. BINDI: (Inaudible)

MR. VEROLA: Well, I was -- you know, I was the -- first of all, (inaudible) precedence, so we had to make a lot of compromise proposals. Many of those proposals were actually proposed by -- (inaudible) of the double hat actually was reproduced by the proposal -- the position paper of (inaudible) for the Nice

negotiations. So, I mean, I don't know whether it was a good idea or a bad idea, but it's the fact.

So, we tried to push for a, in broad terms, for more integration and in policies more qualified majority and more ease in creating reinforced cooperation. I mean, if you wish I might lecture, but this will be for another time, about our position at the time. But this is history.

Did we reach some of our goals? Yes, yes, some of them. Not all, because the negotiation is made of compromise, and negotiation as a unanimity --

MS. BINDI: (Inaudible) Defense -- I think Naples.

MR. VEROLA: Defense. Defense. Naples.
(Inaudible) defense.

I mean, we got some results. I wouldn't say it was formidable (inaudible). It was satisfactory.

MS. BINDI: Given the circumstances of the -
-

MR. VEROLA: Even the circumstances. It was a good result (inaudible) we negotiate things and of

course the rules themselves. I mean, I was not unhappy about the results (inaudible).

MS. BINDI: (Inaudible) said they were obscured by the final outcome (inaudible) but the results of the (inaudible) was good. The number of the (inaudible).

MR. VEROLA: A very, very big number of (inaudible), yes. We had eventually -- we had problems of the 45 majority. The voting system in the Council was the last problem that needed to be worked out.

MS. BINDI: You might want to read the book where Fakime also contributed (inaudible) and you'll find answers to all your doubts. Here you go.

DR. HEIMLER: Very quickly. Competition between -- pose or promote open markets. Well, you know, the problem with open markets is that the restrictions are never direct. The restrictions are always indirect. There are general interests that are being pursued. That is not -- of course, the objective is not to restrain market. The objective is

to achieve something else. Let's assume restrictions on the use of some feeding for animals so that the sector of slaughtering is being protected. But it's not being protected as such. It is being protected because of some other general interest objective. This is where the problem originates, and this is why you need instruments that make sure that restrictions are proportioned, that going through the detail of the restrictions. There is never a fight between competition and monopoly. This is just on the textbook. Nobody says monopoly profits are better than competition. Everybody says we need the monopoly because we want security of supply, because we want universal service, because we want stability, because we want protection of the environment -- not because we want a monopoly. And this is where policy cannot be so blunt just to say open markets. You need fine tuning with respect to these other general interest objective that are legitimate but sometimes the restrictions are over-made. They are wider, and

sometimes they're enforced in a more rigorous way than they should. So, that's where the problem originates.

What did the competition do for us? I think it's a (inaudible) addition, so I cannot answer these sorts of question to avoid the Irish mistake. But certainly I think competition did a lot. The problem is that results are much more micro than macro, and I think this is where the difficulties originate the most in terms of convincing. People like big things. People like big results, and competition, as I said at the beginning of my talk, protects the little guy, and it provides little benefits to the little guy. However, they are widespread -- but a very minimal amount.

Just to give you a very brief example, because I could go on and on, first of all the European Commission has to be -- should be grateful to the existence of the European Union because of the (inaudible) in public utility services. We would never have that articulation of supply and services without the European Commission. In 1998 -- it's not

1958 and it's not 1908, it's 1998, 10 years ago -- the Commission issued a directive liberalizing the sale of terminal equipments, and all terminal equipments are telephone (inaudible -- XXX foreign phrase) -- telephone terminals. They wanted to pick up in your house. Until 1998, they were a legal monopoly in our European countries. It's not 50 years ago; it's 10 years ago.

MS. BINDI: I completely forgot about that.

DR. HEIMLER: And the Commission in 1998 issued a directive liberalizing the sale of terminal equipment. What happened? Immediately five countries sued the Commission in front of the European Courts. You know which countries? What would you suggest? What would you think? Germany?

MS. BINDI: Germany?

DR. HEIMLER: (Inaudible)?

MS. BINDI: (Inaudible)?

DR. HEIMLER: Italy, (inaudible)?

MS. BINDI: France?

DR. HEIMLER: France?

MS. BINDI: Britain?

DR. HEIMLER: No.

MS. BINDI: No, not Britain.

DR. HEIMLER: Belgium. Spain -- I don't remember, maybe Spain, but I'm not sure. Certainly the four. So, Germany -- so three founding members of the European -- in 1998 sued the Commission that they didn't have the right to liberalize the terminal equipment market, and the Court of Justice upheld the directive of the Commission, and so the process of liberalization in telecommunications started. So, imagine if it would have been left to our governments, if in 1998 our government, not the government of Uganda or the government of Italy, France, and Germany -- they were not willing to liberalize the sale of terminal equipment. It's not the benefit. I think it's a big benefit.

And just to give you a very small idea of how competition works and how difficult these rules are, Italy has been singled out for many, many years as having very restrictive rules on the professions.

Italy had (inaudible) ban on advertisement for professional services and minimum tariffs imposed by law, and minister (inaudible) Basani in 2006 among other things liberalized professional services in Italy. So, we have a natural experiment. Now it's 2008. It's almost two years since the liberalization was introduced. It was June 2006 (inaudible) August 2006, so it's two years. I, by chance the other day for another purpose -- I looked on Google and typed in "tariffs" in Italian -- otherwise the results would have been worse than they were -- but "tariffs," "Rome," "divorce," legal -- avvocato -- "lawyer." So, just to see whether someone would advertise the tariff they would provide for a divorce to people that were in a situation of needing a lawyer for a divorce, a very common event, and an event where people are very often in the hands of the professions. Before 2006, it would have been prohibited to post on the Web any indication of prices. Today, two years after, I found one lawyer in Rome that gives this information. I don't remember his name, but you can check it out.

It's one lawyer. Anyway, it's one lawyer. You can laugh, but before it was not possible; now it's possible. Maybe in 10 years we'll have hundreds of lawyers advertising their services on the Web, and without competition or without these rules it would not have been possible. So, this is my answer. It's probably not a big answer, but it gives an idea of how markets operate. You cannot impose competition. There is (inaudible) behavior. People look -- usually continue to operate like they did in the past.

The real competitor is the new entrant. And this is what people fear. The reason markets are protected is because people fear entry. They fear the entry of the more efficient, they fear the entry of someone that invents a new way of providing services, and you cannot impose efficient entry, but if there are the rules in place, efficient entry would come about, and as this single lawyer in Europe, in Rome, shows, somehow there are people that take advantage of these freedoms and of these new rules and take advantage to the benefit of consumers and small

businesses in particular, because the big guys certainly do not need this sort of information or this sort of protection. They are well informed and ready to have their own channel of information. So, this is my answer. Thank you.

MS. BINDI: Any other questions? Thank you so much for coming and staying for the whole thing.

(Applause)

(Recess)

MS. BINDI: Okay. Can you hear now? Does it work? Good. Okay. First of all, let me apologize because in some 45 minutes I will have to briefly leave the room and I will leave the chair to Professor Joaquin Roy which handily will replace me. Now, it's my pleasure to introduce the three speakers, somehow for sentimental reasons. Ladies first -- now, Marta Dassu is Director of Aspen Italia. She previously, she was, she has been an advisor to the Ministry for Foreign Affairs (inaudible) -- and both times that he was at the Foreign Ministry and she was previously Director of CeSPI. For me, she's also been personally

a sort of niece, because she's daughter of a family friend and she was the very, very first woman I was supposed to (inaudible), so either in this case, it was graded scores, graded schools, and in this case either you love or hate the person. In this case, I always admired her, so I'm really happy that she's here.

SPEAKER: (Inaudible)

MS. BINDI: Sorry? Andy Moravcsik, I think he needs no presentation, anyway he happened to write a couple of books and articles which anybody which deals with European issues has to read. Whether they hate it or love it, is up to individual judgment, but (inaudible). It's also I think the first person I bumped into a conference I've ever been. When I was in my first or second year as a PhD student, there was a panel where Andy was there. So, long time ago, believe it or not. And last but not least, Jeremy -- Jeremy Shapiro. He is a Fellow at Brookings Institution, Head of Research at the Center for American Studies in Europe. He is a person I am most

thankful now because he's the one that allowed me to be at Brookings, which is something I adore. We always quarrel and what I like --

MR. SHAPIRO: No we don't.

MS. BINDI: Yes we do. And what I like least is that you can write it down, most of the times he is right about his comments and this really piss me off.

SPEAKER: Is that on tape?

MS. BINDI: Yes. I said it on tape. So I really do enjoy talking, discussing with you. So I would turn the word -- you will discuss, right, Andy?

MR. MORAVCSIK: Okay.

MS. BINDI: Okay. Off you go.

MS. BINDI: Okay. Off you go.

MR. MORAVCSIK: So I'm very honored to be on this panel in Rome. The way I see it, I'm on this panel because I work for these people. I come in Rome every year and work for Federiga. Marta always inviting me to wonderful conferences and I work for her. And I'm a member of Jeremy's center at Brookings

and I work for him. So, I'm just the hired help here.

We're in a room with a very tall ceiling, so I think I will start by taking a big picture view of the situation in which transatlantic relations find themselves. In any case, I live in America, I spent the last year in China, and I've spent most of my academic career studying the history of the EU—so that's what I do best.

In taking a big picture view, I intend to challenge what I see as the conventional wisdom about that transatlantic relationship. In this conference we will surely delve into a lot of details about problems and ways to fix those problems, but it's important to start with a vision about where we are more broadly. And I think there is a conventional wisdom about the transatlantic relationship that is 180 degrees incorrect. The conventional wisdom about transatlantic relations is that they are in bad shape or disarray. This pessimistic conventional view has three parts to it.

First, it says that in the good old days of

the Cold War, transatlantic relations were good -- that Europe and America had a common purpose, that they showed great unity because there was a common threat. Then after the end of the Cold War in 1989, Europe and the US did not have the same common purpose. The epitome and the best piece of evidence for this is, of course, the crisis over Iraq, which everybody portrays as a typical and severe crisis in the Western Alliance. Let's cite a typical, well-known, Washington-based analyst, Simon Serfaty--a wonderfully insightful man in most respects--who says recently without a doubt America and the states of Europe face one of the most difficult and demanding crises ever over the United States' effort to use force in Iraq. And you still read almost every analysis of transatlantic relationship starts and dwells and obsesses about the crisis in Iraq and what that means for the current era of transatlantic relations.

Second, according to the conventional wisdom, this current crisis in transatlantic relations

and the crisis in Iraq is fundamental because it is a clash of two opposing principles of international order -- a principle of multilateralism and a principle of unilateralism. Many people view foreign policy in terms of competing visions. You only need to pick up a French paper, or a book by Bob Kagan, to find evidence for this. People often start their articles with a citation of one or the other. Or we can cite David Calleo, Serfaty's former colleague and another insightful analyst, who says today's transatlantic differences spring from contrary readings of recent historical trends: American political elites see the Soviet collapse opening the way to their own global hegemony, while Europeans reject this view. During my year in China, I found the Chinese often speak about the need to oppose American unilateralism. So this is a global view.

Third, according to the conventional wisdom -- and more specific to Europe, so I include it here -- is that one important reason why this transatlantic relations are in disarray and the US asserts itself

unilaterally is because the European pillar of the transatlantic alliance lacks coherent unity and common purpose. The best evidence, according to the conventional view, is the lack of a serious European security and defense identity. If such existed, then there would be stronger opposition to the United States or at least some coherent alternative. Europe might, for example, to make common cause with the Chinese. So David Shambaugh, one of Washington's leading China watchers, has written eloquently about a possible Euro-Chinese axis. The underlying idea here is that some sort of geopolitical realignment or some sort of counterweight to the United States in the world is needed and the place to start is with a more robust European defense. The failure of the constitution means the Europeans cannot deliver.

Now my view is that all three of these claims—transatlantic relations are in crisis, there are two opposed principles, and it all comes back to European disunity—are demonstrably false. The truth is almost exactly the contrary: First, transatlantic

relations is measurably better than they were during the Cold War on almost every dimension. When we look at issues and concrete disputes rather than visions, American and European policy is quite convergent, much more convergent than the policies of Europe and, say, China. And Europe's current policy of pursuing civilian power rather than military power speaks to its comparative advantage and gives it the most weight that it is likely to have in the world. I want to flesh those ideas out in the time that remains to me.

First, is transatlantic relations more or less harmonious than now than it was during the Cold War? Anybody who thinks that the Cold War was the period of western harmony really needs to go back and reread the history. What about the epic battles between the United States and Europe over proper policy toward Russia, over détente and Ostpolitik, over trade policy in the 1960s and '70s. What about the brutal way that Americans pulled the rug out from European efforts to maintain their colonial possessions: the battleships deal during the War,

Suez, Algeria, etc. How about the way in which United States dollar policy overturned European governments one after the next, for example kicking Helmut Schmidt out of power, undermining British governments one after the next, undermining an Italian government or two? What about Europeans ignoring the American blockade of Cuba in area after area? There as DeGaulle's decision to pull France out of NATO's military command. The West was in total disarray in the face of the energy crisis. Millions of Europeans were on the streets demonstrating every single week against American decisions to deploy missiles in Europe all the way through the late 1970s and early 1980s. I lived in Europe at the time: When I took my graduate record exams (GRE's) in Berlin at the American Embassy, while I was taking my exams, there were rocks as big as baseballs bouncing off the bulletproof glass windows of the embassy—and the exam had to be suspended. That's what Europe was like in the 1980s! When the United States bombed Libya in 1986, from the only country in Europe that would

permit our jets, our F-111s, to take off, namely Britain, and supposedly fly through the Straights of Gibraltar because nobody would give us over flight rights—although the French secretly did, but could not admit it. Pollsters asked the British the next day whether they thought that the American military presence in the UK increased their security: 4% thought it did. That is how bad the situation was. All this was *incomparably* worse than it is now, or was even at the height of the Iraq crisis.

But, I'm not going to dwell about any of that. I'm going to talk about the toughest case for my argument: "out of area" military intervention. I believe the US and Europe have never agreed so much about intervention in third countries, that is, Iraq is entirely atypical. Since the end of the Cold War, there's been a lot of Western intervention. The United States has intervened in Panama and Iraq and Somalia and Haiti, Macedonia, Bosnia, Kosovo, Afghanistan, Iraq several times. Europe has intervened in Mozambique, Rwanda, Bosnia, Kosovo, Sierra Leone,

Macedonia, and Ivory Coast. Of all those interventions, there is only one place where the United States and Europe disagreed about intervention. That place is Iraq. And, in fact, only in 1998 and 2003, not 1989-90. Iraq is entirely exceptional. Moreover, it is an exception that proves the rule. We in the United States now recognize -- certainly most Europeans now recognize as well -- that that intervention was an unsustainable mistake, not something that the United States would be inclined to do again. It's so costly that it could not be repeated more than once a generation. Thus, in the post-Cold War period we have a record of almost total agreement between the United States and Europe on the use of military force out of area.

Compare that to the period of the Cold War after the end of the Korean War. There was Suez, Vietnam, Latin America under Reagan, where the Europeans were funding the opposition to U.S. covert inventions, the case of Libya just discussed. Indeed, one is hard-pressed to find a *single* US military or

European operation "out of area" on which there was Western agreement. I can only think of a couple: the Congo in 1960 and Lebanon in 1958.

The truth is that in almost every respect the Cold War was a much *more* contentious period than the current one. We live in more friendly and cooperative period of transatlantic relations than at any time in the past 50 years. The foundation of the conventional wisdom is incorrect.

Let's turn to the second premise of that conventional wisdom: There is a clash of principles between America and Europe--unilateralism vs. multilateralism. Now it's true that the United States has--for deep set constitutional reasons, which I myself rather deplore--a disinclination compared to most Western countries to engage in multilateral legal engagements. But this mode of analysis is a bit legalistic. The United States and Europe find flexible ways to pursue their interests despite the lack of formal legal agreement on how that should be done.

It's particularly odd, it seems to me, to

read people who say that Europe might have more business to do with a country like China because it agrees *in principle* with a multilateral legal world view rather than a unipolar legal world view—without taking into account the underlying substantive convergence of interest. There is something very abstract about this position: A tendency to privilege abstract legal principles over concrete national interests.

Consider the positions of the United States and Europe vis-à-vis East Asia. Now it's true, the United States is more engaged in East Asia, has a military presence with different priorities in certain respects. But their issue positions are quite similar. Both the United States and Europe have roughly the same conception of stability in East Asia, roughly the same position vis-à-vis the Taiwan issue. (Actually, despite what they say, so does the current leadership, I believe, in Beijing—which is an important force for regional stability.) Within the context of deterring any forceful effort to change the

regional status quo, both the U.S. and Europe share a basic strategic goal of engaging China economically, politically and diplomatically. Europe backs six power efforts with regard to the North Korea issue. On economic issues, Europe and the United States take a same position vis-à-vis China, that is contrary to China, on currency issues, trade issues, energy issues. Both favor an RMB appreciation. Both are concerned about China trade surge. Both are concerned about intellectual property issues. As the United States policy shifts, both are likely to take a similar policy on environmental issues. Both have taken very similar positions on democracy and human rights issues, as well as Tibet. China, unlike the US and Europe, continues to oppose in principle diminutions in sovereignty to address issues of human rights and genocide, as in Darfur, or nuclear proliferation, as in Iran.

So, if China and Europe sat down and agreed on the need for a multipolar world, *what would they talk about then?* What would the substance of those

negotiations be? The truth of the matter is that the claim that Europe and China agree on multipolarity is purely abstract. It has no concrete meaning. When you start talking issues, real concrete issues that diplomats have to deal with day to day, the United States and Europe have almost precisely the same positions vis-à-vis East Asia. So I think it would be a mistake to treat visions of foreign policy as if they are more important than concrete issue positions. So much for the second leg of the conventional wisdom, namely that the US and Europe differ in principle on multilateralism.

Finally, there's the third piece of the conventional wisdom, namely that the main reason why Europe gets less respect around the world, and why the US can promote unilateral policies, is because it is not unified. This is something you hear a lot in the United States and you in China as well. During my year in China, I often heard the claim that the Chinese do not have to pay any attention to Europeans (except maybe on some trade issues) because they

aren't unified. If they ever get their act together and have a common foreign policy, then China will have to pay attention. It's very difficult to contest this position, because this is what Europeans tell us (and themselves) all the time. Europe, or at least the European, the debates about Europe are dominated by people who believe in a particular ideal which demands that things like foreign policy be centralized. Thus one is always being told that Europe will not have an effective foreign policy until it is centralized. No wonder foreigners tend to believe it.

I think this too greatly understates the current effectiveness of European foreign policy. You hear in Asia, the United States and even in Europe that in the 21st century there will be two great super powers, or maybe three -- the United States, China and maybe India. One often reads -- I don't know how many times I've read the cliché in the newspapers -- the most important geopolitical relationship of the 21st century will be the U.S.-China relationship. Maybe someday. My guess is I'll be long gone by the time

that ever happens.

But today there are *two* super powers in the world. One is the United States and the other is Europe. Europe is the "*Quiet Superpower*" -- the super power that specializes in power other than military power: civilian power, soft power, military power short of all out war. Right now today, even though it is not unified in the classic sense, Europe is more effective at projecting power globally and getting things done than anybody else—including the Chinese, who are today a middle-rank regional power, with power projection capacity about 500 or 1,000 miles off of their border, at most.

Let's catalog what Europe. Starting, nobody denies -- not even the worst critics -- that China is a global super power in trade and investment. Europe and the United States continue to dominate the WTO; nothing happens without the Europeans wanting it to happen. Europe trades more with China than the United States and its trade balance is more favorable. It's the largest trading partner of every country in the

Middle East (except Jordan which trades with Israel). Predictions about the economic rise of Asia based on trade statistics are vastly misleading. Measured by investment, intra-firm trade, and R&D, as Dan Hamilton reminds us every year, the transatlantic relationship the transatlantic zone remains far more robust and more important than the transpacific relationship—accounting for well more than ½ of the world's economic activity. Europe dispenses 70 percent of the world's foreign aid and it's much better at dispensing it than the United States or anybody else. Europe's most powerful power projection instruments are civilian in nature, but Europe is an appreciable military power as well. At any given time, there are 75 to 100,000 European troops stationed abroad. (How many Chinese troops do you find anywhere else? Few, fortunately.) Over the past two decades, European-led diplomacy or intervention has helped stabilize governments in Sierra Leone, Libya, Morocco, Lebanon, the Ukraine, the Congo, Macedonia, the Ivory Coast and Chad. Europeans are the only western diplomats

currently talking to Iran.

European welcomes more third country foreign students than the United States. It's the major world-wide supporter of international law and institutions. Global polling suggests that the European social model is more attractive world-wide than the libertarian American model.

None of this even mentions the single most powerful tool Europe possesses: enlargement of the European Union. EU enlargement is the single most cost-effective tool that western powers have deployed to spread peace and democracy since the end of the Cold War. Twelve countries have already joined the European Union since the end of the Cold War. Half a dozen more cued up to do so. All of those countries, to a greater or less degree, have been assisted in the transition to democracy and capitalism. Compare that to the United States efforts in Iraq and you can see how cost-effective and prudent that strategy is at spreading peace and democracy.

Some complain that Europe is decentralized

and non-military, and thus all this power is for naught. This has been Robert Kagan's critique all along: Decentralized civilian power is nice, but when you want something done, call in the Marines. Yet Europe is much stronger than it seems and part of that strength is precisely a function of the decentralized way in which it operates, as well as its focus on nonmilitary means. But the successes of European enlargement and neighborhood diplomacy over the past two decades belies this critique. If large amounts of political capital were expended or diverted today to build up a European military force, this would simply deplete European power projection capability. I pose the following challenge to Europeans. Suppose Europe had had an army of 100,000 centralized crack troops under the personal command of Javier Solano, deployable at 24-hours notice anywhere in the world. What difference would it have made over the last 15 years? Is there any moment at which Europe could have intervened effectively to change outcomes? And would it have made as much difference as enlargement of the

European Union to 12 countries in Eastern Europe? My answer to that question is no. The only case about which one would really want to argue is Afghanistan, and the reason why there is a problem there is that the US bogged down its troops in Iraq.

In any case, in the real world of political trade offs, governments make choices—and they are constrained by the choices their predecessors made. Europe has splendid civilian power and low-level military tools; the US has splendid military tools. We live in a world in which Europe and America are good at different things -- a world in which Europe is specialized in one kind of power, the United States is specialized in another kind of power. We have to work within those constraints. This differences, like any comparative advantages, can work for us. None of this is to imply, however, that transatlantic relations are in decline. To the contrary, US-European relations are immeasurably more friendly, less rent by conflict than it was 20, 30, 40 or 50 years ago. This fundamentally contradicts the conventional wisdom underlying most

analyses that we read today. Having said that, we can now get on to solving all those detailed problems that remain. Thank you very much for your patience.

MS. BINDI: See Marta was moving on the chair?

MS. DASSU: Yes.

MS. BINDI: Here you go.

MS. DASSU: Yes, I've decided to put aside my presentation. I have written text we can distribute it if you wish. It's too boring.

MS. BINDI: They have it on the internet.

MS. DASSU: Yes. It's too boring. It's too hot. I will act as the European discussant. I think it's (inaudible) and I have to thank very much Andy -- thank you very much. It is the view that Europe is too strong and much stronger than we ourselves think. So it's an encouragement if you wish. But, nonetheless, I have some problems with your analysis and I would like to express them. First of all, yes, in a comparative perspective, I agree with you. It is good that the terms transatlantic alliance has had

many different crises. We tend to forget the history or the time and so you're right. We are maybe in a better shape in our mutual relationship. It is true that in Europe we have now a (inaudible) new leadership such as the American (inaudible) is a good set up if you wish for a sound transatlantic relationship. We forgot the crisis in Iraq rather quickly. We have the same interests. We would like to redress the situation with (inaudible) Middle East, etc., etc. And yet we have a very important and general problem that we can't discuss. We are worse off, in my view, not because of our mutual relationship, but because the west is much less dominant in the global situation today. So there is a much more serious and global problem and the problem is this shift in power from the west to East Asia and rising powers. So the real problem is not whether we agree among ourselves, but whether we are able to shape the new global system according to western rules and this is a totally different problem. And it has to be decided whether we are so better positioned to

deal with this problem. So my first comment is okay with the history, okay with the conception, and yet the west as a whole in the global frame of today is not better off. It is worse off because there is a shifting power toward new (inaudible) that are western (inaudible) and it is difficult to say that they will play according to our preferred rules or preferred principles. First point. Second point, Andy, I think that the economy is becoming much more important than security. So you are right in saying that looking to the economy, the European Union is a power that we tend to underestimate. But, if the economy is so important, (inaudible) transatlantic alliance could have some problems. And my point is that the crisis you didn't mention. The financial crisis, the global economic crisis we are living in since October 2007, could in fact impact in a negative way the transatlantic relationship. To put it in a different way, security is okay. I agree with you. But the economy is not okay (inaudible) in the transatlantic relationship. First of all, my reading of the entire

transatlantic history is that the strength of the U.S. economic (inaudible) was fundamental, like the security dominance of the U.S. Although the strength of the American economy was a key pillar of the transatlantic relationship since the end of World War II and if the strength, this economic strength of the U.S. is now put into question, we could have a negative ramification on the transatlantic relationship. Look to, for instance, to give you a recent example, look to (inaudible) American interview to the financial times. The idea that the "Anglo-Saxon" regulatory model on the financial markets sparked a more general crisis. So if this aspect, fundamental aspect, of the American (inaudible) is put into question, we could have a (inaudible) impact from the security to -- from the economy to the security. This is what we call in our paper the reversed alliance because I think that while in the recent years we have a crisis originating from security issues, the division vis-à-vis Iraq, and the economy acted as a sort of safety net, the economy was in any

case a very effective bomb, now we could have the opposite. We could have a crisis in the economy because the idea in Europe is that the imbalances in the way in which the U.S. ran its own economy is affecting in a negative way the entire system. So we could have a crisis in the way we conceive the role of the U.S. in the international economy relationship. And a negative impact also on security. Third point, China, Russia, the new rising powers. I think that the real debate is not over multipolarism, unilateralism. I agree with you. These are all declarations without any real substance. The substance is that we have a defacto diffusion of power we can call it. Multipolarism is not so important and we have to decide how to organize an international system in which the risk is new distribution of power. And this is -- and on this very specific point, I don't think that the delusions are very important. I agree with you and the entire debate over unilateralism, multilateralism is really a rhetorical one. I don't think it's very important. What is

important in confronting these rising powers is that the rise of new powers could have a divisive impact. And this is for me the point to debate, to discuss much better because my impression is that notwithstanding the trade relationship between EU and China, the reality is that we have more and more integration between the American economy and the Asian economies -- a transpacific trend if you wish -- which is made unavoidable in a sense by the big imbalances. The U.S. consumed too much. The Chinese saved too much. And so to keep the system in a balance, you need to integrate more and more the U.S. and the Asian economies and you have on the other hand more and more integration between EU and Russian for energy reasons. So we have to decide whether this Eurasian shift in the making on the one side, and a transpacific shift in the making on the other, is going to become a (inaudible) division of labor or is going to become a serious geopolitical divide. And here the real point of debate in the transatlantic alliance in the coming years could be precisely the policy vis-à-vis Russia.

This could become in my view a very divisive point especially in case there is McCain in power in the U.S. and the relationship between the U.S. and Russia becomes a difficult one. This is a point we could discuss later on, but I think that the issue of Russia is in any case a divisive one because on the one hand the U.S. says something like that, okay, Russia is important, but we do not have such extraordinary economic links to Russia, so we will see. It depends on how Russia deals with important things. On the other hand, a major part of continental Europe is not the entire Europe. Poland is on a different line. The U.K. is on a different line, but France, Germany and Italy -- they say Russia for us is an indispensable partner because we have very serious economic (inaudible). We have a very serious degree of energy dependence, so the problem of the relationship with Russia is a fundamental one. So Russia could divide. And China could divide because after all I don't think that the EU is really interested in a strategic relationship with China. I

don't agree with you, Andy, on that because I tend to think that the Europeans look to Asia and China in economic terms and that's it. The U.S. look to the region also in strategic terms. So this could become a problem again. My last point is on this division of labor. Can this sort of division of labor you defined -- the Europeans as civilian power, defacto super power you said. A civilian super power. And the U.S. a military power, a military super power. Can this division of labor between civilian on the one side and military on the other be a real recipe for a good relationship in the future? No. I don't think so. In theory, yes. I mean it would be very good in theory. The reality is that it is not the case because we see how the U.S. is discussing our continuation in Afghanistan, for instance. I don't see this (inaudible) --

SPEAKER: Mercie.

SPEAKER: Mercie

MS. DASSU: I don't see this Mercie on the part of the U.S. After all the U.S. are pressing all

their allies to pick up part of the military burden. So the U.S. are not satisfied by the idea that the Europeans can have a role in the civilian side of crisis management. They are pressing us to take up our share of the military risks. So I don't see how a division of labor of the kind you described is going to last. And there is already a reaction on the European side, to try to pick up more as concerning (inaudible). As you know, when Nicholas (inaudible) launched again his idea of a European defense, and here I would like to be very clear. It is my last point. Nobody thinks of a federal Europe now in Europe. I mean only nostalgic guys of the last generation. It is (inaudible) that Europe is a combination of some strong nation states that tend to behave as nation states -- that is France, Germany and the U.K. And these are the major powers in foreign policy and defense. And this is the entire history. Nobody thinks that Solano could ever run a sort of European army. What we are trying to do is to combine our military resources, but it is clear that the

nation states in foreign policy and defiance remains key, the key actor. And this is foreign policy, security and defense. The rest is what you described -- an important devolution of power in the field of monetary affairs, the currency, the Euro and an important integration in the economic field. The entire problem is whether this integration will last in front of this global crisis. I tend to be optimistic from this point of view. But clearly Europe will be different from a real federal union. And the key problem will be whether Europe will be able to (inaudible) because one of the consequences of the institution of (inaudible) we are dealing true since five or six year is a defacto freezing of enlargement and I agree, I assure you that this is a real pity because enlargement has been one of the fundamental instruments of Europe's foreign policy, but there is no way. I'm very pessimistic on enlargement because public opinion is not in favor of. We have a lot of discussions on migration and so on. And nationally their (inaudible) are not ready to take

up the risk of (inaudible) their own constituencies in the name of foreign policy. So in that (inaudible) for me is out of the (inaudible) for a second period with a possible of Croatia, but Turkey will not be in for a while, for a long while, and maybe never.

MR. SHAPIRO: Thank you. I'll try to be brief, because I have an impression that the previous speakers have inspired you to comments and I'd like to get some time for the audience. I would maybe in making just a tiny bit of comment on the previous two speakers, I think it might be worth asking yourselves the question why, as they both agree, did the relationship between the U.S. and Europe improve so much since the Iraq war, which is sort of an interesting question if you think about it. And I would put forward the hypothesis that it wasn't because of love between George Bush and Jacques Shirak and in fact transatlantic relations have never been based on that sort of love. Rather, it was because especially as the Iraq war went south and there were other developments in the world -- thank you -- both

the U.S. and Europe found themselves, in the 2004-2005 framework, facing a great deal of geopolitical difficulties -- some of their making, some not. And they quite naturally turned to each other in part because they had the habit of turning to each other, in part because they had nowhere else to go. And they improved their relations out of necessity. And they did that even where there was the worst personal relationship in quite some time. And I think what this says is that we can sit around and talk about consistent values and the personalities of leaders, but ultimately transatlantic relations are based on shared interests, which of course relate to shared values, and really most importantly the situation of the both of them relative to third actors which implies to get to Marta's topic -- rising powers are definitely a problem and one can definitely make the argument that power is shifting away from the west. That's probably overall not a good thing as a westerner. It's definitely a good thing for transatlantic relations, however, because the more

that power shifts away from the west and the more challenges that the U.S. and Europe see in third places, the more they will be pushed together out of necessity and I think actually that's the story of the last few years. I'll just leave that aside and wait for the discussion period, because I'm sure it'll come up again and I'd like to get to what I was actually assigned to talk about which is transatlantic relations after the election. I should make the necessary disclaimer. I have a very, I am a very minor cog in the vast Obama political machine, but I have no capability or authority to talk for the campaign. So please don't take anything I say as attributable to Obama or the campaign and please don't get me in trouble for it. I say that --

SPEAKER: Or he'll be in this job forever.

MR. SHAPIRO: Yeah. And I will come back to you and speak to you in this hot room every year.

MS. BINDI: Jeremy, you're (inaudible).

MR. SHAPIRO: And I say that mostly because I want you to understand where I come from in terms of

my bias and then you can try to detect that in what else I say. I think first some background on the U.S. is maybe helpful. U.S. foreign policy I think throughout the post-war period has really often swung between extroverted and introverted phases. And what's interesting is that even in a very globalized world, the U.S. really does retain to a rather unusual degree -- you guys need to talk about something?

SPEAKER: I'm sorry.

MR. SHAPIRO: It retains to an usual degree the -- because of its geography and its economy -- a capacity for introversion. And I use the word introversion as a sort of less pointed, less pointed word for isolationism. I think that after the rather extreme extroversion and foreign policy disasters of the Bush years, the public in the United States is clearly quite tired of the rigors of international engagement. And they're especially tired of, to put it more sharply, and to sort of paraphrase one of George Bush's heroes, of seeing their soldiers die in far away lands for reasons that they don't understand.

Although it's not the platform of either candidate, I think we can expect this introverted phase to exercise fairly significant background influence. It's already, I think, most apparent in the trade debate, which is always the leading indicator of such things and that debate is clearly moving in a protectionist direction. I think this is going to be a significant challenge for U.S.-European relations and, no matter who is elected. And we may see as a result a lot of countries that in the past few years have lamented the various unwisdoms of American leadership crying out for American leadership and receiving little answer. The second background condition is that U.S.-European relations already, especially in the foreign policy realm, are now almost exclusively about issues beyond Europe. They're about the Mideast. They're about Darfur, the food crisis, finance, even about Russia's arguably beyond Europe. It's always what can the U.S. and Europe do together to deal with some question beyond Europe. And I think this is both good and bad for U.S.-European relations. It means in the U.S. that

Europe is viewed as a solved geostrategic problem. It was the geostrategic problem of the 20th century, spent a lot of hard work on it, spent a lot of money, check that one off the list. This implies, not surprisingly, that there's a lot less attention to Europe in the campaign as an issue. There is more attention to what the U.S. can do to motivate Europe to help the U.S. with problems that it has throughout the world -- Iraq, Afghanistan, Iran, Israel, Palestine -- and that after the last few years, we now understand quite well that we can't solve these problem alone. Europe's role, I would say, in the U.S. presidential campaign is a little bit less direct. There is in the United States, and the candidates have mentioned this often as experience from the campaign trail, a great deal of frustration with among the electorate about the U.S. image in the world. They don't like to be disliked when they travel. They don't like to hear of the United States having such low popularity ratings in countries like Germany and France. And as a result, both of the

candidates have emphasized -- Obama especially -- the need to improve the U.S. image in the world. What's interesting about this for U.S.-European relations is when they say that actually what they mean is the U.S. image in Europe. For reasons that are largely cultural and perhaps vestigial, we don't look to Beijing or even Moscow to understand what our image in the world is. We look to London and Paris and Rome. And so for this reason the, even though Europe isn't seen as a geostrategic problem, the image of the United States in Europe is very important to the candidates and you see that in the rather extraordinary trip that Obama is planning to take to Europe assumedly later this month. And what he's saying in that trip, even though he's barely talked about the countries that he's going to during the campaign, is he wants to demonstrate to the American people that he can restore U.S. image in the world and the place to do that is Europe. The third, the third background condition is that in 2003, we went through a very severe transatlantic crisis. I think Andy is

right. It's just one in a series of crises. In my view, it was the worst one since Suez, which was almost 50 years before -- not the worst one ever. The second Bush term, as has been mentioned, improved U.S. relations with most of the governments in Europe to a great extent, but never with the populations. And in fact Bush is still slightly less popular than Satan in most of Europe. And frankly this does constrain cooperation on very visible issues. On the reasons for that 2003 crisis, especially Iraq and Guantanamo, climate change and even the sort of culture of the presidency, I think both candidates would turn the page on most of those. Obama actually would turn the page more definitively and on all of them, but McCain would turn the page on a lot. But of course since the main audience for this is European publics, the main change really would come less from the changes on issues like climate change than from the symbolic change that Obama represents. Europeans seem to be at the moment involved in an especially full-throated -- I'm not sure how you pronounce it in Italy -- Obamanea

(phonetic spelling)?

SPEAKER: Obamanea (phonetic spelling).

MR. SHAPIRO: Obamanea, yeah.

SPEAKER: Nice pronunciation.

MR. SHAPIRO: I've now pronounced that in four different languages -- all incorrectly. So of course this implies a certain, a certain honeymoon between Europe and an Obama administration which will provide some early opportunities. Of course, you know, as with any honeymoon, a certain amount of disappointment is inevitable, but it's not necessarily fatal for the relationship. And I should add also here that there is a bit of an elite popular divide on this question. I think European governments are actually a lot more supportive of a potential McCain presidency than they tend to let on given the public opinion polls because he represents greater continuity and greater certainty and for a diplomat, that's pretty much the highest goal.

SPEAKER: With exception of (inaudible).

MR. SHAPIRO: Yeah, with the exception of

(inaudible). Fair enough. What I want to do more specifically is highlight two issues that are big differences between the two candidates that I think will have a big affect, the differences will have a big affect on transatlantic relations. This is not meant to imply that these are the only important issues or even the only important issues for transatlantic relations, but I think that they're the issues which have the most likelihood of creating problems in transatlantic relations. Fortunately Marta already mentioned one, but I'll do it second. I'd say the first one, maybe it's a little bit of a surprise, is Iraq. I think everybody expects me to say Afghanistan. We haven't really heard much about Iraq in transatlantic circles in the last couple of years. There's a sort of agreement to disagree. I would argue that this is not really healthy for transatlantic relations. A sign of the health of transatlantic relations, it seems to me, is that they are the two sides are working together on the issues that are most important to both of them and U.S. and

Europe are not working together on Iraq, which is clearly the most important issue to the United States. I think basically what they've settled into is a sort of a modus vivendi where the U.S. agrees not to ask Europe for help on Iraq, and Europe agrees not to provide it. This is not, I don't think, a sign of a good partnership. There's also a critical link with Afghanistan. So Afghanistan, some of the problems over Afghanistan actually are manifestations of the lack of agreement on Iraq. Because Afghanistan affects the number of troops that the United States -- I mean Iraq affects the number of troops that the United States has available for Afghanistan and there is this implicit argument never made that the demands that the United States is making on Europe for Afghanistan are our makeup for Iraq. But, of course, because this argument is never made, neither European publics nor European diplomats accept that it's a makeup. What it means is they entered into the Afghanistan negotiations with very different understandings of the reciprocal obligations. Obama

has called for a withdrawal -- slow, responsible withdrawal -- from Iraq. This would have big implications for Europe. It would create probably security problems for Europe, after all Iraq is in Europe's backyard. More immediately, in doing so he will ask Europeans to step up and to help ease Iraq's transition into a post-American phase. He will, unlike the current administration, he will not accept the argument that they are not responsible because they didn't start it. He will probably point out that he didn't start it either. It also may mean that he may in doing that be forced to, or choose to, Americanize if you will the war in Afghanistan because more U.S. troops will be available and because it's so difficult to motivate European troops to Afghanistan and because many of them haven't been terribly effective, he may take a page out of the Iraqi surge handbook and flood Afghanistan with American troops and in so doing effectively shunting aside NATO in Afghanistan. Simply put, if those NATO forces -- 90, 95 percent of them -- that are doing the fighting, end

up being American, it would be an American operation no matter what the flag says. This may be good for Afghanistan. Probably won't be good for NATO or for transatlantic relations because again they won't be working together on the issues that matter most. McCain, in contrast, will put great attention on Iraq and this will put huge pressure on Afghanistan from the European perspective. He will be making more and more requests for troops in the same manner that the Bush Administration is doing. So you see both candidates positions present quandaries for Europe on Iraq, although very different ones. The second issue, as Marta alluded to, that I think could be a real transatlantic problem after the election is Russia. This also has been very quiet in the campaign. In part, I think this is because policy under Bush has really been in flux, which is a polite way of saying incoherent, as they've tried to, as the Bush Administration has tried to take into account new realities in Russia without totally repudiating their past policies and past pronouncements and as Iraq has

frankly absorbed their attention. I expect that Russia would be, if John McCain were elected, the biggest foreign policy discontinuity between a Bush and McCain Administration. When McCain looks into Vladimir Putin's eyes, he doesn't see his sole. He sees the KGB and that necessarily changes the way he looks at the problem. And he's been very explicit about this. John McCain would take a very hard line position toward Russia and push Russia on many fronts to a greater degree even than the Bush Administration has done -- on missile defense, on NATO enlargement, on the question of Georgia, on energy issues. Obama certainly is no shrinking violet when it comes to Russia, but the main difference is that Obama is more convinced that engagement with Russia in multilateral and bilateral institutions such as the G-8 is a key to making progress on these various issues. Whereas McCain would really prefer to exclude them or to create new institutions that don't include them like the League of Democracies because he holds that Russia simply obstructs and perverts such institutions and

it's really not worthwhile to keep them in and the OSCE, I suppose, would be evidence number one in this claim. So what does this mean for U.S.-European relations? Well, of course, Europe is not terribly coherent in its Russia policy either. I would say to simplify only slightly, the Obama approach more closely parallels the western European approach to Russia, as Marta said, the way that Germany and France have approached the problem. McCain takes a more eastern European approach, which also might be shared by the U.K. What this means is that, either way, Russia is going to present significant challenges for transatlantic relations. There's going to be, particularly if Europe fails to unify its policy on this, a temptation to divide and a temptation to have the types of problems you saw in Iraq where parts of Europe will go with the United States and parts will not. I think, if for no other -- and here I try to respond to Andy's challenge. Part of the reason for this crisis will be that Europe is divided and it's incapable of having a coherent Russia policy. It

would be very beneficial for transatlantic relations actually if Europe did have a coherent Russia policy - - and this is slightly unfair because the United States isn't divided and doesn't have a coherent Russia policy, but they could. I think they will no matter who is elected. I think that it would help transatlantic relations if Europe had a coherent Russian policy, no matter what it was, because it would avoid the unstoppable temptation to pick off the parts that whichever president wants and that will make whatever policy we have toward Russia less effective. So with that I will let the audience jump in. Thank you very much.

MS. BINDI: I mean unfortunately, and with lot of regret, (inaudible) chair, but otherwise my head will be chopped off if I don't go to this meeting. I will see you in couple of hours.

MR. ROY: So I take questions for you collectively and then you answer. Or we do at (inaudible)?

SPEAKER: (inaudible) questions and then we

will see --

MR. ROY: I'm not in this -- yes, yes. You hear me. Yeah. Okay, as you can see, now the panel has been downgraded, you know. I'm not Federiga any more. I'll be glad, you know, to coordinate a session of questions. My suggestion would be like yesterday. If we can collect, you know, a group of questions and then we'll do it in order and Andrew will be first. But, please ask any questions to anybody or in general. I'm going to just share with you an anecdote. I come from a place, I work at the University of Miami, but I'm originally from Barcelona. Now in Miami, no one, absolutely no one poses questions. Everybody gives speeches. But I am in Rome from a Barcelona perspective, and please pose questions and short -- one, two, three.

SPEAKER: (inaudible)

SPEAKER: Can you identify yourself?

SPEAKER: (inaudible)

SPEAKER: Just wait -- excuse me.

SPEAKER: Speak up. It's very hard to hear.

SPEAKER: Wait for the microphone.

SPEAKER: No. There is a microphone.

SPEAKER: (inaudible) State University.

(inaudible) first of all I agree with all three
(inaudible) by Marta Dassu. (Inaudible) rise of
powers (inaudible) Europe security and (inaudible) we
need to (inaudible) powers before (inaudible). So how
to do this is a good question. Some in Europe
(inaudible) in the first week (inaudible) going to say
that these are the things that are yet to come and we
don't have to (inaudible) them right now, but time is
pressing, we have to start working to shape a future
(inaudible) right now --

SPEAKER: This is your comment. Can you do
the question?

SPEAKER: (Inaudible) So, what do you think
about Europe's, some European's position of trying to
appease Russia (inaudible)? Do you see this as a
justified (inaudible) right now (inaudible) strategic
considerations and trying to close eyes on the
(inaudible) energy (inaudible) since its rise to power

(inaudible) and not really pressing Russia to be more constructive and don't get to the use of power like it really has, it really cannot pushed to be more constructive (inaudible)?

SPEAKER: Thanks.

SPEAKER: My name is (inaudible) and I am from (inaudible) Turkey (inaudible) Washington. I have two small questions. First, to (inaudible) Mr. Moravcsik, what's your (inaudible) personal views of the League of Democracies notion (inaudible)? Second (inaudible) question the whole panel, is that possible they can answer? The first one is what's your personal views on the Georgian and Ukrainian membership? Do you think that by the time that February comes and the new administration in Washington settles, will it be too late to put forward the, for solving the possible conflicts in the region? I mean the (inaudible) question with NATO may be the Ukrainian problem is (inaudible) the conflicts between Georgia and Russia are occurring every day. So what will be the possible U.S.-Europe cooperation in that

matter? And third question is I know that even before this happened in the U.S., there are people who are arguing that Iraq should be divided after the U.S. troops come back home. I'd like to hear your personal views about what will be the future cooperation on Iraq. Even McCain or either Obama comes to power, I'm sure that there will be at least -- it seems that there would be a removal of some part of our troops, some portion of the troops. So will there (inaudible) at least become a region where Turkey and Israel could play a greater part or will the U.S.-Europe cooperation will start to implement policies in the Middle East despite U.S. and Europe cooperation shift (inaudible) Russia and China?

MR. ROY: Sir, there was one person here. Almost in the middle. No?

SPEAKER: No.

SPEAKER: So, then the next one is here.

SPEAKER: These are already non questions. No?

SPEAKER: (inaudible) I'd like to ask Marta

Dassu about her (inaudible) is not really interested in building the strategic partnership with China. In order to be not so clear cut as our president asks, maybe the idea of strategic partnership has been (inaudible) in a relationship. But it also is (inaudible) which (inaudible) policy toward China (inaudible) maybe our conclusion will be not be so (inaudible). I think that's (inaudible). So I'd like you to give me more --

MS. DASSU: Arguments.

SPEAKER: -- reasons and arguments about --

MS. DASSU: Yes.

SPEAKER: -- your solution.

MS. DASSU: Sure.

SPEAKER: We have three questions.

(inaudible) I think I totally agree with the thing that Professor Moravcsik said in the beginning. I think that it is disconcerting (inaudible) there is disagreement between the U.S. and Europe and the role in Afghanistan as it was mentioned (inaudible), but on Iran and Iraq, our policy toward North Korea, and I

just think that, I mean Madeline Albright wrote a piece recently proclaiming (inaudible) future of (inaudible) Obama Administration (inaudible) concept of multilateralism, so I think that the disagreement is disconcerting, but to a certain extent deeper. But this is not the question. The question (inaudible) recollect some of the points that were raised by Professor Dassu and the presentation by Professor Amato yesterday, which was really complementary to yours in the sense that he pushed strongly on the idea of enlargement. So, I mean, they (inaudible). And one was said (inaudible) significance on what the transatlantic (inaudible) by when the transatlantic relationship was the fact that Europe and the U.S. (inaudible) in a common gain and this (inaudible) should produce a common gain. But he wasn't clear whether the U.S. and Europe will produce to this common (inaudible) international bargain or whether Europe or the United States will bargain globally with some entities like China, Japan or (inaudible). So it's just (inaudible). The second and the third

request are the three questions to Dr. Shapiro asking -- it's one of the questions you raised, but to what extent do you think, I mean, that the disagreement between the U.S. and Europe since 2003 is conjunctural and to what extent do you think it is structural. I think that we will have changes, and we already see them (inaudible) between Europe tour (inaudible) Paris and London. But, I was surprised when I heard that McCain even at the eve of the (inaudible) commissioner for environment and I doubt that he will (inaudible). And the last question is for Marta Dassu.

Interestingly, I (inaudible), I mean you had (inaudible) a very interesting symposium with Henry Kissinger and the discussion was really on Italy, Europe and the United States. My question is I think we can still speak individually to the United States as (inaudible) and the United States has interest to diversify its diplomatic performance so to speak, but to what extent is this special relationship sustainable for other member countries? I think that the special relationship will be sustainable in the

U.K. Probably less for (inaudible) unless it is upgraded to (inaudible).

MR. ROY: Okay. My suggestion would be that we'll take the last one in this round, then give the speakers a chance, you know, to answer or comment. Then we'll do a second round. Otherwise, you know, the attention span is limited. I'm lost myself.

SPEAKER: My name is (inaudible). I'm (inaudible) for a number of years and I would like to beg to disagree with the first, with Andrew on something he said. He said that if I (inaudible), he said that several times the United States found themselves (inaudible) in their endeavors and he mentioned a few examples. One of them was the case of Libya. He mentioned (inaudible). Okay. I agree that the countries maybe have not officially supported the position of the United States. But, and this is public information, the (inaudible). One of their (inaudible), so in lieu of (inaudible) possible for aircraft not to be threatened by the Portuguese (inaudible), so why (inaudible) there was more

pressure in the (inaudible). It's not in the interest of Europe that the United States (inaudible) probably concerning Iraq (inaudible). Thank you.

MR. ROY: Okay. First --

ANDREW MORAVCSIK. Okay, this is going to go very fast. Seven quick points. First of all, it shouldn't -- it should never surprise you that American politician talks to (inaudible) if you understand the American electoral system. Secondly, on Libya, maybe it went by too fast. What I said was the official story was the F-111s went up through Gibraltar. In fact, they overflew France. The French denied this in public, but permitted them to over fly. The public story was they didn't offer support. Privately, they did, which is, in fact, exactly the same as Iraq. I talked with Yoshka Fisher for a year at Princeton when he visited us, and of course, among the things he told me, which is now public knowledge, the Germans provided spotters for the American bombers of Iraq during the first days of the Iraq war. So there's a lot of covert support that takes place

during these events, but that doesn't change the fact that it was a transatlantic crisis. On the League of Democracies, I wouldn't be too quick to attribute this idea to Bob Kagan and John McCain. In fact, it's a bipartisan idea. I feel strongly about this because my wife and John Ikenberry have been promoting this idea considerably before Bob Kagan picked it up among other places in the Princeton Project Report on National Security. So there is a potential Democratic version of it and a potential Republican version of it and the difference, I would support the Democratic version of it and I think the Democratic version of it I would support would have two differences from the Republican version. First of all, it would be stated in a version very clearly consistent with UN obligations. So you would say that one of the purposes of the League of Democracies or Concert of Democracies would be to seek to reform and improve the UN rather than to circumvent it, which is the covert agenda of some people on the right. The second important thing, which you really feel strongly if you

spend time in China, is that you need to create a soft edge of the Concert of Democracies, because the moment you mention this idea in China or Asia, people go ballistic. And I think the way to do that is to create a category of Democratizing countries who are involved in, but not poor members of this organization. The Chinese, in my view rightly -- and I would point you to John Thornton's brilliant article in Foreign Affairs a few issues back -- the Chinese rightly view themselves as the democratizing country and we should be engaging, we should take them at their word and then force them to engage in debates on the basis of their own statement that they are a democratizing country. So we should say, good, you're not a non-democratizing country like Burma. You're a democratizing country, so we put you in this category and we want you to be engaged in discussions with us about the meaning of democracy in China, which they then can't duck because they themselves claim they're a democratizing country and we would create a kind of grey area within this organization. I think that

would be a productive forum in which to do business. Sticking with the issue forth of China, and speaking to Marta Dassu's point, I don't think the rise of China actually poses a problem for the transatlantic relationship for two reasons. The first is having spent a year there, I think China is a firmly status quo power, an extraordinarily status quo power. Certainly this is true in historical perspective. I mean compared to the rising powers of the past, we should count ourselves lucky to be living in an era where China and India are the countries we have to worry about. The folks in Beijing are 100 percent concerned with maintaining economic growth in China and everything else is a distant second. But if that were to go south, and there were to be a problem with, let's say, decline in the world economy and then a rise in the nationalist faction in China, the Susan Shirk scenario that she's been worrying about in China, then I think Jeremy Shapiro's brilliant point would apply, which is that then Americans and Europeans would find themselves forced into the same

position vis-à-vis China. So I think either way you play it -- threat or not threat -- China is not a problem. Fifth, on Russia, I think it's unrealistic to expect that Europe has a coherent energy policy vis-à-vis Russia. I agree it'd be wonderful if it did, but the United States doesn't have a coherent external energy policy as Jeremy sheepishly admitted. Nobody has a coherent energy policy because you could never get your public to accept it and if you look at the political autonomy of energy in the 27 countries in Europe, the kind of domestic change that would be required to get them all on the same page would be so wrenching that it's just not realistic in the real world to expect to see that and no amount of twiddling when institutions in Brussels is going to change that basic fact. So I think we just have to accept the fact we live in a world where you can be manipulated by the Russians just like the United States is manipulated by OPEC. Tough luck. Sixth point, on the division of labor. Now, Marta Dassu and I are going to trade the worst epitaph that you can throw at

somebody in a foreign policy debate which is you're theoretical and I'm practical. So she says in theory it's good to have a division of labor, but in practice it doesn't work. Well, I say in theory it's good to have everybody doing hard power and soft power, but in practice it doesn't work. And what I mean by that is having a hard power capability or having a soft power capability is a very, very deep institutional and social commitment by a country. The United States has a hard power capability because for 60 years, since the second World War and all the way through the Cold War, we have built it up, year after year after year. We're still flying around B-52s that we built in the 1960s, right? I mean this stuff takes a very, very long time to build up. And so does the political commitment to it. You cannot change it overnight. Similarly, the EU is able to enlarge to Bulgaria because it spent 50 years building up the political and institutional capacity to do so. So it would be nice if we can waive a magic wand and build Europe a little bit better army, and build the United States

and EU, but I don't think that's going to happen. So we need to work within the political, ideological and institutional capacities that exist. I don't think you're going to see crack European troops in Afghanistan. And since you're not, let Obama send in the surge and get the job done. I don't think America is going to be very helpful in Turkish enlargement and every time they send somebody there to stiffen the backs of the Europeans, they just annoy them. So let the Europeans deal with it. I think European policy makers are courageous pursuing enlargement in the face of single digit, single digit public opinion and support in a lot of these countries. I think that is a heroic enterprise and I think we should let them do it their way and that's the most you can realistically expect. And I think that's practical, not theoretical. Final point, in response to the question, will -- where was the question? Will Europe and the United States negotiate bilaterally or within a multilateral forum more generally? Again, I think that's a formulation of the question that is abstract

rather than concrete. The answer to that question varies by issue. There are issues in which bilateral discussions region to region make sense. There are issues in which bilateral discussions U.S. with individual countries and coalitions of the willing makes sense. There are issues where flexibility makes sense. There are issues where, like trade, where a multilateral forum makes sense. The world economy and the world (inaudible) is an issue specific thing. It's messy. And so we just can't give a clear answer to that kind of question. And, again, that's a practical rather than theoretical answer to the question, but I just think that's the way the world is these days.

MR. ROY: (inaudible) please Marta.

MS. DASSU: Okay. Thank you.

MR. MORAVCSIK: Can I just apologize, but I need to go talk about Asia, so I'm going to slip out pretty soon, but not before I hear what Marta -- as much as I can -- of what Marta and Jeremy have to say.

MS. DASSU: (inaudible) I'm sorry maybe I'm

going to forget some of, yes. First of all, again on this common neighborhood -- the reality, yes, is that after enlargement the European Union and Russia have in a sense a common neighborhood. Now, Russia wishes to keep a sort of sphere of influence very clearly and also to have a little power equally clear. Europe is not ready to grant either, to grant a little power to Russia. I don't think that nobody -- I think that nobody in Europe involving German and France and Italy, the pro-Russian ones are ready to grant Russia little power. And yet, this is my impression, these countries think that Russia is sort of legitimate (inaudible) with this neighborhood. And so they try to strike a very dedicated, if you wish, balancing act, and I think that the final result will be that we are ready to leave the door open, in theory again, Andy, until possible (inaudible) enlargement in the future. In practice, we are trying to buy time. This is the European position according to me. Second point, on Iraq is going to become a fragmented state or a federal state or something of that kind. I think

that a real fragmentation of the country is not in the cards. I think that we are seriously trying to keep the country together. There are better chances now than before, but always better chance involve a (inaudible) with Iran. We never mentioned the word Iran here up to now and so I'd like to make a bit addendum. In case of a military attack against Iran, we will discover that the transatlantic crisis is not conjunctural, but more structural because, I guess, that in case of an attack against Iran, we will have very serious problems again. I don't think that the Europeans are ready to buy the argument that this attack is needed. So that will cause again, if you wish, a serious crisis in between the western countries. Third point on the League of Democracy. Andy, a bipartisan policy based upon two totally different ideas of the same policy, the bipartisan is only on the name -- League of Democracy -- because the interpretation you give is totally different from the other ala Kagan. So, in case of Kagan, we are a block of democracy against the non-democracies. In your

case, you have a sort of soft block of powers able to produce more democracy in the world, more or less. I think it's a very ambiguous concept. I think that Europeans are totally opposed to this -- part of Europeans again, but most of them -- for a fundamental reason that for the Europeans, the League of Democracy is the Transatlantic Alliance and there is no way for the Europeans -- this League of Democracy is seen as a downgrading of the Transatlantic Alliance. The Europeans hope to remain the real democratic allies of the United States. They think that the Transatlantic Alliance is the core of this democratic club. And the idea to bring in Asian countries --like Australia, Japan, India -- is seen as a sort of downgrading of the Transatlantic Alliance. In the version ala Kagan, moreover clearly this becomes a club against Russia. And, for the reasons I already mentioned, the Europeans are not in favor of and potentially against China. Yes, I said before that Europe sees China mostly in economic terms. This is what I had in mind. Why the U.S. have very serious security obligations in

Asia through the agreement with Taiwan. So, if we look back, for instance to the risk over the (inaudible) to China, we discover that there are real differences there, because the Europeans are ready to sell arms to China out of economic motivations. The Americans have a totally different outlook on that. China, yes, is a status quo power. I mean not theory nor practice, but it's difficult to see China as a status quo power. I mean China has completely changed the international balance of power and yes, for the moment being, China is not ready to take up global obligations, so the idea is that China can stay with the system we have. I agree with that. But the reality is that the mass of China has completely changed the international system. This is the real point. And finally, the hard power and the soft power -- we don't have a European Union defense. This is the problem to understand. The European Union is something else. In defense and foreign policy, we have a collection of nation states and France and the U.K. are traditionally military powers. They are

totally ready to fight abroad, so I don't see the point you made before, Andy. There is not a different military culture. The most important military players in Europe, that is France and the U.K., are ready to send troops abroad. And we have a lot of troops abroad. This is the point. Including Italy, 10,000 men. So, really I don't see that we are so (inaudible) in the end. Certainly we are not able to wage the same kind of war the U.S. are ready to wage, but I don't see the real necessity of this kind of war any longer. It's not any longer (inaudible) is not any longer the norm. And finally the special relationship is a myth. It doesn't exist.

SPEAKER: (inaudible)

SPEAKER: No, you're not. Yes.

SPEAKER: (inaudible)

SPEAKER: Different people.

MR. SHAPIRO: No, I think I get to reply first. It's a privilege since I'm sitting up here. I guess I'll just address some of the points. I think my compatriots covered it fairly well and I'd like to

say that I'm definitely trying to take a middle position between them, which is hard. I'd like to address the Georgia-Ukraine question a little bit. I'm mindful that the Georgian Foreign Ministry is here, so I'll try to be diplomatic about it. I think both candidates have essentially the same position on this and the same position that the Bush Administration has, which is that Georgia and Ukraine should have membership action plans if they want them and that we should move forward on that. That's obviously been a point of contention in the Alliance, but what was interesting is that what came out of that last NATO Summit was not a membership action plan, but nevertheless a commitment, a political commitment that Georgia and Ukraine belong in NATO. To me that implies that there can be more sort of slicing at that salami. I don't think it will be too late because, for better or for worse, there's always problems in the caucuses, so it's never too late to try to solve them. In terms of this question of whether U.S.-European problems are conjunctural and structural, I

never know quite what to do about that, with that -- whether there more conjunctural, more structural. To me that's a little bit like asking, you know, which blade of the scissors cuts the paper. It's a very sort of Zen question and my answer is always yes. So, I mean, for example, take an Iran attack, which I need to emphasize will not happen, so, and there's many good conjunctural and structural reason about that -- but that's not in the offing no matter Seymour Hersh tells us that it is. But, let's say that we got to a point where that was a discussion. Well, I guess the structural reasons for disagreement are that the U.S. is more concerned about Iran's nuclear program in Europe and more willing to use force against it. But, what are the lessons that the U.S. taken from the Iraq experience, which after all happened? It's that doing these things in that manner doesn't make sense. So the conjunctural effects are that we would be a very strong effort to get European acquiescence alliance in some way -- much as there was in Iraq. But when it failed in Iraq, they went forward anyway. I would

argue that that wouldn't happen again. So that doesn't tell us whether the U.S. and Europe, whether there will be an attack on Iran. What I think it does tell us, that it wouldn't be a problem for the transatlantic relationship because the decision would have to be a joint one and I point to you that, in fact, that as much as we deplore it today, the decision on Iraq was nearly a joint one. It was a near run thing -- I wrote a book on this so it's near and dear to my heart. You saw it in the library actually. So, check it out. Buy one for your friends. It's a good Christmas gift. Agreement on Iraq was not at all impossible. I'm not sure it would have been a good idea, but it wasn't impossible. And a matter of fact, poor diplomacy on both sides really screwed it up. So in fact the disagreement was conjunctural. It wasn't structural. And I think on Iran, the structural factors are such all of these other problems in the world that we're talking about - - the experience with Iraq -- that the idea that they would allow, have that diplomacy fail and go forward

anyway, strikes me as inconceivable. We're just not going to see a replay of the Iraq episode. In terms of this hard versus soft power, I spent some time recently in Afghanistan talking to both European and American soldiers there and it's interesting the European troops there, they seem pretty hard -- some more so than others, but overall hard. And they are frustrated by the limits that their government places on them. And they're frustrated by the lack of resources that the government has but does not give them. So, while I accept Andy's point that Europe has a comparative advantage in these civilian things, relative to the rest of the world, certainly relative to Afghanistan, Europe has quite a bit of hard power to deploy. The Americans in Afghanistan are frustrated by the European commitment, particularly in the sense that they give troops, but then the troops aren't useful for anything even though they are capable. And that it's so politically difficult to use these troops that they very often wish they weren't there. And I think that that there's no

question in my mind that that erodes solidarity and that that's been difficult for the Alliance. The American military, at this point, has become -- even though they have great respect for British and French and Canadian capabilities -- has become an advocate for getting NATO out of the Afghanistan war -- maybe not technically, but functionally. Actually, frankly, they were this way in Kosovo. There's always a price, a military price to be paid for these coalitions. I think it behooves us to want these coalitions to work -- the American military being a very powerful political actor in the United States -- to make sure that there is actual real military contribution there. And I think it's possible, but it is a question of political commitment and political will. I guess I agree with Marta that both America and Europe have hard and soft power instruments. They need to deploy them both and they need to employ them both together. They probably will do it in different ratios and they will always argue over the burden sharing, but I think that the notion that you would explicitly specialize

becomes a real problem for solidarity --

MS. DASSU: Solidarity.

MR. SHAPIRO: -- and that will eventually tell. There's an old story about a French general who, when he -- before World War I, he was asked what kind of contribution he wanted from the British Army in the case of a German attack. And he said how many troops do you need? He said, you see, he said, I need just one soldier, but make sure that he get's killed. And what he was saying by this in his oh so humanistic way is that what's important for this commitment is that we go and fight and die together. And I think even in this sort of post-modern age, this shouldn't underestimate that. It's just not the same to send money and agricultural specialists when other nations are paying in blood and that remains the case and it's an important element of solidarity. I don't think there's any question that Europe is currently capable of that at levels that could be very useful in Afghanistan and other places. They're currently doing it. And I also don't think that there's any question

that they could do somewhat more. On the U.S. and Europe in the Middle East and in Iraq -- I think on the question of Iraq, frankly, we're all out of ideas and I think we've given up on the notion that we know what's going to happen in Iraq or that we can really direct the evolution of Iraq in any fundamental way. So it's not an element of disagreement, but it could be, it could be a place where as events go forward, there will be yet another argument over burden sharing. I think that's what we're likely to see. I don't think that there is a difference on the solution, because I don't think anybody actually has one. I think the more problematic issue for the Transatlantic Alliance in the Middle East, and I didn't mention it in my presentation because it's not a difference between the candidates, is the Israel-Palestine peace process. This is some ways the most fundamental foreign policy difference between the U.S. and Europe and the one that actually divides them as the U.S. and Europe. It's very interesting -- when American statesmen wake up in the morning, they don't

think they have any influence over the Israelis. When European statesmen wake up, they think American statesmen do. And this creates fundamental divide in how they see the problem. Europe is constantly saying to the Americans, make Israel do this and the Americans are constantly saying, look I wish I could - - or maybe they don't -- but they feel as if they can't and so they have never, I think had a common approach. For a long time, they had a common approach to the Israeli peace process. I think as an American leader goes forward and tries to re-take up -- as President Bush has in the last two years, but I think the next American leader would try even harder, and perhaps somewhat more effectively, to move forward on this peace process -- I think it's going to be very, very difficult to work with Europe on that because they see the problem so fundamentally different. The United States sees itself as brokering whatever agreement the parties on the ground can reach and accepting that maybe they can't reach one. The Europeans essentially see the Americans as a player in

this that can use its \$3 billion of aid to Israel to sort of alter what their demands are. The U.S. just doesn't see it that way. I'll end it there.

MR. ROY: Before we go to the second round,
Marta --

MS. DASSU: No, please. I will add --

SPEAKER: Look, I'll follow the orders of the members of the panel without using more of my authority. That reminds me about the limits of time. You know friend at the European Parliament, you know, told me that the most effective way to limit the time is that they say at 12:30 it's finished, and it's finished. You know why? Because the interpreters leave, so then they don't have any voices. So at 12:30 it's finished.

MS. DASSU: At 12:30.

MR. ROY: Second round. Give the chance to other people.

MS. DASSU: Unfortunately the same people.

SPEAKER: Excuse me? Down there.
Philomena, can you wait? I saw the lady first.

SPEAKER: Thank you. My name is (inaudible). So my question is for (inaudible) Mr. Shapiro and (inaudible) Jerusalem shall be the capital of Israel. Disregarding what is (inaudible) Jerusalem and it was something that really surprised me but (inaudible) so, and if yes, how will this impact EU-U.S. relations on such a sensitive issue providing that Europe (inaudible) established Palestinian authority and uphold the Palestinian (inaudible)? Thank you.

MR. ROY: Okay. Then, Dr. Murray, can you -

-

MS. MURRAY: Philomena Murray --

MR. ROY: (inaudible)

MS. MURRAY: (inaudible) I treasure your papers very much and thank you very much and I also enjoyed the way you were able to not only see diverges and converges in relationship, but that there was diverges and converges in the panel itself. So thank you. That was very intellectually stimulating for those of us in the audience. My main issue, my main

interest in the EU's foreign policy actually in terms of trying to be a significant power, and with that I'm particularly interested in the perceptions of non-EU countries and how they actually perceive that perception. I'm not so much interested in public opinion, but actually interested in how (inaudible) deal with the European Union as an international agent, an international actor and part of it comes from my previous job as a diplomat. So I'm just in a sense drawing on national (inaudible) and really asking you your perceptions of the contradistinctions or differences from European Union of the United States and I see it in three ways. Particularly I see it in three ways being acted out in EU-Haitian relations, which is what I'm going to be talking about tomorrow -- the difficulties. It seems to me that the European Union is promoting itself first of all as the European model, the social model, so it's model Europe. And secondly, it is promoting itself as regional power of Europe in its interregional relationships, not only with members (inaudible) to a

certain extent (inaudible), particularly with ASEAN Plus Three and ASEAN Plus Six. And the third way I see it is also in terms of soft power Europe now being rethought of in terms of civilian power Europe, (inaudible) power Europe and a term that's being used increasingly by European Union leaders, particularly commissioners and their representatives as ambassadors in the (inaudible) and that is the (inaudible) bringing together soft power to power. And it seems to me that these are the three ways in which we can see contradistinction between the United States and the European Union, but it also seems to me that these are very much a type of (inaudible) and thrust -- very (inaudible) from the United States (inaudible) thrust and I'm aware of the soft and hard (inaudible) positions of the United States, particularly in the invasion of the East Asian region. So I suppose my question is really what sort of image do you think the European Union is projecting, particularly drawing on what I would say these three major trends, in its international relations, in contradistinction with the

United States? I'm interested in hearing sections on Asia and was hoping Andy would still be here, but just in a general sense of perception as well, because it seems to me that we've talked a lot about image and perceptions, but we haven't raised the issue of (inaudible) and how that's accepted in the international level. I think that is also something perhaps the speakers may want to talk about (inaudible). Thank you very much.

MR. ROY: Okay, there was a gentleman there.

SPEAKER: Good afternoon. My name is Christian (inaudible) Colleges in Southern California. I will change to a different, more brief question. The U.S. dollar is pretty much still the dominant currency in the world in terms of world reserves and kind of still the main currency, but what is or what would the remaining panelists view of the strength of the Euro in terms of its strength internationally and as in maybe a potential threat, not necessarily tomorrow, but further future and how will that affect the west EU relations?

MR. ROY: Then there was another person in this area. It's okay.

SPEAKER: My name is Aaron (inaudible). I go to American University. I have two questions. If, as Dr. Moravcsik said, the concerns of the transatlantic countries are so divergent as they pertain to China such as the value of (inaudible) or intellectual property, then how come the United States Foreign Ministers and EU Foreign Ministers haven't gone as a block together to China as a unified front to speak to them about those concerns? And second of all I would like to know what's on the -- if, what you, Ms. Dassu, said about Russia being such a concern (inaudible) within the European Union, then why would you allow missiles and radars to go into the new member states? What would be your perspective on that as being a divisive issue, kind of antagonizing Russia? Thank you.

MR. ROY: Okay. Then next.

SPEAKER: (inaudible) Washington University. I'm a graduate student with European Studies. I have

two questions as well. My first is something that Jeremy brought up about with regards the isolationist tendencies of America given the --

MR. SHAPIRO: I said introversion.

SPEAKER: -- I'm sorry. Introversion tendencies of the United States given the past eight years. I was wondering how you -- given the fact that the world and many of Americans have been holding their breath for the eight years on a number of issues ranging from energy to climate/environmental and now our economic crisis, how do you rationalize these pressures in America with the actual need for American leadership going forward and how difficult will it be for U.S., a new administration regardless of who it is, to take on this issues and going a little bit further, what type of great leadership can the EU offer or provide given this situation? The second question is supposing (inaudible) the world the European Union were to come up with a common Russian policy within the next two to five years, to what degree do you think the U.S. will allow Europe to take

the lead on this policy (inaudible) different levels of (inaudible) within Europe. Two questions.

MR. ROY: Okay, the suggestion would be five questions, then give them a chance --

MR. SHAPIRO: Maybe we should -- I think we have enough actually.

MS. DASSU: Yeah.

MR. SHAPIRO: I'm getting a little bit lost.

MS. DASSU: Can we reply, yeah?

SPEAKER: That's it. Right.

MS. DASSU: Me?

MR. SHAPIRO: After you.

MS. DASSU: Yes. There's no point on Afghanistan -- replying to your points before starting to reply to your questions -- because I think that the situation now in Afghanistan also reflects the very beginning of the way in which we entered Afghanistan, because after all we have two different operations on the ground. That is the NATO operation and Enduring Freedom and just depends on how the (inaudible) 2001 refusing the article (inaudible) by NATO, so there is

an historical, if you wish, origin for this separation between the U.S. and Europe, according to me, on the ground. And the second point is that after all the hesitation, for me, of the European soldiers does not come on from this public opinion, domestic constraints, which is a part of the history, but also from the year that we are not winning the war and so the idea behind for me is that which is the strategy able to produce results and the idea in Europe is that if you kill -- this is the point -- civilian people, you are not winning the hearts and minds. So there is in a sense a criticism on the military strategy that is able to produce results. And this is a key point for NATO, according to me. Unless we find a new agreement on the way to fight these (inaudible) wars, which are in part (inaudible), in part antiterrorism, in part reconstruction, etc., etc. This problem of solidarity will become very important because it comes out not only from differences of the ones on the run by Andy, but by a fundamental disagreement on how we produce a victory in this kind of situation. Israel-

Palestine, I think that this huge divide is more of the past than of today. I think that after Lebanon, after Iraq, after Iran, after Syria, after all of that the positions are closer. First of all we have in Europe the pro-Israeli generation we never had before. (inaudible) is in a very strong position, America also, (inaudible) I would say. Maybe the U.K is the exception in this case, but I mean the two of, the three of them, they have decided to guarantee, if you wish, to guarantee their position vis-à-vis Israel before, and then to decide to open up to Syria etc., etc. But it is a different policy as compared to the past. And here I find the possibility of a (inaudible) agreement in fact on the transatlantic level. Europe's foreign policy, Europe as an actor, the image of Europe in the world -- I share your view. There are these three components. The regional one is very important. It is true that Europe has always thought of the new balance of power as build up upon regional integration schemes. In the end I would say that the image of the European Union in the world is

the Euro fundamental and here I go to your question. It is true that the Euro's strength is becoming a problem for Europe itself not for the U.S., because you have to take in mind that the cost, the economic cost of this adjustment have been paid by Europe through the strength of the Euro. And the decline of the dollar will become a problem in case that they have (inaudible) Israeli (inaudible) unless the main (inaudible) of the dollar that is the oil producing countries and China remain, until one they will remain anchored, pegged to the dollar and I think this is the case because there is the integration between the two systems, I have been trying to explain before, until when we will have this kind of integration between the weak dollar, the high (inaudible), the producer which remain pegged to the dollar. Europe will take serious costs of adjustment to the strong Euro and this is why I think that the main problem in transatlantic relations is of economic (inaudible) now much more than of the security nature. Because in Europe this is felt as a sort of unbalanced system, and the idea

in Europe is that we would need to have a sort of basket of currencies -- the Euro, the dollar, the Yen -- all together so as to reach a more balanced situation. The point is that this same position, in multiple basket currency, is the one that (inaudible) expressed the other day, the other week. So in a sense, you could have a strange sort of debate over multiple, over multipolarism which could come out not from the usual rhetorical debate, but from the idea that we need to have a system based upon multiple currencies. My last point on Poland. Poland is a sovereign state. I think that it is Poland that has decided to host the sites and rightly so if you wish. So the problem is to understand that really the European Union is a thing. Europe is not a thing, unfortunately, to wish, but this is the reality. And we have a really unique system made up of sovereign states which remain different, independent in crucial areas which are defense, foreign policy, etc., etc. And then we have the European Union and the European Union is the reflects of a decision to share sovereign

powers in a fundamental, economic fields like the currency, trade, etc., etc. But in other fields like foreign policy and defense, the nation state remains key in Europe. This is the problem. This is the mix and this is the ambiguity, if you wish.

MR. SHAPIRO: Thanks. I'm glad I was able to cut you guys off because there was a lot there and I had forgotten about half of what I wanted to say already, so I'll just say the other half. In terms of your question in the back about Obama's statement about Jerusalem being undivided, it's the U.S. position and Obama's position that it's up to the parties on the ground to determine what the settlement would be and the U.S. doesn't have very many stakes in that. When he refers to a Jerusalem undivided, what he's referring to is the demand that comes from both sides that we not return to a situation like we had before 1967 where our holy sites were cut off and where Jerusalem was like a Cold War Berlin with a wall down the middle. What he means when he says Jerusalem is undivided, that doesn't prefigure any sort of

sovereignty arrangement. What it does is say that Jerusalem must remain a place that is in tact and available for all of the religions and all of the peoples that find it to be a special place. And that is a core demand actually of both sides. I wouldn't say it prefigures very much. I wouldn't say it's actually a change in U.S. policy. I know it hasn't been expressed that way. In terms of the EU as a political actor, I guess maybe this has two dimensions I think that I'll address. The first one, which I think is the one you are asking, is how is the EU seen in places like China and how is this sort of potential for soft power hegemony taken? I find this, in my exposure to Asia which is limited, I find that this idea is not something that they even contemplate or understand and the idea of EU hegemony in places like China or this notion of soft power hegemony is totally beyond their vocabulary. It's a sort of post-modern expression about a world -- told to someone who lives in the modern world. And you might as well be talking to them about space travel. They fundamentally don't

view the EU as a geopolitical actor and there's no amount of sort of talk about the (inaudible) and the wonders of the Schuman Declaration that will change that. This is a very strong sense in Asia. It's very interesting when you go to Europe and even the United States, you can be sort of convinced that the world is moving in a sort of (inaudible) direction. In this sense, Asia is like the 19th century. It is the antidote to post-modernism for better or for worse. In the U.S., I think there's been a major change, one that hasn't been very well appreciated in Europe in how the EU is seen as a political actor. In the 1990s, there were a lot of let's say ideological visions on this in the U.S. Do we want an EU that can be a competitor? Do we want to keep them separated? How will it affect NATO? NATO was something which was sacred and seen as ideological. All of that stuff I think is very 2003 and, in fact, we don't really have those debates in the United States any more. We take the completely pragmatic approach to the question of the EU as a political actor, or the EU as not a

political actor. The question is, and this is the consequences as I was pointing out is the fact that what we're doing, and what we want out of Europe is health in the rest of the world. What that means, is we don't care how we get it. We don't care if you organize yourself as the European Union. We don't care if you do it through NATO. We don't care if you do it bilaterally. We only care that you do it. And any channel that works will be used and if you see right now that the U.S. is using all three channels, whichever one seems to be the most pragmatic. I think Europeans haven't caught on to that and they're still sort of invoking the United States as having opposition to European unification because of their worries about challenges of their hegemony. We have bigger worries than that. I don't think that's likely. If it was likely, maybe we would worry about it. But at the moment, it's so far down our list of worries, that we don't even think about it. So when the French minister for Europe says that the Irish referendum is the result of neoconservative American

plot because we're afraid of European unification, he vastly overestimates the degree to which we care or notice. And I think, you know, this is an important change. I think it's difficult for some people in Europe because they are used to instrumentalizing the United States in their debates about European unity. They'd say well we can't have greater European defense cooperation because the United States won't let us and that will be a problem with our relationship with the United States. And other people say well, we should have that problem with the United States. That debate is miscast now. The Europeans may want this defense cooperation. They may not. The United States really doesn't care very much. They want effective defense capabilities and they'll take it however they can come. I think this also -- I'll leave you with that I guess. Why don't the United States and Europe send ministers together to China? They have the same policy. You know when we took a U.S.-European think tank group to China, the Chinese got very angry at that notion. If the United States doesn't have a

divide and conquer policy toward Europe, China definitely has a divide and conquer policy toward the west and they would be deeply offended and, in fact, would not allow a joint delegation like that. And so of course that happens at forums like we're seeing today -- the G-8 -- but I don't think that that means that they don't have very similar policies. In fact, we've all agreed they do. Now I'm forgetting some of the questions.

MS. DASSU: The isolationism.

MR. SHAPIRO: Yeah, can I rationalize isolationism and I can't rationalize it, but my experience with politics is that it isn't always rational. I think I would probably agree with most of you that in the sort of globalized world that we live in, it's increasingly absurd to formulate your policies without reference to the outside world. Nonetheless it's marginally less absurd in the United States than it is in every other country. And even to the degree that it is absurd, that doesn't mean that we won't do it. And I think there is a great deal of

frustration in the United States with the outside world because of the problems that we've had in Iraq and Afghanistan, because of the problems that we've had with Europe, because -- most importantly -- because of the economic problems. We have the same globalization debate that you have in Europe, but we don't blame the United States for it. We blame everybody else. And all of that is going to create an introverted temptation which I don't think, as you point out, can really succeed in solving these problems and the United States will inevitably get drawn back in. But that doesn't mean that they can't in the interim do some fairly damaging things. So I think that's something to watch out for and I think it's something that Europe should be (inaudible) should be aware of. Consistent with -- on Russia -- consistent with the view that the U.S. will take what it can get from Europe, I think a unified European policy toward Russia, while it's sort of impossible to imagine -- even the one that is imaginable is really more of the western European view and I think frankly

there is plenty of willingness if the Europeans want to be a capable actor on that to move forward. I think that's a hypothetical that we're not likely to have to deal with, so I don't want to engage it too much. I think I disagree with you on Afghanistan, Marta, although I can't remember exactly why. There isn't, I would say, there isn't -- I heard what you said before. In Europe, I don't think there is a really fundamental disagreement on the military strategy and when you go to the commanders on the ground, be they U.S. or American, they have essentially the same strategy. They acknowledge that they have the same strategy. The casualties are certainly a problem for that strategy and need to be reduced. That's a difficult military task, one that actually would be made somewhat easier with more soldiers, but it's under any circumstances going to be a difficult military task. I think the political divide comes from the fact that because it is an overwhelmingly U.S. operation because there are these two separate operations, which you're right about the

history, but those two separate operations persist because the Europeans don't want to be involved in this part of the war, not because they don't think it's necessary. And just as we were predicting earlier, the fact that they maintain this fiction that they are separate and that they have different strategies, allows people back here to say that they think it should be changed and allow and reduces solidarity. I can guarantee you that if we replaced all 30,000 plus American troops with European troops tomorrow, and put a European in charge of it, the strategy would be fundamentally the same. On the ground, they have really no fundamental disagreement about what to do. It's a hard problem. It's hard to do well, but both sides do it often quite badly and make a lot of mistakes which hurt, but nobody has any kind of golden bullet and this counter insurgency strategy, which is where we are now, not where we started, commands broad agreement across most of the forces.

MS. DASSU: May I assert just one caveat

since the program --

MR. SHAPIRO: How appropriate.

MS. DASSU: Yes. Although the U.S., you have your fundamental caveat according to which your troops are not going to be under the NATO command in this case. They remain under the U.S. command. So this kind of operation is not a NATO only because we don't like to join the hard part of the war. It is also because although the U.S. are not ready to put again their troops in a NATO only chapter, so the caveats are on both parts.

MR. SHAPIRO: I think both are true.

MS. DASSU: Yes.

MR. SHAPIRO: First of all, there are -- of the 32,000 troops there, 23,000 of the 32,000 American troops there, 23,000 are under NATO command. The other 9,000 are, as you say, not. And that is something that both sides are happy with. The Europeans are happy with it because they don't want to participate in that part of the war. The Americans are happy with it because they don't want NATO

limitations, especially because the mandate that NATO has -- the UN mandate that NATO has -- is quite restrictive when it comes to Pakistan. And so it is very difficult to operate under a NATO mandate. I think that's damaging. I agree with you that both sides want it. I think both side are actually wrong. It's very damaging. It's damaging because it's not, it's not -- it doesn't actually represent a fundamental disagreement about strategy --

MS. DASSU: Yeah, yeah.

MR. SHAPIRO: -- it just appears to. And it's damaging because it reduces solidarity and so I think, while I accept the American view that the mandate is problematic, they should be working very hard to unify that mission. At the moment neither side agrees.

MS. DASSU: (inaudible)

SPEAKER: Okay. So the assessment is that we did it very well, on time. We have more time you know for individual questions and comments. Thank you very much.

MS. DASSU: Thank you.

(Recess)

MR. ROY: -- in other words, what is national is the most important. Nothing surprising, because as you know that happens now a days in Europe. If Latin America has a long history of fear for the United States imperialism, also European investment, monetary contributions are important, that creates the notion of European neoimperialism. For example, Spain in this case has been the culprit. In other words, hey, we used to be -- Latin Americans would say, we used to see Latin American immigrants coming poor, okay? Or political refugees or priests or nuns. Now they are coming, you know, with executive brief cases and they started, you know, buying, you know, the telephone companies (inaudible). This is not the kind of Spain that we were used to, you know, they would say. So then the risk of rejection is low, weak -- I mean rejection, you know, for what is perceived in a way as European neoimperialism. However, with this I will end. The most, the most important, the most dangerous

obstacle for regional integration in Latin America is internal, you know. And you are going to say, but regional integration would solve that problem. Well that problem is poverty, okay. I would correct myself, the problem is not poverty. The problem is inequality. A lot of people when they read this in books or in declarations and speeches or statistics, they are just charts. In other words, Latin America is the region of the world that has more inequality, you know. In other words, the people in, the poor in Latin America, you know, are more different than the rich in other regions of the world. That is an obstacle. You are going to say, well the remedy, you know, would be regional integration, structural funds, you know, rich countries, you know, contributing to the others. Well, the problem is that you don't have in Latin America a Germany to contributing, you know, to the rest of the company. I'll end, you know, with a positive note, you know, for sure. Anyway, but however, whatever is done, yes, Latin America is still the region of the world and the Caribbean where the

model or the point of reference of the European Union is more valid and we'll see something going in that direction in the next 10, 20 years. Thank you.

SPEAKER: Thanks, Joaquin, for that magisterial presentation. I suppose there are some advantages to not having a Germany, but we'll leave that to end the question of Canadian relations with the U.K.

MR. LAURSEN: (inaudible) Well, thank you, and if Federiga had been here I would have thanked her for the invitation.

SPEAKER: You can thank me.

MR. LAURSEN: Okay. Thank you. I moved to Canada two years ago or a little less than two years ago and very quickly my European friends started thinking that I would become an expert on EU-Canada relations. And one of those thinking like that was Federiga. I was in Rome last fall and she invited me to come here. I told I was planning to spend some time in Florence doing research in the archives, the EU Historic Archives. I'm doing some work on the very first treaty reforms, which was emerging back in 1965

and this is the first time actually I try as a Political Scientist to do what is basically historic research, so it's fascinating. But, that made it easier for me to contribute here. I was here last week as the students will know. By the way, the overheads I used last week, they are available now. I have fixed them, or the PowerPoint. And the week before, I was in Sienna also giving a contribution. Now, it was with some hesitation I accepted to talk about the EU-Canada relations, and the closer we got to the date, the more worried I got about it, especially academics often have a tendency to say yes to too many things and I direct also the EU Center of Excellence at Dalhousie University and we had a major midterm report at the end of May, which turned out to be a huge job, and I also had to report to Canada Research Chairs about my work there and so on. So in reality, I didn't get the time to work on it that I had hoped. So it is a bit in the last moment, I have tried to put a PowerPoint presentation together and we have to start at the beginning, so let me go up.

Okay. Let me say that the topic, EU-Canada relations, as far as I can see has not really had much attention from academics. I think maybe I have located three books dealing with the topic, and the latest is from '99 and this is this book by Evan Potter, Trans-Atlantic Partners: Canadian Approaches to the European Union. So that gives an overview, but it's not up to date and my talk is not really very up to date because I have visited, of course, the website of the Commission, but a number of questions that I have that I cannot find answers to there. I do find some trade statistics, but there is very little on investments. There is very little on trade in services and so on. So, I'm still looking for data for this work. I should say also I have a research assistant working on it, collecting material from the press and so on, because one of the interesting things I think to study and the written paper that will come at some point will have more on this, the so-called trade irritants and there have been a number of those in the relations between Canada and the EU and I'm

trying to sort out a little more what it's all about. What we're dealing with is then a bilateral relation, but it's a bilateral relation that is embedded in wider international regimes. And if you focus on the economic relations, first of all trade, then of course the international regime is GATT/WTO, and that's basically the rules because the relationship that the EU has with Canada is based on GATT. It's based on most favored nation treatment, which means that Canada is at the bottom of the so-called trade hierarchy that the EU has built up. But, I mean, it's like the United States, it's like Australia (inaudible) and so on. This is the kind of relations that the EU has with the major industrialized countries. Free trade has been on the agenda continuously; especially the Canadians have talked about it. The EU side has not been so interested in this mostly I think because of (inaudible). So bilateral is embedded. If you look at the most security part of it, the international regime, if you will, is NATO/OSCE where Canada is taking part. But I will give (inaudible) with that

because we're talking EU and although the EU has a common front security policy and is now developing a defense policy, I think, and there is a political dialog on these things with Canada, these relations are rather underdeveloped I would say. Then the next thing I should say about bilateral relation is the third party, and that's the United States. You cannot, I think, study EU-Canada relations without remembering the importance of the United States, both for Canada and for the EU. Canadian trade and the EU trade with the United States, and I'll give some figures later, much more important than the trade between the EU and Canada. Okay, so I probably have prepared too many slides, so I will have to go very quickly over some of them I think. I mentioned there is one book, this Potter book, otherwise I'll rely a lot on a paper by (inaudible), which has been published somewhere and which is on the website somewhere and an updated version will come out in a book later on. Also, I might mention that Yasmina Silt (phonetic spelling) and (inaudible), the

Director, Journal for External Relations in Brussels visited Dalhousie back in February and she gave a talk and I have borrowed some of the things that I have in my presentation from her, and, of course, I've used the website especially for some of the economic data. So, I intend to talk a bit about history and then I will look at perception and opinions in Canada, and that's based on the (inaudible) paper. Some trade statistics, I will give. Look at current developments, priorities and irritants, as they're called, and then arrive hopefully at some kind of conclusion. If we go back to the start of European integration, this early period is sometimes called the face of indifference. Some general unease due to preference for the North Atlantic Free Trade (inaudible). There is an article in NATO that talks about economic cooperation that has never really been realized among NATO countries, but Canada has been interested and I think Canada played an important role in getting it into the North Atlantic Treaty (inaudible). And, of course, in this period, the

question for Canada was the growing dependence on the United States, and that's something you see in the whole period. Relatively, the trade with the United States has been growing and with Europe has been falling, relatively. In this period, this is when the U.K. finally joins. In '72, it goes to that period. But, of course, the U.K. had the first applications in the '60s which were then turned down by (inaudible). But the possibility of the U.K. joining the EC as it was at the time, of course, should have had Canadians worried because of the important trade relations that Canada had thanks to the commonwealth with the U.K. And as the European economic community starts working in '58, one of the things that gives problems is the development of a common agricultural policy and, in general, the customs union, but there were negotiations for compensatory measures under GATT. This is according to GATT Article 24. Those that lose because of trade diversion can ask for such negotiation. Mentioned in the literature is a 1959 agreement to supply uranium to (inaudible). Later on,

Canada puts a ban on that, so that's a slightly shortly lived relationship. Moving into the '70s, this is where Canada starts showing greater interest in the European (inaudible) because in '73 is when the U.K. joins the EC. But it seems that one of the factors that affected this was also the so-called Nixon shocks in 1971, when the U.S. Government put a 10 percent surcharge on import and Canada was a little surprised that there was an exemption for Canada. So, Canadian politicians started wondering about how to diversify trade, to get less dependent on the U.S. Basically three options were discussed in an options paper in '71. Do nothing and resign to continentalism. Continentalism is the term used for developing relations, first of all with the United States. (Inaudible) continentalism was second. And then the third one, which diversified EC as counterweight, and so the third option was discussed at that point, but in the end, I can say already now this third option didn't really materialize, didn't produce much. But, finally relations have been built

up. Since '72, there have been high-level bilateral consultations. '73, Canada has an ambassador to the EC. Before it was the one to Belgium that took care of relations with the EC. '74, (inaudible) meet the parliamentarians and then '75, signing of framework agreement. Often in the books they say '76. I suppose that's when it sort of started working. It created what is called a contractual link, framework agreement or contractual link and interestingly enough, the United States didn't get (inaudible) contractual link at the time. So maybe Canada at the time could feel that they got slightly special treatment. But, the outcome was modest. I think these kinds of agreements are rather general about, speaking about economic corporation and so on and they don't take the big step and move towards free trade or whatever it would take. So, that means that the second option, continentalism, became more important and that is what eventually in the '80s is leading to the Free Trade Agreement with the United States and then in '93, including also Mexico, NAFTA. And all

this, of course, increased further Canadian trade dependency on its southern neighbors. Moving into the late '80s and the '90s, the internal market plan in Europe affected, of course, the relations as the creation of the customs unit had done at the beginning. But, actually, as far as I can see, it didn't affect trade enormously. It was more in distance flows that it affected. A number of Canadian -- some of the bigger Canadian companies actually -- invested quite a bit in Europe at this point. The same thing happened with American companies and Japanese companies and so on, because there was this talk about fortress Europe. So, the reasoning was we better be inside the fortress. But, at the end of the Cold War, the idea of free trade is again being promoted and the Americans become interested in developing the relations with the EC also. And, in most cases, that leads to a declaration on transatlantic relations -- the TAD -- which introduced increased policy consultation and coordination and further developed the institutional framework. Later

in 1996, a joint political declaration on Canada-EU relations is adopted and also this time an action plan which should strengthen bilateral relations and enhance economic and security cooperation. In '99, a Canada-Europe roundtable was also established.

Tensions various over time, the CAP, Common Agricultural Policy, has been a constant problem. Of course, other industrialized countries and developing countries, for that matter, have the same problem with the CAP because the way it leads to dumping surplus products and so on. And certainly Canadian wheat exports to Europe have been affected because of the CAP. Uranium ban is mentioned here. (Inaudible) beef, fisheries -- to mention some of the others. The seal has to do with the way they are killed and their friends of animals or whatever, groups, various groups in Europe are against it and that has crated problems. Furs, the way that the animals are trapped with the leg. Again, there are environmental groups in Europe that have been against that and that has led to bans on import of fur from Canada. Beef, it's the same

problem as the, for the Americans. It's a question of hormones that European consumers don't want in their beef, so there have been conflicts about that.

Fisheries have been another element of tension.

Actually I did my PhD on the making of U.S. ocean policies, so I used to know a lot about fisheries, but I haven't dealt with it for many years. But, in the Canadian case, Canada has a very wide continental shelf in the Atlantic, which means that it goes further out than the 200 mile exclusive economic zone and so you have straddling stocks of fish outside the economic zone, because in the economic zone, it's very clear that Canada now has sovereign rights to said quotas and impose (inaudible). It's more unclear once you go outside the 200 economic mile and there is the North Atlantic Fisheries Organization that is setting quotas for these straddling stocks. But, Canada has a feeling that some European fishermen -- especially from Spain and Portugal -- are not respecting these quotas and not using legal fishing gear and so on, so there have been incidents not mentioned here -- '95s

Spanish fishing vessel, Estai, was boarded by the Canadians outside the 200 mile economic zone. So a good question for lawyers, was that legal or not. In May 2004, similar kind of incidents which were Portuguese vessels. Now I move into questions of perceptions and again, I'm not sure whether we have time to go, how much we can go into this, and this is based on some of the research in the paper that I referred to. If you go to the Parliament, the House of (inaudible) and the Senate, committees have regularly done work relating to relations to the EU and they have tried to spur the government to make efforts to increase trade with the EU. Something like fisheries that (inaudible) and if you look at debates in the Parliament, the EU sometimes seen as a model in environment, energy and social policy -- maybe more among the liberals than among the conservatives. I think there are certain political spectrums there. But, (inaudible) CAP has been sort of a constant part of it. In 2005, the Department of Foreign Affairs and International Trade issued an international policy

statement where the EU was seen as a major global partner in development and security (inaudible) defense foreign policy objectives, responsibility to protect environment (inaudible) ocean resources. And Canada has supported the European Security and Defense Policy within NATO. These are just some comments on some of government papers and the paper I've taken it from which goes in much more detail in some of these things. If you look at the political parties, there is little or no mention of the EU in political party's platforms in recent years. You find it more in the opposition. There are some more in the opposition parties than in the government party, the conservative party. There has also been research on security leaks in Canada based on a question in 2006, including both officials in government and Parliamentarians and academics. And, on a scale from zero to five, we get sort of middle rankings in most cases when asked how important the EU is, so moderate important for conventional war, nuclear and radiological attacks. High for, higher for macroeconomic instability and

migratory pressures which is an indication of the fact the EU internationally is more of an economic actor than really a foreign policy actor. In the interest of time, I will move faster. Opinion polls -- there are not so many, but there are a few. 1995 Gallup, which region should be the main priority for increased trade and investment? Thirty-three percent (inaudible) said North America, 23 percent East Asia and 16 percent Europe. It sort of gives an idea. Clearly the EU is considered most important and these days I think upcoming and becoming more important in the view of the Canadians and Europe (inaudible). But, if you ask with which region Canada should sign a free trade agreement, then actually Europe scores very highly with 76 percent, while developing nations only 57 percent. A 2002 survey of Canadian business use on trade and investment (inaudible) with the EU, commissioned by the Department of Foreign Affairs and International Trade, revealed that 87 percent of respondents were in favor of pursuing a free trade agreement with the EU. So the idea of free trade has

support also in business, but it's not something that business is really strongly demanding from the government as far as I can get. So I think whenever - - on various occasions, the Canadian governments have sort of suggested free trade, being bilateral or being it a transatlantic including also the United States, and so I think it has been state led. It hasn't been sort of societal demand, so it's -- some scholars say it's supply driven and not demand driven that quest for free trade. There's some work on how the EU is covered in newspapers and to summarize, without going in detail, basically the EU is not covered very well in the Canadian press. There are very few articles on the EU as such. Maybe these major newspapers have four an average per year. And, so, this is something I have noticed being there. Also, TV doesn't cover EU very well, which is a bit frustrating for a Dane living in Nova Scotia, so I switch on BBC World News. But that's the American version. That doesn't cover Europe either, and so on. So, it is a little frustrating. Then I subscribe to Financial Times, but

it comes with more than a week delay, and so on. So, okay. Current developments, since 2004 there is an EU-Canada Partnership Agenda, based on the Summit in 2004 in Ottawa. Latest initiatives, the (inaudible) Agreement on Higher Education, Vocational Training (inaudible), Open Aviation Area Agreement. So, there are various efforts on the -- I think the Commission likes to involve civil society more, academics more, research. That's why also they support the four EU Centers of Excellence in Canada, because they would like Canadians to be more interested in the EU and study European integration more. This is sort of a simple outline of the framework. There are annual summits, or there are supposed to be annual summits. And under that you have that joint committee, the Joint Cooperation Committee, that has assisted from the very beginning. Basic trade and investment subcommittee and various high-level dialogs as called on environment, energy, migration, health, etc. Trade shares -- I should probably have put this in a little earlier. Canada is the EU's tenth trading partner.

One point eight percent of total EU trade is with Canada, compared to 17.7 percent for the United States. Now you see why the U.S. is more important than Canada. Same from Brussels. But, seeing from Canada, the EU is Canada's second trading partner. We're 9.2 percent of total trade, but the United States takes 69.2 percent. And these are 2006 figures. I mean if you go back, of course they look different, but there has been this relative decline of trade with EU and increase of trade with the United States. FDI fund direct investments -- I found a speech by a former ambassador from the EU to Canada, and he mentioned that 23 percent of total Canadian FDI stocks is in the EU, and 27 percent of total FDI in Canada comes from the EU. I suppose you could argue that foreign direct investment relations, at least in percentages, are more important than trade. The next item maybe we shouldn't go into, but it's an effort to look at what kind of products are traded between the two sides -- machinery coming up on top, crude materials number two, and so on. These are imports

from Canada to Europe and if you look at exports, interestingly machinery are on top again, chemicals number two and so on. This one is looking at these major categories of trade and the interesting thing to notice is that in many areas, it's typical for trade relations between industrialized countries, it's two way. In all the categories really, it's two way. Maybe there is an exception when you take nonagricultural raw materials where the EU imports a lot from Canada, but doesn't export much. Canada is resource rich, so this is one of the strong points for Canada, all the resources of the country. But, a lot of intra-industry trade, I think scholars call this, so it's a two way trade relationship. Current priorities -- in June 2007, the EU-Canada Summit took place in Berlin and brought the leaders together face to face for the first time since 2005. So there was a year they didn't meet -- 2006. That was when the conservative government got in and I'm not quite sure what the story is, but Canada canceled it I think. Specific priorities for enhanced cooperation were put

together and one of them being to increase involvement of civil society as I already mentioned, transatlantic policy (inaudible) and policy making. The focus is now on the June 2007 EU-Canada Summit follow up based on Summit statement bilateral economic partnership, foreign policy cooperation, global challenges, especially climate change. Current irritants -- let's mention a couple of those. Canada introduced wine and beer excise duty exemptions for certain domestic producers which result in differential treatment of domestic and foreign products. According to the Commission, this is a WTO violation and a question of substantial economic (inaudible) for the EU. About 50 percent of Canadian wine imports originate from the EU. Having moved from Denmark to Canada, I'm actually surprised to see how expensive wine is and Canada is producing very good wine, but maybe that's the reason that they try to protect their wine product. The second one mentioned here is a new compositional standard for cheese imposing a (inaudible) domestic content requirement. Once applied, the regulation

would effectively reduce imports in Canada of both cheeses and related products. This would as well break WTO rules that prohibit countries from creating unnecessary obstacles to trade. So I'm not sure, there are ongoing talks about this partly in WTO framework and so on. Some of the others already mentioned like fuel products is still a problem. Visas for new EU member countries has been a problem. I mean with the ten coming in, how quickly does Canada abolish Visa requirements for the new member states. Global challenge and climate change. For many years, Canada remained one of the EU's closest partners and allies in addressing global environmental challenges. However, over the past two years -- this is Commission language and it corresponds to the life of the conservative (inaudible) -- there have been concerns about the direction climate change policy Canada has taken. The EU continues to encourage Canada to keep participating actively in the international climate arena. Canada is seen as an ally in establishing the successor to the Kyoto Protocol. So a high level

dialog on the environment is taking place where these issues and the (inaudible) follow up and so on are being discussed. (inaudible) The various proposals (inaudible) Canada-EU free trade agreement, have not produced results. So, Canada has been more interested than the EU side and -- well, I suppose on the EU side, the member states are divided. The Germans and the British may support the idea, but the French definitely not. So, trade relations are governed by GATT/WTO regime, as I mentioned. First of all, most favored nation treatment. And this puts Canada at the bottom of the EU trade relations hierarchy. There have been a number of trade irritants and conflicts over the years -- CAP, nontariff barriers to trade including five (inaudible) standards. I didn't mention that. Forestry products. There have been issues of some little animal, whatever, in some of the forestry products that has left a ban on some of the forestry products (inaudible). Fisheries, I talked about. Cheese and wine and so on. Over the years, Canada has become increasingly dependent on trade with

the United States and trade with EU has declined relatively. And then Canada is a member of NATO and foreign policy dialog is part of the EU relations in Canada. Afghanistan is considered especially important, and I guess in -- well, living in Canada now, I certainly see that Canada is taking a big share of the battle in Afghanistan. A lot of Canadian soldiers have died in Afghanistan. I think they have to be in one of the more dangerous regions in Afghanistan and there have been requests from Canada to get more European and NATO so there's, to help them there. So there has been some problems there also. But overall, maybe I should finish by sort of a conclusion. One of these papers is that if the idea of a free trade agreement cannot be realized, then there is probably the danger that Canada keeps becoming more and more dependent on trade within NAFTA, but may also increasingly turn its attention to East Asia, upcoming China and so on. So, I think that is a challenge and obviously it would require a lot of political attention on both sides to move toward freer

trade across the Atlantic. I guess in the end it is partly a question of political will and there have been studies that shows that it would have economic advantages for both sides. So, EU would also stand to gain from a free trade agreement between the EU and Canada. So, you can wonder a bit why it doesn't happen. It's one of those puzzles we have when we deal with trade policy, because what is economically rational does not always happen and this is what we see here. Thank you.

SPEAKER: Thanks, Finn, for that presentation. We appreciate your willingness to move to Nova Scotia for this topic. We have some time for questions. So let's take a, well, I think we'll take three and then go back to the panel.

SPEAKER: Thank you both for your papers. I found them both very interesting. Certainly in the context of the Latin American-EU relationship, there are some interesting parallels between (inaudible) relationship and (inaudible) Canada, and I certainly saw a lot of interesting parallels with Australia and

with former members of the (inaudible) agreement, for instance, which gave preferential treatment to Air Canadian and Australian (inaudible) and, of course, this is (inaudible) after (inaudible). So, both Canada and Australia have suffered quite a bit, but I think Canada has taken a different perspective partly because the EU is less important to it than actually Australia has and you say (inaudible) I think and you may not be aware of its true reward and (inaudible) articles and chapters on comparing the Australian and Canadian approaches to the relationship in (inaudible) so I mention that. And (inaudible), you know his work and he wrote a really interesting on the concept of engagement (inaudible) Canada relations. I'm not a specialist on Canada, it's just that you do, you have to write a book on EU and Australia relations, which I had to do -- it's similar to you, Finn -- when I moved to Australia, I ended up becoming sort of an instant expert. Luckily, everyone else knew less than me and that really helped.

SPEAKER: The definition of an expert.

SPEAKER: Yes. So two questions and thank you both for those. I suppose my first question is because I've written (inaudible) context, my first question, Joaquin, is actually to what extent is the EU seen as a modified (inaudible) by the government in particular within Latin American, whether it's from (inaudible) because certainly it is very split few the Asian context, which I'll mention tomorrow as well, which, you know, (inaudible) nuance than that. And my question to Finn is to what extent is CAP dominated the relationship, again I'm drawing very much on my Australian context here, because it seems to me, from the little I know about the EU-Canada relations, but it certainly hasn't given rise to the antagonism which has been so prevalent in the EU-Australia relationship. I just wanted to know do you think (inaudible) damaged the relationship because it has been massive in the Australian context to the extent that the first few conferences I talked at, actually in Australia, I was actually insulted for being a representative of the European Union (inaudible) and

told to go back to where I came from (inaudible) policies were. So I was just wondering to what extent (inaudible) evident in Canada. Thank you.

SPEAKER: In the back.

SPEAKER: (inaudible) Thank you for your papers (inaudible) and last year I learned of the (inaudible) presence with EU signed a strategic partnership with Brazil (inaudible) economic relationship and I would like to hear your comments on this recent development and its impact on more general dynamics of EU-Latin America relationship. Thank you.

SPEAKER: My name is (inaudible) two questions. The first to Mr. Roy. Thanks for your speech and my question is about Cuba. Now I think two weeks ago the EU lifted sanctions on Cuba and with following Raul Castro reforms I believe, and I spent part of my time there during my winter and it's amazing to observe how the Canadian and the European investment is pouring to Cuba, but on the other hand the United States is nowhere there. Now I'd like to hear first what was the general mood in Miami when the EU lifted sanctions

in Cuba and second, do you think that this EU actually will become a -- with the (inaudible) American administration, the coming American administration will follow. I mean, it's obviously -- I mean it's certain that American, neither of the presidential candidates will make a statement prior to the election under the Florida (inaudible), but I'd like (inaudible) for Mr. Larsen, well if you briefly touched upon Afghanistan issue, but I'd like to hear, although we spoke about the convergences between the EU and U.S. relations and foreign policy, when there are divergences between the EU Europeans and the Americans in the foreign policy related issues, especially Afghanistan, do the Canadians align more with the Europeans politic decisions or do they follow the American foreign policy views? Thanks.

SPEAKER: Let's go back to the panel and see if we have time for more questions.

MR. ROY: The (inaudible) -- this is the topic for the whole course in the big book (inaudible) --

SPEAKER: (inaudible)

MR. ROY: Excuse me?

SPEAKER: (inaudible)

MR. ROY: You're right. It depends of where, what sector of the elite government and so on, but (inaudible) in general, I don't know. I hesitate even to make broad statements. In the current year, that elite is very jealous of the possibility of deep, deep integration. Okay, it is the (inaudible) mentality, you know. We want to control our makers. We want to control, so that elite is not that great, you know, for regional integration. The new generations are not the same as the leaders of the first wave of independence. In other words, to do, you know, a real one, a real regional integration process, you need that kind of leadership (inaudible). Today, as we speak, we don't have that. Central America, for example, is very interested in the case in the sense that the business of leadership is, has not been contributed a lot to pressure the governments for regional integration. Why? Because each one of the countries, you know, depends on one product and they

compete against each other. So that's one (inaudible). Again, it depends, you know, where you are. You know, if you're in Argentina, or in (inaudible) you would say that in Argentina that the elite economic and intellectual elite is more pro progress (inaudible). Because in a way (inaudible) is a short balance in front of the Brazilian predominance. That links, you know, with the other question. I could say that the economic and business elite and intellectual elite in the ideal community, in theory, it's more pro-integration and I don't know what else I could add. So, if we linking it to Brazil for (inaudible) -- thank you for your question. I left it out, you know, because I just really deal with (inaudible). I don't know if you noticed this, I've been living in the United States for four year. In the United States, there is a struggle every three or four years or every decade. The United States political leadership or economic leadership rediscovers Brazil (inaudible). It's always Brazil there. Then the disappearance, and well, you know,

there is nothing -- it's always rediscovering Brazil. The EU institutions, they're going through the first cycle of this and possibly, and possibly the main important reason is that they are tired of the slow process of the sub-regional schemes. So, and, you know, okay. There is Brazil, okay. If we are fine with Brazil (inaudible), you know, deals, you know, with the rest of the subcontinent, you know, if there is discovery. (Inaudible) behind that, you know, is the fact that it looks like Brazil, you know, will become, I mean, I don't know why power and oil and so on, but (inaudible) more for the (inaudible) reason. You know, Brussels is tired of the (inaudible). Brussels is tired of the slow process, the sub-regional schemes, among other reasons because the slow process in consolidating customs unions. In other words, this is our session, you know. In other words, the customs, the real customs union in Central America, in the Caribbean. Cuba -- I don't know if you have been in Miami. There is absolutely no possibility to have a conference, a symposium,

anything on tap dancing, you know. And there are no questions on Cuba (inaudible) by this. You refer to the ones who view that you are not (inaudible) aware of this, the suspension, the permanent suspension of the measures, which by the way, the Cuban exiles and Cuban government (inaudible) formed a coalition. They called that sanctions. They were not sanctions. Those measures were set in 2003 as a result of imprisonment of more than 17 dissidents in Cuba and the execution of three hijackers. As a result is the European Union got mad and under the leadership -- it's always the Spain behind -- President (inaudible) called a vote of deciding (inaudible) measures of Cuba. You know, the embassies of the European Union and the states, you know, shooting (inaudible) dissidents (inaudible). Great, wonderful for me. I'll have topics, you know, to write (inaudible) you look lower the level of the official visits, you know, to Havana. In other words, if the plan is to send the minister of culture, let's send the vice minister of culture. You know, and, of course, making the point

of doing this public. (Inaudible) grateful the Cuban government, because then the Cuban government, you know, find, you know, now we are not fighting against the United States. We're fighting against the European power, which means the (inaudible) mood in Miami. Similar to the answer to your general question, the mood in Miami has been changing by the week, if not by the hour. Miami is not in any war. That solid block dominating, you know, by hot liners. It has been evolving, you know, by the hour again in the, not (inaudible), but in fact I attended a luncheon given by the Cuban American National Foundation (inaudible) 20 years ago and that the core of the hard line of the exiles, even for Mr. Senator Obama. Everybody who is there would have missed, being that see that there is going to be a change, and the same organization actually to the police protesting, it's against the policies of the U.S. Government towards Cuba. You know, the U.S. Government, the Bush Administration, in a similar way has measures of the European Union. Some three or

four years ago, decided, you know, to curtail the sending of money, you know, to Cuba and to curtail the travel of Cubans, you know, to Cuba, with the result of -- and this is not my statement. I'm actually quoting one moderate leader of the Cuban exile community -- actually a member of the Bay of Pigs (inaudible) saying, look at the situation. If your mother dies in Cuba, and you go to the funeral, okay, you have permission. But, if after that, your father dies three months after, you're going to be told (inaudible) you have to wait three years, because you only can go once every three years. So if you send \$100 this month, you cannot send, you know, \$100 next. However, if you wanted to sell a cow to Cuba, okay, the U.S. Government will give you the papers and the information in 10 minutes. This information right now is that what country is, used to be until very recently, number two trade partner with Cuba, and now is number three. Guess. Any takers? The United States. And this is with the embargo behind. So everything has been and so on, and then I think it's

(inaudible) the lifting of the so-called measures, so-called sanctions would, if the Europeans would exercise some kind of pressure or (inaudible), you know, for the new U.S. Administration, maybe the point is that historically Washington has not been copying or following any of the Europeans. I (inaudible) when there is going to be some sort of meeting of the minds, but historically, historically both visions toward Cuba have been reduced to this. In other words, the U.S. Government has been doing everything possible for the termination with the Cuban regime. I didn't mean that that's not bad or good, but this is the thing that has been the sovereign policy. While the EU policy, in general, you know, has been EU and some other (inaudible) members of the European Union have been to contribute to recent years, to contribute to a sort of soft lending of Cuba. What that means, it means that if you analyzed the policy of the United States recently, you will find that those measures in not allowing you to travel, you know, twice every three years and so on, (inaudible) of Cuba are mostly

verbal. Of course, there's (inaudible) okay. But it's mostly verbal. But, put it this way, (inaudible) lives with this. Cuba is the only country on the planet, if not the galaxy, that has an (inaudible) agreement with the United States. (Inaudible) pieces guaranteed every year. No other country on earth, you know, has that. Second, Cuba cooperates with the U.S. Government in curtailment of drug trafficking. (Inaudible) some Cuban, some (inaudible), some military, you know, doing business. I don't want this. Cuba contributes to the security of Guantanamo, by the way. All the Cuban government, you know, have to do is create a new (inaudible), you know, for the U.S. Government there and in a way the Cuban government, as we speak, is contributing actually to (inaudible) at the end of the road is the main policy of the United States regarding Cuba. The stability. When President Bush said some months ago, we are not for stability, but we are for democracy, he knew very well that he was lying. The U.S. Government as we speak, you know, would prefer the situation to

continue for a while under Raul and then some months from now, if not two years, three years and so on and so on because it could be worse. And for the U.S. Government (inaudible) is an uncontrolled (inaudible) invasion. The real problem with Cuba, factions, you know, fighting each other, so there is that agreement for a while until (inaudible) sustainment. Actually (inaudible) that we searched for years, the military, the Pentagon has been polishing reports regarding the military, the Cuban military forces are not a threat. So, in other words, Cuba seems to be a political Guerilla, strategic threat to the United States, but, you know, it can be, you know, a problem for the United States security if there is uncontrolled migration from there.

SPEAKER: Okay. Thanks Joaquin. Finn. Do you remember what the questions are?

MR. LAURSEN: Yes. I'm not sure how much I can add to the question of the CAP or to (inaudible). Certainly it was a major problem in the early years as the CAP was put into place and when the U.K. joined

and so on. And as you know then it got on the international agenda in the (inaudible) round, where Canada, of course, was one of the countries that were strongly critical of the EU and putting pressure on the EU to reform the CAP and that led then to the first major reform, the MacSharry Reform in '92. And, now all industrialized countries support their farmers, it's a question of how they do it. This is where the CAP has been criticized because it was based on guaranteed prices and that led to overproduction that was then dumped on the world market and so on. But that system is being reformed. It started with the MacSharry Plan in '92, and it was continued further with the agenda 2000 that prepared the last big announcement. So there is a movement away from the guaranteed prices. Guaranteed price, to the extent they exist, had been lowered and now the policy relies much, much more or (inaudible) support. So, I mean, if the CAP is still expensive for the taxpayers in Europe, but it works differently now. And for this reason, the subsidized dumping of products should

cease and for this reason it should become less of a problem internationally. I think it's still an issue in the ongoing (inaudible), but the EU has put forward more proposals to reform it further, so I think it's very much understood that the EU does have to reform its policy, because it's not good for the EU to have all these frictions with all kind of countries in the world. So, it's moving in that direction and I don't hear CAP in the Canadian debate being mentioned. It's not in the news now, so I think it's less of a problem. But, historically it has been a major, major problem I would say. The other question to me about Afghanistan and I guess sort of foreign policy more general, I think there is a sort of feeling probably on both Canada and the EU member states that Canada and EU countries are sometimes having more similar views on some international issues and they both have different views on the United States, especially during this rather neoconservative Bush Administration where the sort of the U.S. unilateralism (inaudible) in Canada and Europe and so on. But it's very

difficult to make those comparisons because it depends on who's in power where and, of course, inside the EU -- the EU has been split especially on Iraq, split completely. So, on some issues there is no EU position and in Canada it does depend a little on who is in power, whether it's the liberals or the conservatives. But all in all, I think Europe and Canada share values more than Europe and the United States. I (inaudible) but I think so. Sort of the support for multilateralism, the idea that it's going to build up international regimes, supporting the development of international law and so on. I mean Canada is a smaller power, a major power, it doesn't have the arrogance of a super power. So maybe that's part of the explanation. And Europe cannot pull its act together when it comes to foreign policy, so it cannot be arrogant or play the kind of politics that (inaudible) is played. So, I think there is some feeling of some commonality of foreign policy values also.

SPEAKER: Okay. We can take a couple more questions I think. We have a little time left. Any more questions? Okay. Well, then seeing none, I will adjourn. Thank you very much and I guess we'll see you tomorrow.

MR. AZIZ: My name is Aton Aziz. I'm working for the University of Kent. The University of Kent is actually based in Canterbury, in England, but I'm working nevertheless on the continent because the university also has a Brussels campus. So I'm working for the University of Kent at Brussels where I'm lecturing on international relations and E.U. foreign policy.

Federiga asked me to chair this panel this morning. As the conference started yesterday, looking at some particular relations between the E.U. and several areas in the world, we'll continue on the same line, along the same line today, moving to even more tropical areas because we have Africa and Asia on the program. So you can expect it to turn even hotter in the room than it was already the previous days.

We have three speakers on the panel, but the first speaker hasn't arrived yet. So I propose that we start with second lecture which is a lecture which will be given by Philomena Murray who came all the way from Melbourne where she is Associate Professor at the University of Melbourne and Director of the Contemporary Europe Research Program and also she holds the Jean Monnet Chair ad personam. She is doing lots of things, I understood, but specializing in E.U.-Australia relations and E.U.-Asia relations in general. That will also be the topic of her presentation today.

So, Philomena, you have the floor.

MS. MURRAY: Thank you. I'm delighted to be here, and I'd like to thank Federiga and the organizers for the invitation.

I have decided that you guys are going to do most of the work today or we have decided. Mara and I had at breakfast a high level summit meeting, and we decided you guys are going to do some work too.

How many of you here are from summer school?

Fantastic.

How many of you aren't from the summer school? A good number, okay.

I'm going to particularly direct this towards the summer school (inaudible.)

Feel free to totally contradict anything I say. I'm not like the politician who's supposed to have said: I have my mind made up. Don't confuse me with the facts.

I'm quite happy to hear the facts and also tell you how I've got my mind made up. So what I'm going to do is talk to you about the European Union and its relationship with the Asia Pacific region.

If I stand here, can you still see the PowerPoint? Is this in the way? Yes, it is in the way.

AUDIENCE: (Inaudible.)

MS. MURRAY: These intelligent Belgians are fantastic. That's why we've got European Union institutions mostly in Brussels. Okay.

So what I'm going to do is talk to you a

little bit about the E.U. and its engagement with the Asia Pacific region with the exception of China, not because China isn't important but because China is so important it deserves a speaker all of its own. I'm absolutely delighted that Cara is going to be talking to you about China and E.U.-China relations.

Basically, I'm going to argue to you today that the European Union carries out a three-fold strategy in its relationship with the Asia Pacific region. What it does is it engages in a form of regionalism because it likes to be seen as a united regional actor of 27 member states represented particularly by policy framed by the Commission. I'm going to suggest to you that this policy is not working. I actually don't think that they've got a very coherent E.U.-Asia policy.

I'm going to tell European Commission officials who framed the policy that tomorrow in Brussels. We're going to be joining in a conference with the European Institute for Asian Studies in Brussels along with my Contemporary Europe Research

Centre.

Are you the person who is the EIAS person?

AUDIENCE: Yes.

MS. MURRAY: Yes? Fantastic. Okay.

So we're going to be running that tomorrow afternoon in Brussels.

For those of you interested in the EIAS, it's got some very good stuff on its web site. For those of you who'd like a copy of the newsletter of the Contemporary Europe Research Centre which is riveting reading and also fantastic for jet lag, I suggest that you just send to me an email, and I'm happy to give you a copy, send you a copy of it, or you can find it on our web site. Okay.

So what we're doing is we're actually looking at the way the European Union tries to project itself as an actor, particularly as a normative actor, when in fact it's really as a trade actor (inaudible) in the Asia Pacific region.

When I'm talking about the Asia Pacific region, I'm talking in particular about the area that

encompasses East Asia, Australia, New Zealand and the Pacific. I haven't left out New Zealand and, of course, the many islands in the Pacific. I haven't left out New Zealand because I hate New Zealand. I love New Zealand. It's awfully cold in New Zealand at the moment, but I want to be able to talk to you a little bit about is the relationship particularly with Australia because of the fact that the E.U. doesn't have a policy of regional (inaudible).

Nevertheless, on the East Asia side, the E.U. tries to engage with East Asia and very much in terms of promoting regionalism. That is it actually sees itself as promoting increased regional integration in the East Asian region.

Am I talking too fast? Yes? Okay.

This is a disease I have and many attempts have been made to cure me, short of surgery, and I don't think I'll ever be cured, and it happens in any language I speak.

So when I talk too fast and then I get terribly excited about the European Union and Asia,

what you do is you put a hand up to slow me down. It won't work, but it's really worth trying. Okay. I will try to speak more slowly. That's why you've got PowerPoint to understand a little bit of what I'm trying to say.

The second aspect of the European Union's policy is not just that it wants to be taken seriously as a regionally integrated unit in its relationship with East Asia in particular but also that it is actively promoting and inter-regional dialogue and set of agreements, particularly based in an entity known as the Asia-Europe Meetings, ASEM for short, and I've got two slides to show you on that.

The current aspect is the bilateral aspect, and this is evident in two ways. The first way is where the European Union engages with individual countries in East Asia. China is such an obvious example, so I know you're really going to enjoy the next presentation. What it does it has an individual relationship with Indonesia, with Korea, with Vietnam on many issues, for example. So it engages with

individual countries while also engaging with them as a region.

One of the reasons the E.U. doesn't engage in a regional relationship in terms of certain types of agreements is because they have the human rights clause. Does anyone know what this is, this human rights clause or conditionality? Anyone got any idea?

AUDIENCE: (Inaudible.)

MS. MURRAY: Absolutely. Thank you. Very intelligent people at this conference.

So what you have is -- yes?

AUDIENCE: (Inaudible.)

MS. MURRAY: This is fantastic, one answer to a question and one question. What happens is, for those of you who didn't hear it because I've got the mic, it's that you've got the European Union, in all its major agreements, not in individual sector trade agreements, for example, has a conditionality clause since 1994. This was pushed through by the European Parliament particularly because it concerns (inaudible) potentially of human rights in some

countries in Eastern and Central Europe.

So what they did is they said we must have this conditionality clause where there must be a respect for human rights, there should be good governance and there must be respect for the institutions of democracy. Now if this is not taking place, either side can enter into a negotiation which may end up with the agreement being rescinded. That is not working anymore. That actually is being stopped, being annulled.

Now how was that decided? I think that's a fantastic question because I actually, and I'm among the body of scholars who think, that it's actually applied very selectively.

Why on Earth is the European Union not having more than just a few polite words with China about Tibet, for example? These are the sort of issues (inaudible) many human rights abuses within China. This is something that no doubt (inaudible). But there is a huge amount of selectivity in the E.U.'s approach to its national relationships anyhow,

and I think this particularly evident in the E.U.-ASEAN relationship which is the relationship with Association of Southeast Asian Nations.

So I'm going to talk to you then about this bilateralism too. The other aspect of the bilateralism which helps to make the relationship so exciting, so interesting and so complicated is the fact that individual countries on the European Union side try to develop their individual relationships with China, with Japan and with other East Asian countries.

Which countries would you say are the countries that engage most in trying to develop their trade and investment links from the European Union with China, for instance, or with other parts of East Asia?

AUDIENCE: France.

MS. MURRAY: France, absolutely.

AUDIENCE: Germany.

MS. MURRAY: Germany, absolutely. Yes.

AUDIENCE: Britain.

MS. MURRAY: Britain. Those are the top three, and the next is actually Italy. Yes.

I did a survey of all or many of the E.U.-Asia scholars in the world and asked them what they thought in a survey last year, and all of them said those three countries and Britain, the U.K., Germany and France. Those who did mention Italy put that as the fourth. So there are individual reasons why, for instance, these countries want to engage more to attract investment and actually to particularly invest in other countries in Asia. No doubt, this will be something that perhaps you may be talking about in a few minutes.

Let me talk to you a little bit then about East Asia and about Australia because Australia has a new prime minister. Does anyone know who the prime minister of Australia is?

AUDIENCE: Kevin Rudd.

MS. MURRAY: Excellent. I told you, very intelligent people at this school.

Kevin Rudd has decided that there is a new

era in the E.U.-Australia relationship. The E.U.-Australia relationship has been characterized by the emphasis on the cap. As I mentioned yesterday, I found myself attacked at conferences for representing the European Union, which I wasn't doing, and therefore representing a terrible bully in the global trade place, trading playground, that this was this terrible entity.

I just want to mention to you very briefly that the European Union and Australia work very closely on aid to the Pacific and, after Australia, the European Union is the major aid donor in the Pacific region to the Pacific islands, countries like the Solomon Islands, countries like Fiji, East Timor, for example. So these are countries where it used to be just simply really Australia. Now more and more, the European Union is not only working closely with Australia, but it's actually working very closely in terms of joint programs and also with the World Bank and a number of other organizations.

What I'm talking to you about today is based

on some research, a couple of projects, and there are the names of the first three projects I'm doing my research on. The first two were funded by the European Union at the competitive Jean Monnet and (inaudible) was funded by the Australian government, Australian Research Council.

So the first two are Jean Monnet projects. I'm a Jean Monnet Chair. Lots of people are Jean Monnet Chairs here. You're probably wondering when we're going to get a Jean Monnet table. They don't give Jean Monnet tables.

But when I'm introduced in Australia, for people who don't understand, don't speak French or have no idea who Jean Monnet is, I often get introduced as the Jean Monnet Chair. So I'm quite used to being the Jean Monnet Chair every now and then.

Occasionally, I get emails addressed to me as Dear Jean. I thought, that sounds nice.

Anyhow, Jeremy mentioned yesterday that his book would make an ideal Christmas present. Well,

these two books would make ideal Christmas and birthday presents and just for when you feel down and you need something uplifting. Just get these books. One is called *Europe and Asia: Regions at Flux*, and it should be out in September. The other one is *Australia and the European Superpower: (inaudible) E.U.-Australia Relations in 25 Years*. It seems like a good idea. So that's what I'm drawing on today.

When we look at the E.U.-Asia relationship, we're going to draw a little bit on the historical background.

How many of you have been to Asia?

Fantastic.

Where have you been?

AUDIENCE: (Inaudible.)

MS. MURRAY: Fantastic. So you're our resident expert. Yes. Fantastic.

Where have you been?

AUDIENCE: (Inaudible.)

MS. MURRAY: Great, two experts. Okay.
Fantastic.

Okay. So what we're going to be doing is talking about the sort of special relationships that have developed. It's important to be aware that memory and history are very much a part of the E.U.' international relations. It's very much a part of its foreign policy and the way that it has developed its relationship in the past, whether it's through development aid, whether it's through the developing of the (inaudible) and many other agreements related to development aid, for example.

What you find is that there's very much a sense of the post-colonial in many of these relationships, and that's both good and bad. What's good about a post-colonial relationship, for instance, of the French with, say, Vietnam or Cambodia or the British with Burma or with Singapore? Or, for instance, who else would it be? The Dutch with Indonesia. What's good about that?

Well, how did that help E.U. policy or national policy on the European side?

AUDIENCE: (Inaudible.)

MS. MURRAY: Language, absolutely. Yes.

AUDIENCE: (Inaudible.)

MS. MURRAY: Yes. Also, not just language but it's actually knowledge of culture. It's a knowledge of the institutions, many of which they actually contributed to the creating of. That's very ungrammatical sentence, but you know what I mean.

And so, what you've got is the sense of internal knowledge of the dynamics in the country quite a bit, and so that can be quite advantageous, but it depends on how the relationship developed and how the relationship, the colonial relationship ended as well. So let's keep in mind that there's a certain resistance to the idea of the colonial state coming in.

What are the disadvantages then for the one I just mentioned of having the colonial relationship, a post-colonial relationship?

AUDIENCE: (Inaudible.)

MS. MURRAY: I beg your pardon.

AUDIENCE: (Inaudible.)

MS. MURRAY: Yes, nationalistic hatred, basically, the sense the relationship may have ended badly. Nationalism is terribly important in East Asia, nationalism and national sovereignty, and they are two of the main reasons why the E.U.'s model, I would suggest to you, of European integration doesn't work in Asia.

I would actually suggest to you that there's no such thing as the E.U. model. There are several social models, but I would suggest to you that the European Union experience is not replicable. It's not copyable in other parts of the world. And so, I would suggest that we actually place this idea and these speeches that come out of the Commission regularly about how the E.U.'s model (inaudible) huge amount of (inaudible) I would suggest to you. Okay.

So we also know that the E.U. wasn't very focused on Asia, and I put up here really because it was very much internally and preoccupied. Who got the E.U. interested in (inaudible) the seventies, eighties, nineties until its first strategy? What is

the E.U. more interested in?

AUDIENCE: (Inaudible.)

MS. MURRAY: Itself, absolutely, and that's very much what the Asian perspective is, that the E.U. is very, very internally focused, introspective and self-interested, and this is what comes out of a lot of the elite surveys and the perceptions when you actually talk to people there as well. So it's very interested in itself.

Anything else?

AUDIENCE: Africa.

MS. MURRAY: Africa, absolutely.

Anyone else?

We're going to hear about Africa when Maurizio gets here from the airport.

Anything to do with the United States? Did anyone ever think that? Yes?

The transatlantic relationship was hugely important as well, also the relationship with the former colonies, for example, as well. So we know that there were other concerns. Asia just seems in a

sense the big unknown. This was all to change. Also, it's very much part of the Cold War. Sort of the relationship was very much a Cold War derivative one as well.

If we sort of move on, then we know that the European Union or the European community (inaudible) developed relationships with China and Japan and the Association of Southeast Asian Nations. Really, the sense was in its building a bulwark, building a fortress or a sort of protection against a so-called domino effect of Communism, that all of the states would fall if we have one falling, et cetera -- so very much influenced by the American perceptions of the Cold War.

But nevertheless, relationships did begin in 1978 with ASEAN. Then in 1980, a cooperation agreement was signed, and this one can't be renewed. They can't sign a new one because of the conditionality clause, because we know (inaudible) one country that joined a few years ago which has caused a major headache for ASEAN and which has had a very,

very repressive regime. And what country is that, would anyone know?

AUDIENCE: (Inaudible.)

MS. MURRAY: Sorry.

AUDIENCE: (Inaudible.)

MS. MURRAY: Burma or Myanmar, that's right, and so that's one of the issues that's been a major problem and for the European Union.

What we see is in the early 1990s you've got the Asian tigers becoming hugely competitive in terms of their economic growth, and so Asian suddenly became very attractive to the Europeans. The Europeans said, oh, my goodness, we forgot Asia. So let's go and engage the Asians.

You notice that Europeans always forget the people. It's like when they wrote (inaudible) the most boring document (inaudible). But what they did is they suddenly realized, oh, my goodness, we forgot the people, and they came up with this thing called People's Europe and then Citizens' Europe.

What they did with engaging with East Asia

is they decided that really they should have another look at it and maybe get out a map. That's one of the challenges actually because many of the people working on Asia policy in the Commission are absolutely brilliant. They are so smart. They are so good, and many of them are (inaudible) in terms of actually their expertise on Asia. I think that's one of the problems probably because you get moved around from part to part in the Commission.

But it's also the challenge that really there is no coherent and no cohesive Asia policy enunciated by the Commission. This is because of the fact that the Directorates General in charge of External Relations, known as affectionately nor not as DG Relics, tries to run the show. But as several of us were talking about yesterday, you then have the Directorate General for Trade and the Directorate General for Development, all of whom have also very conflicting goals. So when I've conducted interviews within the European Commission, I found that they tell me very, very different things.

And I think, Frank, you were talking about this yesterday, you're getting different stories as well from the Commission. Do you want to make any comments there or do you want to wait?

AUDIENCE: (Inaudible.)

MS. MURRAY: Sorry?

AUDIENCE: (Inaudible.)

MS. MURRAY: Maybe later because, see, I have secret information. I know that Frank is writing a thesis on the E.U. and China. There you go.

AUDIENCE: (Inaudible.)

MS. MURRAY: I'm so glad you said that. I totally agree.

AUDIENCE: (Inaudible.)

MS. MURRAY: What's your name?

AUDIENCE: (Inaudible.)

MS. MURRAY: Okay. Martin has just pointed out a hugely important issue, and that is the fact that even within the DG, there's a very disparate view of Asia and relationships (inaudible) but also across the different DGs or Directorates General which are

sort of like the equivalent of government departments where the European Commission has its weights divided. This lack of coherence is incredibly difficult.

Are you coming to the conference we're having in Brussels tomorrow or are you staying here to finish off the summer school?

AUDIENCE: (Inaudible.)

MS. MURRAY: Okay. Well, we'll make the paper available anyhow. Yes, but thank you for that. Any other comments you want to make, it's really good because this is absolutely amazing.

For instance, you talk to somebody in DG Relics, the External Relations part of the Commission, and they'd say, the Asia (inaudible) is the most important summitry that we have. It's the best way to bring people together for dialogue.

Then you go and you talk to the people in the Directorate General for Trade, and they say, what a load of rubbish. We think it's a total waste of time.

This is fantastic. You're talking to these

people on the same day, in the same building, and they have totally different views and very different views about priorities too. So thank you for that comment. I think that's great.

I'm just going to give you a little bit of background, given the fact that most of you are in summer school. Those of you who aren't in summer school, do bear with me if you're experts and, even better, throw in some comments as well because I'm absolutely delighted if you do.

What we're looking at really is the Association of Southeast Asian Nations, and these are the members up here, so you don't need to take them down. I'm happy to make the PowerPoint available if that makes it easier for you.

The aim was really to accelerate economic growth and social progress as we can see and also to bring about stability. So, in many ways, there were similar aims, similar objectives to the European Union even though the issues of nationalism which we've talked about briefly and of national sovereignty are

hugely, hugely important. Let's always remember that the respect and noninterference principal in the ASEAN community itself is hugely important, and this is one of the main obstacles to a type of regional integration along the lines of what has been taking place in the European Union.

Have said that, Myanmar -- Burma -- has for the first time been criticized just really in the last few months by ASEAN. They were urging to rethink a few things before that, but really it's only in the last few months that you see other ASEAN members. Even on the ASEAN web site, you'll actually see some of these comments.

For those of you fascinated by this, the Singapore Institute of International Studies has a fantastic web site which actually bring together all of the media reports on East Asia in one web site. It's absolutely brilliant. They have produced a lot of these comments.

The issue of noninterference, nevertheless, remains an important tenet, an important principle for

ASEAN, and I think you should be aware of that.

Now you might say, well, hold on. I mean isn't that the same thing? I mean when Ireland was taking the case against Britain in terms of saying that there was torture and inhuman treatment in Northern Ireland in the 1970s in the European Court of Human Rights, neither of them -- Ireland tried to get Britain kicked out of the European Union, but it still attempts to make the case against it. So we know that there are tensions within the European Union, and that's just one of the examples.

Austria, when Jörg Haider's party was in government a few years ago was also another one, for example. But nevertheless, there's a pooling of sovereignty that Joaquin talked about yesterday. It's very, very important in the European Union context.

If you look at the concept of sovereignty, there's two ways of looking at it. Okay. Bear with me.

Does anyone have a bunch of keys? No, a set of keys. I need more than one key. Does anyone have

more than one key?

Thank you. Okay. This is one concept of sovereignty, all right, and this is the other.

Okay. This is the British view of sovereignty, and to a certain extent the Swedish and the Danish view, okay, and this is also the ASEAN view of sovereignty. It's one key. It's indivisible. Once you hand it over, it's gone, a bit like virginity. Okay. So don't come back and talk to me about born again virgins and stuff. I'm not interested.

Okay. So that's what you've got. That's one view of sovereignty. That's the ASEAN view and some of the European Union.

This is more what you might call the continental European view of sovereignty. Okay. I'll hand over sovereignty on agricultural issues. I'll hand it over in most aspects of external trade. I'll hand over sovereignty on even some aspects of foreign policy but only sort of. So what I do is I still retain my sense of self, and this called the nation

state.

In other words, we have bits of sovereignty that we are happy to talk to about being handed over in a European context. But in the ASEAN context, you either have it or you haven't. That's why these two different views are extremely important to be aware of.

There you go. Thank you.

Years later, students come to me, former students, and say, are you still talking about sovereignty? And I am. I just think it's useful. Okay. So this (inaudible) format is really important to be aware of.

The other issue I just want to talk to you about briefly is that ASEAN-E.U. relations have developed over time, particularly in terms of trade and investment facilitation, but also just in terms of getting to know you. Let's not underestimate that. You know.

I may well have known Mara's work, but until we actually start meeting together and start talking

or you talk with Lara about our normative power, we don't really engage. And so, the value of dialogue is really important. That is something that really is. Let's not underestimate it. But if it's not going anywhere, you've got to also be aware of what the challenges are. It's talk. Okay.

The Asia Pacific Economic Corporation forum which is a much larger forum because it's the United States as well as all of East Asia and Australia and New Zealand, for instance, APEC, the Asia Pacific Economic Corporation is also known as a perfect excuse to chat. What I think the problem is in the Asia case is it isn't quite the problem of just chatting only, but there really is a challenge in terms of developing the relationship beyond trade and investment, in terms of human rights, etcetera. But there are ways in which they're doing it.

The other issue is you always have to think about what you might call the internal hegemon which is China, and we've got our experts here, but also the external hegemon. Who is the external power very much

present in the Asian region?

AUDIENCE: (Inaudible.)

MS. MURRAY: The U.S., absolutely. So we've got to always keep that in mind.

How many minutes? Five?

AUDIENCE: (Inaudible.)

MS. MURRAY: Okay, at most. All right. So much to say, so little time. Anyhow, so what I want to do is just give you, in a sense, the flavor of all the 700,000 PowerPoint slides which I've prepared for you.

What, in a sense, you want to be aware of is that there is this sense of while the relationship has improved, this sense of the U.S. dominating the area, the U.S. having its own hard power, but also it's got soft power too, its huge influence in education, its influence in terms of being persuasive as well. It's not just the European Union that is the soft power in the area.

Has anyone read Joseph Nye's book on soft power? It's great. It's fantastic because it's easy

to read, and it's short, and students love things that are easy to read and short.

The other one that's really nice and short and just actually in a sense can capsule soft power is called the *Metrosexual Superpower*. It's only three pages long. It's part (inaudible) about three years ago, and it's by Parag Khanna. This whole idea of the metrosexual superpower is fantastic. It's somebody who walks into the meeting, like the European Union, wearing an Armani suit, looking and smelling just gorgeous and manages to persuade people to accept a form of coercion or threat in a way that makes it feel like persuasion.

It's the idea of speaking softly and carrying a big carrot rather than carrying a big stick, as Robert Cooper calls it, and he's a major advisor to the European Union on foreign policy. He used to be an advisor to (inaudible).

What you find is this idea of carrying a big carrot rather than a big stick is the way the European Union is trying to influence what's happening in East

Asia. So what it's doing is it's having a relationship particularly through ASEM.

Don't mind where it says 38 participants. I have to add some new ones (inaudible). So it's now about 42 or something.

So it's got 27 E.U. member states: the E.U. plus ASEAN plus 3. It's China, Japan, South Korea plus India, Pakistan and Mongolia joined in 2006. This has become not just an East Asia but an East and South Asia forum taking place at the moment. And so it's based on informal dialogue. It can't have the sort of binding agreements because the conditionality issue, but nevertheless human rights is very much part of what it does, and it's got a lot of cooperation.

Now I would call a lot of what's on this page actually a type of soft power. It's a type of civilian power or the type of persuasive power, but it isn't smart power in terms of actually trying to bring together hard and soft power.

So what I'm going to do is finish here in terms of talking to you about what I see as the inter-

regional relationship. We see that the E.U. is engaging very actively with the region, but sometimes it's with individual member states.

We know that there is dialogue such as, for example, in the Asia-Europe Meetings.

We also know that all of these are part of the E.U.'s relationship with Asia, but there are individual agreements also with Asian countries and individual attempts to improve trade and investment and, indeed, exporting of European education. Let's not forget that, I expect, of soft power as well to the region.

And then we also know that there are often referred to as regional dialogues but also subregional dialogues. The European Union is not handling these very well. It's finding it hard to juggle them, and I suggest to you that it's spreading its resources too thinly, and it really has to force through where it wants to prioritize. Having said that, it remains a fascinating subject for study and for research. There's a huge amount we still need to do on it.

So I'm happy to take questions later. Thank you.

(Applause.)

MR. AZIZ: Thank you very much. It was the first time I heard a lecture in which E.U. conditionality and virginity were featured. You didn't mention (inaudible) teaching awards back in Australia (inaudible).

The next speaker has already been introduced as an expert on China. She is Mara Caira.

Nevertheless, Mara Caira is Assistant Professor of Contemporary History at the IULM University in Milan, also lecturing on East Asian and Chinese history at (inaudible) University, and she has a specialty in China Relations and is also preparing a book on that particular matter, and that's also the topic on which she will speak to us.

So, please.

MS. CAIRA: I have decided to change the structure, the way I will introduce you to this subject, and it will be more as a kind of lesson

instead.

MS. MURRAY: You need PowerPoint as well?

MS. CAIRA: Yes, I would like just to show something to you because the E.U.-China relationship is based on a very structural frame of actions. So at least this one would need.

(Interruption)

MS. CAIRA: I would like to start with a historical story, and I think that history gives important background to the understanding of this relationship. The relationship started more than 30 -
- (Inaudible.)

I said that history is good to understand some pictures of this vast and deep relationship between E.U. and China. If we look back to -

(Interruption)

MS. CAIRA: Just a moment. Thank you for being patient.

Anyway, the relationship between E.U. and China started in the seventies of the last century -- how can I say -- following an initiative from China.

This has to be kept in mind. In 1973, officials from the embassy, the Chinese Embassy in Brussels started to visit, make many visits to the Commission's headquarters, asking for information. They wanted to know what. At that time, it was not E.U. It was E.E.C.. But anyway what this integrated Europe was, how did it work and many, many other questions.

The Commissioner for External Relations at that time was Sir Christopher Staughton, a British, and he also was the Vice President of the Commission. He welcomed these Chinese and ordered the --

(Interruption)

MS. CAIRA: So Sir Christopher Staughton instructed the Commission's officials to be open to any questions and to give as much information as possible to the Chinese diplomats.

There are two reasons why China developed and showed this interest toward integrated Europe. The most important is that China was looking for a multipolar structure in the international situation. This goes back to the Chinese theory of the three

words. If you want more information about that, I can give you later.

Anyway, the Chinese view of the world order is that the better order, the best order is arranged around many codes, many powers, many points, many subjects of power. At that period, E.U. or E.E.C., integrated Europe, looked to the Chinese to be eventually (inaudible). This has to be kept in mind because it gives you the key to understand what China expects from E.U. so that E.U. should be a pillar of multipolarization.

The more E.U. integrates, the more E.U. is able to speak with a single voice and to play an independent role on the political international stage, the better the situation, the international situation is from the Chinese point of view and for Chinese interests. This was one of the reasons.

The other one was that China at that period was, I said, the first sets were made in 1973. At that period in China, there was the first -- just a moment.

(Interruption)

MS. CAIRA: Sorry for interruptions.

At that period in China, the trend toward the first attempt to start the modernization was on the road. It was sent out and then came to the light again at the end. So E.U. was the source of technology and also of production goods anyway, machinery and so on, all what China would need for her modernization.

(Inaudible) were not easy. There were two years of discussions between E.U., integrated Europe, and China about how to realize a relationship. In 1975, Christopher Staughton made a historical trip to China, and that was the official establishment of the relationship between the two actors followed by sending a Chinese ambassador to Brussels and so on and so on.

At the beginning, the relationship was essentially economical and trade relationships. After the end of the eighties, the relationship was characterized by cooperation agreements designed to

assist China's development in many areas such as science, economy, trading and so on, but still linked.

There was a trade agreement signed in 1978. From the E.U. point of view, the emphasis was on economic opportunity for the development of China and the result of opening of vast markets for European goods and services. At that period, 1978, the open door policy was launched in China.

There was also a political dialogue but confined to meetings between the impending presidency of the European Commission and the Chinese ambassador in that country, and the first meeting took place in Bonn in 1984. Then a new agreement on trade and economic cooperation between the E.U./E.E.C. and the People's Republic of China was signed in 1985 by the council of the European communities and the government of China.

What is important is the development which followed in the nineties when the E.U., the European commitment, interests and action policy toward china entered a new stage. This new stage is marked by four

or five communications, the first one in 1995.

The communication addressed by the Commission, do you know what the communication by the Commission is? No?

What is it?

AUDIENCE: It was something that was not legally binding. It's simply very soft documentation (inaudible).

MS. CAIRA: It is unilateral. It is not a legal document, I'd say, but it is something more than a soft document because it -- how can I say -- it's a document by which the Commission wants to orient, to direct the policy of all the European institutions. It is not binding. It's not legally binding, but politically it is binding.

What do you think?

AUDIENCE: (Inaudible.)

MS. CAIRA: Yes, yes. That is right.

But in the case of China, there was no recognized document. Okay. There was just the only and the first similar document issued by the Chinese

Government was issued in 2003 toward E.U. and is the first document of this kind the Chinese Government ever issued -- okay, so different. Before the communication by the Commission, it didn't get a counter-declaration from China.

This is an interesting question because it allows me to introduce a point. Anyway, it is a framework vis-à-vis the European institutions and country members. It is a framework. It's a framework which instructs the following decisions and legal acts.

The first communication by E.U., by the Commission, has some special features. First of all, it was intended to drive the E.U. policy toward China on a new path. I can find the real one somewhere, but anyway no more declarative policy but active policy. So now the E.U. policy toward China must take a series of concrete actions.

This communication's aim and purpose was to engage China. If you read, and I hope you will read this communication of 1995, you will find that E.U.

wants to engage China on the base that as a consequence of economical rise, the Chinese rise, economical development, social and economical reforms which have taken place in China and the globalization.

There is no one problem in the world in which China is not an actor. I mean in every problem, we have to face in the world, China has an implication. It's a factor of problems existing in the international situation, the global order, but also China is part of the solution which can be found for this problem. This is the philosophy of the European engagement of China. So China has to be engaged at all levels of the international situation levels such as accession to WTO and so on. So E.U. has engaged itself in supporting the accession of China to as many international organizations and institutions as possible.

This was very welcome in China because it was a sign. It was a policy very different from the U.S. approach to China, and the Chinese Government felt like that.

Here, I've made a simple, a very easy slide. If we try to sum up the different attitudes toward China, the U.S.A. and the E.U. attitudes, we can see that the U.S. attitude toward China is concern. The E.U. attitude is opportunity. So China is an opportunity to E.U. It's a concern to U.S.

To U.S., China is a competitor. To E.U., China is a potential peer nation, peer partner.

To U.S., it's a threat. To E.U., it's opportunity. So containment, engagement; competition, partnership.

This was the first communication. Other communications followed.

I'm sorry. Time is short.

What is important to keep in mind when looking at this relationship is the strategic aim of E.U. involvement with China, what is to be understood by the strategical commitment. One of the reasons why the relationship between the two partners developed mostly is that there is no political and strategical conflict or friction between E.U. and China because

E.U. doesn't have any strategical, in the sense of security, or political concern in far East Asia, in East Asia.

But strategic partnership means something different. Strategic partnership which is the bone, the backbone of the relationship means that the two partners are linked together through cooperation, on a peer cooperation in which it's a win-win cooperation, a win-win relationship. And, it is strategic because it involves all the global problems.

E.U. and China and developed, and this is why the relationship has specific features and is very strong and sound. It is very highly structured.

Can you see that? No?

Is it all right if I put it on the center?

There is a political dialogue with annual summits, regular summits between the President of the Commission, the Foreign Minister, now the high representative and the Chinese President. Here, you can see the backbone of the relation which is the sectoral agreements and dialogue.

For many and many issues, for so many -- I don't know. It doesn't work.

Anyway, in science and technology, about customs cooperation and maritime transportation, on nuclear reserves and information society, about environment, trade policy and so on, human rights, for all of these issues, between E.U. and China, there exists a dialogue which is built on regular meetings from both sides and discussion on also difficult issues like, for example, say, the human rights. That makes the difference.

Federiga Bindi asked me to underline the differences between E.U. and U.S. approach to China. This is one point. All the -- how can I say -- the warmest issues are discussed between the two partners in framed sessions dedicated just to this program, and there is no overlapping between a hot subject, a hot issue like human rights, for example, and an economical agreement, for instance.

Okay. Thank you very much. I hope it has been clear now.

(Applause.)

MR. AZIZ: Thank you very much. Sorry about the technical problems we had with this presentation.

I'm very happy that our third speaker has arrived. Maurizio Carbone is a lecturer at the University of Glasgow (inaudible). He directs the Jean Monnet Centre of European Excellence and publishes on external relations in the European Union and international development.

He has an intriguing title to his presentation. It's the European Union in Africa: From Partnership to Paternalism.

So, Maurizio Carbone.

MR. CARBONE: Hi. First of all, apologies for being late (inaudible).

MS. MURRAY: Australia is far away.

MR. CARBONE: (Inaudible.)

MS. MURRAY: Oh, he's so Italian.

MR. CARBONE: (Inaudible)

Now let's talk about (inaudible) and let's talk about the European Union in Africa.

Well, let's start (inaudible), but I don't care. (Inaudible.) Let's try to get some (inaudible.)

(Applause.)

MR. AZIZ: I've never been given so many apologies. Thanks for your excellent presentation.

We move from a very lively presentation to hopefully also a very lively question and answer session. Shall we collect a couple of questions?

I see a question there, question here, and then the third question, and then we'll have a second round.

QUESTIONER: Thank you. First of all, thank you to all three speakers for your wonderful presentations.

I have three questions. The first to Professor Carbone, the first one is a clarification. What is the role of the European Union as an institution in all this in relation between the E.U. and Africa? That would be the first one.

The second one is I was quite rather

surprised at your information because of time constraints (inaudible). How would you assess the new initiative by the French President (inaudible) and how would you (inaudible)? How would they blend in the same or would there be enough space for both?

The third question is for all three speakers basically. Almost all the speakers mentioned that the conditionality is an important element of the relations with ASEAN, also with Africa (Inaudible.) Do you think the E.U. relations with Asian countries and the African countries would have been more effective, so to say, (inaudible) more effective if more conditionality had been inserted in this or maybe there was no room for the conditionality? I leave the question to all three.

Thank you very much.

MR. AZIZ: Thank you.

Second question over there.

QUESTIONER: Thank you. I also have two questions but very short answers.

The first one is extremely naïve. I don't

understand why is the E.U. a friend in Asia and Africa and also Canada as we saw yesterday. (Inaudible.) because it seems to me to be an exception for E.U. action. We are the model and we want the rest of the world to do like us.

The other question is related to conditionality as well. What role plays human rights in relations of the E.U. with the rest of the world?

MR. AZIZ: Thank you very much.

The third and the last question for this round.

QUESTIONER: Hello. My name is (inaudible) University of Turkey, but I work in Washington, D.C. I have two questions.

The first one is for Mr. Carbone. When you just review like major publications like the Economist or Asian Times or even Foreign Affairs, you see that there is a greater concern from the American side as opposed to the British side to the increasing investment and relations between China and India and Africa. Could you like comment on that?

I mean the reason I'm saying this is you see the Chinese especially increasing their investments hugely in Africa, and such a pragmatic policy (inaudible). But the Europeans, on the other hand, conditioned on human rights (Inaudible.) influence in these African countries.

I mean as far as the Chinese are going to build, given the new A.U., African Union (inaudible). So can you just reflect on that?

My second question is to Ms. Murray. When I asked Ms. Dassu about how you reflect on the name of democracy the notion, she said that from the transatlantic perspective, Europeans don't want to include countries like Australia or democracies in other parts of the world, the rest of the democracies in Asia like I mean New Zealand, Australia, Korea.

When I look at the misery of the response of the Western democracies to the recent crisis in Burma (Inaudible.) You can clearly see that having China in the Security Council or as a major global hegemony, global power would undermine the Western response to

even humanitarian crises. So how is the Australian Asia Pacific view of this being more, having more relations with rest of the Western democracies?

MR. AZIZ: Thank you very much.

There's one microphone working well. So maybe if you want to start answering questions.

MR. CARBONE: I guess I can answer part. I mean I don't want to take all the time because there are many questions that need to be addressed.

(Inaudible.)

One of the reasons for (inaudible) was to create one Europe, one Africa. That's how it is (inaudible). That's the purpose of creating this new body. It was a response to the African Union, the emergence of the African Union. Part of the money that the E.U. finances is going to finance the African Union itself.

The second element, the way the E.U. looks at the African Union is through the African Peace Facility. The African Peace Facility was established by the European Union for conflict resolution in

Africa (inaudible), but money is giving to the African Union to promote ownership.

There are more issues, but we can talk at the end.

The third question you asked was about the (inaudible) the proposal that Sarkozy made because (inaudible). The original idea was to exclude -- I'm sorry for our dear friend there -- to exclude Turkey. That was one of the main reasons the proposal didn't make it in the European Union.

So then there was a disagreement inside the European Union between the southern member states in (inaudible). So, generally, it was very cautious at the beginning. Number one, the Commission was incredibly cautious (inaudible). So the Commission stopped the proposal (inaudible). It's not working. Let's revise it.

So then there was a meeting between Merkel and Sarkozy. So Germany, more or less, agreed in principle because it was not only for countries which are (inaudible) for everybody.

The Nordic countries were totally against it. If you continue with this (inaudible), we're going to form a union of the North. So they wouldn't agree on (inaudible).

Sarkozy himself, it seems that he was supposed to present it on the 30th of July. It seems that, from what I heard, that the proposal is going to be different from what he launched. I think it was when he made his first speech after the election.

But I can say that one of the -- E.U. promotes regional integration because it believes it can export (inaudible). You can be successful. There's a sort of projected values, exported norms (inaudible).

(Inaudible.) It does not care about human rights, about democracy. In countries in Africa and actually from my research in (inaudible). Don't push it too hard because China is bad. So if you push your proposal on this condition, we're going to China because China doesn't want to know how we spend our money.

Thank you. But we can talk more in the break.

MR. AZIZ: Philomena?

MS. MURRAY: Thank you for your questions and thank you for your participation. I certainly enjoyed the session.

Conditionality, the idea that the E.U. would be more effective if there was more conditionality (inaudible), I think that is certainly the way some people in the Commission see it. It's absolutely not how it is seen in the member states, and we have to keep an eye to the policy particularly (inaudible) many of the foreign policies that we're talking about. There is really very much a very uneasy relationship between the member states and the Commission and also that the European Parliament is always pushing for more conditionality and for more oversight of the agreements which are being at the moment.

So I think that it would be fantastic in an ideal world. I don't think it's going to happen. I think there is just simply going to be too many

problems because so many of the member states would oppose it, particularly those, actually the major ones. They already do most of the trading.

The second one is on the European Union's foreign policy, so much focus, and its external policies more generally focused on the concept of regions. There's this guy called Michael Reiterer who is the Deputy Ambassador of the European Union in Japan. At a conference we were at a few years ago, he said, I think that inter-regionalism is the most effective foreign policy tool.

He's wrong. It's enlargement.

Now he's certainly very, very definite about seeing this whole idea of region to region influencing the way countries run their countries, the way they run their democracies, the way they run their diplomacy, the way that the European Union is trying to actually write the international rulebook and enforce it. I think this is really interesting.

You go back to the declaration of 2001 which was the European Council's declaration, they're really

interesting to give you the mindset at the time. They actually said, we see ourselves as managers of globalization. In a sense, this is what we see happening in terms of trying to make the world (inaudible) in terms of being a region.

The other thing is when I was interviewing members of the European Commission, one of the top in the (inaudible) Relationship said to me: We'd love to look at the way integration is developing in East Asia, he said, because and I quote "because we like to look in the mirror and, like everybody, we like to see others in our image."

Well, another one said to me, and this leads on to the issue of human rights as well because I told you already I think we should be cautious about the whole idea of the E.U. as a model. Another one said, and I can't believe these people say things when they're actually being quoted. He said: What we wanted to do is to push the world to be on the path of righteousness. We will push them. We will shove them on the path of righteousness.

This guy was being quoted. So I just love that. I mean the path of righteousness. There is a messianic zeal about this that scares the hell out of me. It makes me feel I'm at some fundamentalist sect or something.

So this messianic concept is extremely important, and you need to be aware of it because it isn't a part of the (inaudible). It's part of the normative power of Europe, and I think that you should be aware of that.

The other issue is that the European Union are integration snobs. One of their people who works for the European Union says to me, we think our integration is best. She said, I think this is really scary and we are integration snobs. Everyone else is not as good as us.

So this idea of imposing our values, et cetera, by the European Union is very, I would suggest, quite a matter of concern.

With regards to the role of human rights and the uniform policy and it's very much (inaudible). If

you could get these countries just all grouped neatly together, you'd get more complying with human rights, good governance and anti-corruption measures, democratic values, et cetera.

But what they all do is they do it in different ways. One of the ways they do it is through humanitarian aid. The other is through some sort of (Inaudible.) You see this, for instance, in the Ache monitoring mission which was monitoring of the peace agreement in Ache in Indonesia which was the first inter-regional cooperation of its kind in the world between five countries of ASEAN and seven countries of the European Union. So what you see here is, in a sense, it's a type of imposition of E.U. norms by stealth. They're not terribly stealthy in the sense that it's obvious.

And so, I think that to see this sort of thing happening also in the E.U.-Asia relationship and also the way that the European Union is trying to be much more active in the ARF, the ASEAN Regional Forum, which is the only regional forum in Asia on security

issues. The European Commission is very much pushing its position that it wants to be more involved even in large part in the region -- very much worth looking at over the next few years.

And, finally, and I'm sorry if I'm not giving due credit to the wonderful questions you asked.

With regard to (inaudible), I didn't fully understand your question. Do you want to know the Asia Pacific view of what exactly? Of the world beyond the transatlantic relationship? Is that right?

AUDIENCE: Yes.

MS. MURRAY: Yes. The Asia Pacific view is if you're looking at it from Australia and New Zealand, they see themselves very much as part of the single world view. If, however you see the world from Japan, you'd know that the United States is much more important to you than the E.U. is. If you see the world from China's perception -- and I know Mara would talk about this -- the E.U. is certainly much higher on their official agenda than the United States

because of the two-structure idea you've given to us, Mara.

But also, I think that we need to be aware that a lot of people in Asia do not care about the European Union, do not know about the European Union, but they certainly know about France and they certainly know about Britain and Germany.

But if you talk to them about the European Union, they would be probably aware that it's a trade actor, but in terms of the humanitarian actions, in terms of sort of spreading of its policies (inaudible) which I mentioned to you earlier, in terms of even the Aceh monitoring mission which the Australians and New Zealanders think is fantastic and it was very effective, most people don't understand and they don't know about it. So there is a huge amount of mutual ignorance and mutual stereotypes taking place between the E.U.-Asia relationship which still hasn't been addressed.

MS. CAIRA: Let's talk from a human rights and E.U. relations. The issue of human rights is part

of the intercultural dialogue and also a purpose in the E.U. external relations. But as a part of the intercultural dialogue, intercultural dialogue is possible when there is a certain degree of homogeneity between the two parties. On the issue of human rights, there is no homogeneity at all between China and E.U. So this is the first problem.

How E.U. handled the problem, I said a few words before. I would like to add that in E.U., there are different attitudes vis-à-vis human rights and China from different members, country members. For example, France and Germany are more soft about this issue. They do not want to force China on the way of why.

I don't want to take so much time, but I think that first it is important to understand why because France and Germany, and the United Kingdom too, but France and Germany have a long knowledge with China. France and the United Kingdom, of course, have been (inaudible) in China during the period, Germany too. So they are accustomed to the Chinese style of

negotiation and so on. That's why they do not force China on it.

Other countries and the newcomers especially who are coming out from Communist regimes are more hard and strong on the point.

The second difference between different attitudes from different European institutions, European Parliament is very active and clear-cut on this issue. The Commission is softer and the Council is more attentive to other issues. So the way E.U. handles human rights issues with China is a very pragmatic way.

In my opinion, it is a successful way because if you force, if you -- how can I say?

AUDIENCE: (Inaudible.)

MS. CAIRA: Blackmail, yes. If you put blackmail on China -- do that, otherwise, we do not do something else -- it's absolutely negative. There is no positive exit for such an attitude. So it is much better to involve China on practical discussion, on a peer, on an equal level. In my opinion, to bring

China little by little to put into action the international covenants she has signed. This is one point.

China and Africa, this is wonderful. China, Africa, and the E.U., this is wonderful because China has succeeded in taking up, taking over the role European countries had and apparently should have continued to have in Africa.

In my opinion, the U.S. lost Africa, has given up Africa to the Chinese because of political inability, in my opinion.

How did China develop its commitment, its cooperation with Africa? No commitment with internal issues, internal affairs. Why? Because China, in exchange, doesn't accept internal interference.

Second point, the famous Chinese win-win policy: You get something; we get something. You have opportunity; we have opportunity. So, very pragmatic.

Also, something interesting in my opinion is that China has made agreement with Portugal, for

example, to cooperate in -- how do you say -- Lusitano African countries, like Angola, for example. The system is Portugal will furnish cultural tools (inaudible) because you know we Chinese, we can invest capital. This is something just the Chinese can imagine something like that.

But it has been -- how can you say?

AUDIENCE: (Inaudible.)

MS. CAIRA: It was -- how can I say -- something which the E.U. could have imagined such a capacity of penetration at such --

AUDIENCE: (Inaudible.)

MS. CARIA: At such a multilevel ability. This is one.

What else? Originalism is an important issue because the more there originalism as one of the development of the civilian power and soft power of E.U. all around the world. To the Chinese, E.U. is a model. E.U. integration is a model that could be eventually applied in Eastern Asia and apparently is underway to be put in action in the SCO.

Do you know what that is, SCO?

AUDIENCE: (Inaudible.)

MS. CAIRA: What is it?

AUDIENCE: Russia, Pakistan.

MS. CAIRA: What? Pakistan? No.

Uzbekistan, yes.

AUDIENCE: (Inaudible.)

MS. CAIRA: No, no. Iran is an observer.

AUDIENCE: (Inaudible.)

MS. CAIRA: Yes. Russia, China and the
neighboring countries of Central Asia. Sorry?

MS. MURRAY: It seems very interesting.

MS. CAIRA: It's very interesting because it
started as a political cooperation intended to fight
drugs, terrorism and so on issues. Now it is
developing into a sort of a current of economical
integration.

It's clear that China is guiding the
process, and China is using, is making reference to
the European model. Chinese know all the European,
the E.U. mechanisms very, very well. They're

extraordinary (inaudible). They've been working for years and years on this, and they know perfectly. Then they apply, and they try to apply the same system. In a way, China would like to put in action a sort of regionalism in which it should be not the head but the center because the Chinese foreign policy has (inaudible) not a chief, but a center in the future.

I think that's all.

MR. AZIZ: We'll have a second round. I propose to keep the round short and short: short questions, please, and also short replies.

There was a question, first of all, (inaudible) and then two more and then we'll have lunch.

QUESTIONER: I think I'll keep it to three questions.

MR. AZIZ: Very short, please.

QUESTIONER: Very short, yes.

Conditionality (inaudible), can you say something on how you do academic research on conditionality in the sense that the process is

particularly obscure?

Coherence, to Professor Carbone, as you were saying, the Africa-E.U. summit was for the first time an E.U. document was signed (Inaudible.) So I wonder if you can say something on the foreign policy side, given the fact that (inaudible) contribution on that.

And the second half of the question for you, that is for the last one, is on paternalism in the sense that it seems to me that you're reversing thesis by (inaudible) of collective clientilism. He was using collective clientilism, but he was saying: Look, it's not the European Union which is creating this (inaudible), but it is the ACP countries who are simply taking the money.

So I wonder if you could say how the European Union and the ACP (Inaudible.)

QUESTIONER: One question for (Inaudible.) with which you ended your presentation, to ask you how you reconcile this idea with the principle of ownership that was repeated (inaudible) in discussions that were held before the summit.

(Inaudible) with collaborations on both parts and relate to these as you may well know, the new Africa, well, it's an old partnership. It was presented as a move from partnership in Africa to partnership with Africa which totally contradicts your theory. So can you just elaborate more on that?

And for Philomena, you shared with us that tomorrow you will say the commissioners that clearly, but diplomatically, I hope, that they do not have for Asia a coherent and coordinated policy. Can you just anticipate today what will be the solutions? Well, what solutions will you propose to the commissioners (inaudible)?

Thank you.

QUESTIONER: I just have a question about when you spoke of China, the E.U. and Africa, and with the addition of AFRICOM going by the United States to centralize the military power in Africa, I don't know if you could speak to that.

MR. CARBONE: (Inaudible.)

QUESTIONER: AFRICOM, they're building a

whole new central military intelligence base in Northern Africa.

And then just one comment as a response to the Shanghai Cooperation Organization, in the United States, we see that as more of security and energy. Kind of what's more nefarious for us in the United States is because you have several nuclear powers, China, Russia, potentially India and Iran all kind of joining forces to secure whatever oil reserves or maintenance centered in Eastern Asia. So that's just more of a comment. You can respond to that or not.

MR. AZIZ: One last question, please.

QUESTIONER: Hi. I just have quick question regarding E.U. relations and ASEAN but in two respects, well, in the respect of whether and how ASEAN can be impacted by regional powers and how that can impact the E.U. or potentially impact E.U. relations, either current or future.

The first respect to Professor Murray of how would Australia as kind of its soon to be playing a bit more regional role or more of a major power in the

region especially in recent efforts by Prime Minister Rudd and things of cultural and things of aid and things of this sort. Since it's an English-speaking country, it has closer ties to the Commonwealth and the E.U. How does that impact ASEAN in terms of driving it in either pro-E.U. or pro-Australian ways or whatever way you can comment on that?

The second one in terms for the Professor Cairra, whether the China role would impact ASEAN relations with the E.U. in terms of yes, it wants stability.

MS. CAIRA: In terms of what? Sorry.

QUESTIONER: In terms of how China would impact ASEAN relations with the E.U. even though it's not necessary a formal member. But I mean it's undeniable that it plays a major role in terms of ASEAN and whatever potential role it may have with the E.U. even though it kind of plays close, attempting not to be in terms of the military power, but it is becoming more aggressive. How would you comment on that?

MR. AZIZ: Okay. Thank you very much.

(Inaudible.) for two hours, so we want the speakers to be very short, like one minute or maybe several seconds for each.

Philomena, do you want to start?

MS. MURRAY: Maybe I should talk fast for a change.

Thank you for your questions.

How to do academic research on conditionality? With difficulty. You've got to go in there and you've got to talk to the people in the Commission. You've got to actually see how it's perceived by the relevant European Parliament committee. You have to get in there and talk to the people.

You've got to look out of the clause itself, and you have to actually see what aspect of the clause looks to be problematic, how will they be monitored on the interlocutory side and how will they be monitored on the E.U. side.

You have to go and look at the annual E.U.

report on human rights in the world. You've got to look at the European Parliament awards of human rights in the world. Look at Amnesty International reports on torture, for instance. These are the ways of looking at independent indications.

Then see what is the E.U. doing in that, and that's where you see the good solid comparative research based on what's happening, and then you can draw conclusions about what should or might be happening. It's good hard work where you actually go back to the documents and you also talk to the people. I cannot believe how honest people in European institutions are when they tell you what they think even when you've got a digital recorder in front of them.

The second issue is what are the solutions for the coherent E.U.-Asia policy? We've got a set of recommendations in our document. After embargo, which is tomorrow, we're happy to make them available.

But basically, they're sort of (inaudible) and what you could call (Inaudible) and obvious. Talk

to each other. Try to become more coherent by actually setting up an Asian coordination group within the Commission and do what one Commission official has called walking across the street.

In other words, it's not (inaudible). What you do is you actually talk to the Council and there is not enough Council-Commission coordination on E.U.-Asia policy, absolutely not. I mean that on two levels. One is the Council institution's Secretariat; secondly, the individual member state.

The next one is get the newer member states involved because they don't have expertise on Asia with a few noted examples. So what you need to do is try and (inaudible) Lithuania's expertise. What you do is you actually bring in Australian experts, American experts, experts within DIFD and the E.U. system as well who actually are going to start this mutual knowledge base because the lack of knowledge is absolutely appalling.

The other thing is that the E.U. delegations throughout the world, so-called external action

service, really need a huge amount of reform, I would modestly suggest. I think I'll say it slightly differently tomorrow, and I think that my diplomatic training may come in.

I think they really have been appalling. There's a huge need, I suppose, really to make sure that they actually are talking to each other and that they have a coordination person, that they have an education person, that they're actually drawing on the resources that are available.

I have lots more solutions and ideas, but I just don't want to speak (a) too long, (b) too fast.

And the last one is the abolition of regional authority in ASEAN. Can I take that question?

Thank you. I think that's a fantastic question. If we've got an hour, we can talk about it. The short answer is that the E.U.-ASEAN relationship has been completely overshadowed and downgraded by the E.U.-China relationship, to put it on sentence. Concerns about North Korea means that Korea still

remains on the agenda, South Korea does, but really ASEAN has really been downgraded despite all the bells and whistles at the recent summit.

What's happening in terms of Australia is that it isn't a major power in the region, but it sees itself as a middle power in the region (inaudible) internationally. It's great at taking on the very much in labor perspective on international relations. So it sees itself as being active in the Pacific or in developing close relationships with the European Union. It doesn't really care too much about the Commonwealth.

And working also in terms of what's known as E-Station Summit which we haven't had a chance to talk about where (inaudible) resulted in Australia agreeing to sign the amnesty agreement with ASEAN.

So there's a lot of interesting things happening there in the broader context of regionalism taking place, but I'm sorry I can't go into any more detail. But thank you for your questions.

MS. CAIRA: E.U. and China in East Asia,

China wants to be a sort of elder brother which succeeded vis-à-vis the other (inaudible) countries. This is how she wants to, China wants to present, first of all. She wants to act, to be perceived as a benevolent power, as a donor and a normative power also but a benevolent power that contributes to stability and peace in that area.

In this sense, remember in my mind and in the mind of others, China (inaudible) stable power because for at least 20, 30 years China has no interest in subverting the freedom of the area. So, in my opinion, also China appreciates a lot the civilian powers role E.U. plays in ASEAN.

On the other side, China has already put in action some structures like CAFTA, for example. China has a free trade area. So, in my opinion, I think that China will not counterbalance the E.U. action Far Eastern Asia, but China will try to work together to be on the same level with different employs, using different ways, the ASEAN way because China is this incredible actor vis-à-vis of the Far Eastern

countries, the Asian common destiny. China has always underlined since the fifties. China has a special role in Asia because of the Asian condition.

MR. AZIZ: Thank you very much.

MR. CARBONE: First, I agree with all that Philomena said, but then you go and talk to, I can give you the reference, you go and talk to Will Howard in the Institute of Social Studies in the Hague. You talk to Corporal Alite . You talk to Peter Adela , and you talk to all of (Inaudible.) So they've done serious research on conditionality.

Remember the difference between (inaudible) in terms of conditionality. (Inaudible.) There's a major disagreement within the E.U., among the different states, how do you do use these two terms. Just give a very (Inaudible.) One is ex ante; one is ex post. The two have major implications for the way (Inaudible.)

Second question, coherence (Inaudible.)

It's not a problem of aid development but how all their policies can contribute to achieving the

Millennium Development Goals. These are (Inaudible.) which is extremely good.

The commitment to international development will be analyzed, all the major elements for a coherent policy in international development.

But the question was more about coherence in developing a strategy.

Again back to the question (Inaudible.)

The last message I want to convey, here is one. There is, and I want you to go home and think about this. It's not the Pope.

These are European concepts on development. Those people who are into development should look at this. All of the member states in 2005 (inaudible) talk about how to get one view, not only the European Commission but all 27 member states. (Inaudible.) code of conduct (inaudible) which was adopted in 2007. If that is implemented, it's a major revolution in new development because if those countries stop (Inaudible.)

Let's care about the eight orphans, and the

eight orphans are Central African Republic
(Inaudible.) No, no, let's not concentrate only on
Tanzania. Tanzania receives so much money.

MR. AZIZ: Okay. Thank you very much. High
time to conclude. There's a lot of it left for
conversation over lunch.

I want to thank the panelists very much for
their excellent contributions.

We will be continuing again at 3:00. So
thank you.

(Applause)

SPEAKER: So welcome to what is the
afternoon. It is now time to talk about Europe and
its neighbors. You know that the most -- one of the
difficult things about the European Union is-can
someone close the door, please -- one of the most
difficult things about the European Union is defining
the borders of Europe, which are going to be one day
and borders in New York, which also means which are
going to meet our neighbors, which are very important
for us geopolitical, economic reasons.

Now, I would briefly introduce our speakers. On my far right, Tom Casier. Tom Casier was (inaudible) chair at the university -- I don't remember. Which -- you were a (inaudible)?

MR. CASIER: I was at University of Maastricht, not at (inaudible).

SPEAKER: Maastricht. Yeah, I thought it was -- no, (inaudible) you had some (inaudible).

MR. CASIER: (inaudible) module.

SPEAKER: Yeah, I bumped into you because you were a Germany something. And now he's at the University of Kent, Brussels.

MR. CASIER: Yeah, that's correct.

SPEAKER: And on -- you have to pronounce your name.

MS. GINKOVA: (inaudible) Ginkova .

SPEAKER: Okay. You got it? She's replacing her colleague Serena Giusti. She's a senior researcher at ISPI, and she's -- she's actually originally from Bulgaria. She studied (inaudible) relations.

On my left, my dear friend Lara Piccardo, colleague and, as we say in Italian, compagna di

mirende in a number of different adventures. And Lara is from University of Genoa. She has a Ph.D. in history of the -- no, international relations. Yes? And she's a specialist of Russia.

SPEAKER: Yep. We can take (inaudible). No, no, it's you and then Francesca.

SPEAKER: Hello. My name is (inaudible). I'm with the (inaudible) for and the membership promised to be, not the membership (inaudible), but the negotiations for the enlargement or the (inaudible) that should be recognized in countries in order to make them, you know, reform their system. I completely agree with (inaudible) example without the European membership (inaudible) the problems that might have (inaudible) you would not be adopting in (inaudible) the reforms (inaudible). On the other hand, by keeping the door open and saying, like, okay, in three years time, these countries can become -- could become members, don't you think that there is also some competition with that, I mean, 15 years time? I mean, it also increases the intent of the national assessments of these countries. So in that sense, like, they can (inaudible) these countries if

they won't become members. There is also a risk being involved in these countries to swing back with other allies (inaudible) or a different track. Can you assess that?

SPEAKER: (inaudible) from the University of (inaudible). I have two questions. The first question (inaudible) with Kosovo and the Balkans. And the second question (inaudible) foreign policy. So there are two (inaudible). You said Kosovo is the (inaudible), and this is (inaudible). We need to look at both of them through the lens of Kosovo, and there is the (inaudible), the geography question, which is (inaudible), who's saying if you simply look at Kosovo, then this is myopic short-term (inaudible), in the sense that the problem is Bosnia, the problem is Serbia. And I wonder if you could say a little bit on that.

And the second question is on Italian foreign policy. I think it's -- if there is one place in which Italy needs to articulate more coherently its foreign policies in the Balkans through the European Union, but also by (inaudible). And I'm -- to a certain extent perplexed on how Italy articulates its

foreign policy. I'm perplexed (inaudible). I'm looking at the (inaudible) and saying how (inaudible) and the (inaudible) and seeing that the participation of the Ministry of Foreign Affairs is (inaudible) having its July (inaudible), but if such an external meeting were to be organized and (inaudible), I mean, the policymakers and their organization, their view of it would be much more (inaudible) explicit.

Now, I wonder if you could say a little bit -- if you could say something on Italy's foreign policy in the Balkans.

SPEAKER: Are there any other questions?
Yeah. Helena.

SPEAKER: (Inaudible) I'm a (inaudible) student at the University of (inaudible). I would like to ask your opinion on the crisis in Bosnia -- I want to talk Kosovo, but to me Bosnia was never solved. And whether it was a complete meltdown of the European foreign policy (inaudible) in the Bosnian conflict. And the sort of -- whether that (inaudible) or (inaudible). You mentioned the (inaudible) was or that (inaudible).

I wonder what your reflection on that?

SPEAKER: Yep.

MR. GORI: Okay. Thank you very much for these questions. I'll try to answer briefly.

Yes, it's true that if you listen to the Serbs, there is this contradiction between saying on the one hand, we want to be integrated in the European Union, but at the same time we want to keep Kosovo as a part of Serbia. Well, yes, it's true. There is this contradiction, but we need time to solve this contradiction in the sense that we can solve this contradiction today, because today there is no possibility to do it. The new Serbian government in particular has the necessity, on the one hand, to stress the fact that Kosovo is still part of Serbia, but, at the same time, has to continue to insist in the European integrational process.

And as I said, for the moment, it's a contradiction that we cannot solve, but it's up to Serbia, first of all, to try to solve these problems, because, for us, it's very clear our policy: the door is open for Serbia if they respect some conditions. And, of course, Belgrade knows very well that if

Serbia wants to become one day part of the European Union, it has to change its position on Kosovo.

But you cannot ask Serbia to change this position today or tomorrow. We need time.

Second point: of course, the Turkey is an example. It's a very good example. You are right. We have seen how this candidate status for Turkey helped very much to transform the country. It's also true, as I said, that 15 or 20 years to become a member of the European Union is a very long way ahead of us and the head of the countries of the region. But you have to consider that we have a completely different mood in Europe vis a vis the enlargement policy, especially after the referendum in France and in the Netherlands, the constitutional referendum.

In Brussels, all the enlargement policy was reconsidered was reinforced, all the conditionality for the (inaudible) session strategy and for the enlargement strategy was reinforced, and the tendency is to make the enlargement process more difficult. And that's the reason why I think you cannot really reduce now this period, but you can at least say clearly that at the end of this very long way, there

is a very clear objective, goal, that you can reach. This is the only way to stimulate these countries to make reform, but I agree that it's a very big problem for the enlargement policy of the European Union.

Well, as for the presence of the Minister of Foreign Affairs here, I think (inaudible) if you want to answer. I was invited, and I'm here. And I think all the diplomats invited were here, so come and to be honest, I don't understand your question.

As for Italy and the Balkans, you were speaking about (inaudible) of Italy in the Balkans. I think we have a very clear and coherent policy in the Balkans. And we have stated very clearly many times, to be honest, and which is our policy in the Balkans. We have a very special bilateral relationship with all the countries of the region. We have very clear economic and commercial interests in the region. We have a very clear security interest in the region, and we are very coherently trying to defend these interests. For us, to defend these interests, it means first of all to integrate these countries in NATO and in the European Union. Euro-Atlantic integration. This is the Italian foreign policy in

the Balkans, and, to be honest, it's probably the region in the world where we have the most coherent policy, not only coherent policy, but also I would say bipartisan policy.

So your consideration on this point I think is not correct.

As for you mentioned the (inaudible) position on the Balkans. If you have to focus on Kosovo or if you have to focus on Serbia and Bosnia. Yes, I mean, you can look at these problems from many different perspectives, but I think the substantial problem doesn't change. We need in Kosovo now a reconfiguration of the international community, and you have to solve this very practical problem. And we need to -- I mean, I would say to invite Serbia to change its policy vis a vis Kosovo, not as I said for today, but for the future.

We need to tackle all the very important problems that we have in Bosnia -- constitutional reforms, OHR transition, republica asepsca aspirations and so on. We have a lot of problems, especially in both.

But again, I repeat you can look at these problems from many different angles, but it doesn't change very much.

The last question: it's true. Bosnia had also positive effects I would say on the European Union in the sense that, for instance, the SDP mission -- the SDP concept and also all the external dimension instruments of the European Union were born in the Balkans. The Balkans, and Bosnia in particular, is a sort of I would say playground for the European Union, because it's the only region in the world where the European Union has used all the instruments and its disposal in the external dimension, and it's the region where all these instruments were born. So, paradoxically, yes, it has also some positive effects. Thank you very much.

(Applause)

SPEAKER: Thank you very much, Luca. Lara off you go.

MS. PICCARDO: Thank you. I will speaking standing because the (inaudible) is higher than me, so I suppose you cannot see myself.

Okay. I would like to talk a bit about the EU and Russia. This is definitely an EU topic I think, and also because I have only 20 minutes to talk, and I brought a lot of things and I had to shorten my presentation.

I have to make just a legal brief, let's say, historic introduction. I really need to make you understand how a line of Russian foreign policy, as well as being the same during times. It seems to be strange maybe, but in a certain sense it is quite understandable. Frederica, for example, said that (inaudible) geopolitical interests (inaudible), for example, in the old continent, I mean, draw the line of geopolitical interests in the continent. And history shows us that it is true. For example, Russia has always intended to reach, for example, the Mediterranean area, and it is a kind of geopolitical interest that is surviving in Russia since the czarist era.

Actually, talking about European integration and Russia, it's difficult. In a certain sense, Russia and the Soviet Union didn't use this kind of term. They didn't believe that there is something

that is European unification. That is (inaudible)
this word is just talk.

For example, during the Soviet period, it was not allowed to talk about European integration. All those who were interested in this topic they had to talk about imperialistic integration, saying that the West is the enemy of the Soviet Union, because it remains, even if it's changed a bit during time.

During the Soviet time, as I already told you, the Soviet state didn't want a kind of European integrational process. The fact it was that the Soviet Union thought that Moscow should be the only great power in the whole continent.

During the war period, they thought that the Soviet Union would be the only great power in Europe. And they misunderstand at the really beginning that the United States would remain on the old continent after the conflict, because the Soviet Union thought that the second postwar scenario would be the same on the first postwar scenario. It means that the U.S. are going to have the internationalism policy, and the Soviet Union could dictate control over the continent.

But then the story goes in another way, and so the six founding countries started to create the first European community. And, at the very beginning, Stalin he didn't understand what the European Community was in the sense that he said we don't want a kind of European Federation in the old continent, but we think that, in any case, no European federation would be great since the European countries have no interest in making a federation.

If a federation would be created, it would be a kind of American plus European Federation in the sense that the Soviet elites thought that only the United States could have some interest in the European integration. Okay?

And to say all the story it is also important to remember that from a political point of view, the first administration who used the word unification to indicate to the European integration process was the Truman federation. So it is quite interesting to say that the European integration process was really started pushed by the American administration.

At the end of the Stalin period, these kinds of hostile relations of the Soviet Union with the western part of the continent remained in the sense that Khrushchev thought that the European communities should not be recognized as European communities.

So Khrushchev decided just to split the Western world, and he said, okay, now we have on the western part of the continent the European communities, but we cannot talk with them since if we talk with them, we recognize. And in a certain sense, we recognize the power let's say of six countries that are in a certain sense divided and become part of (inaudible) nationality.

So Khrushchev decided to have bilateral relations with the six founding countries. And the same thing was done by Brezhnev. The really important thing in my opinion is to say that the Soviet Union always rejected the idea of European integration, and the only thing that the Soviet Union did was just adding relations, bilateral relations, with all the Western European countries.

The scenario they change with the government, since, as you probably say, as you

probably know, we talked about the European common (inaudible). And this is only an idea. In a certain extent, it was a new topic, an idea. But the thinking was quite important since during the Gorbachev period the Soviet Union recognized the European communities.

So only in the '80s we can really talk about a relation between European communities in the Soviet Union. Okay? Here that more and there is no kind of -- there is mystery about the relations in European integration and the Soviet Union. Okay?

As soon as the Soviet Union collapses, Russia starts to have a different attitude towards the Western Europe. And during the Yeltsin period, for example, the attitude was that the European Union was a kind of ally, and the United States were enemies. They remained enemies.

Although the Cold War was finished, the bipolar logic remained. During the (inaudible) period so also the Russian public opinion that is a good attitude towards the European integration, and, at the very beginning, a lot of surveys made in Russia said that all, quite all the Russians intend to have a kind

of agreement with the European Union and so the European Union has a let's say friend of Russia.

In 1994, as you probably know, was assigned an agreement about partnership and cooperation among Russia and the European Union. Unfortunately, this agreement entered into force only in 1997, so quite immediately, after having said that, at the very beginning, Russia was quite happy to have this European Union at the border. Only some years after this scenario is changing again, because the first agreement, this first important agreement was signed in 1994, and it took three years to (inaudible) into force.

It was because of the starting of the war in Chechnya and so the negotiations and the ratification of this document has been so long.

And it's more than some one of you has talked about the human rights. I don't know who was, and actually in this world, the European Union intends not to play a role, but just to, let's say, have an interest in the sense that just to check what was the situation in Chechnya.

And according to this agreement, for example, the European Union can ask to Russian information about the nationalities in Chechnya and in the Caucasian area anyway. And Russia, according to this agreement, (inaudible) obliged to give answers about it. The thing is that the European Union has defined the human rights probably as one of the political criteria to let's say also to accede the European Union.

This is a difficult concept maybe, but to -- only the European countries can exceed to the European Union. Is it correct? But the difficulty is that what European means, in a sense Turkey is Europe were not, it is always the question -- it is always forced.

So the European Union starts to say that these political criteria, the political criteria is much more better than the geographical one, and it says all the European countries is it correct in this area, but all those countries that respect the human rights could accede to the European Union.

According to these criteria, to these political criteria, it is quite obvious that all the other relations of the European Union with the rest of

the world should contain a framework for a document related to the human rights.

So these agreements, these partnership and cooperation agreements with Russia, contain also the political (inaudible) and respect to the human rights, and so also the possibility for the union to get information about Chechnya and so on.

Unfortunately, this agreement didn't reach, let's say, any substantial advantage in the sense that this agreement finished in last year, at the end of December 2007, and Russia didn't renew it.

So there was no interest by both sides to renew this document that didn't produce any, let's say, important or physical effect. Maybe I think I can make you another example just to understand, to make more clear, that this agreement didn't -- was so much effective.

Probably you remember the president tried to be in 2004, in September 2004, and you probably remember that the president of the European Union -- that was the Holland Prime Minister -- I don't remember his name -- asked Putin to give information to the union about what was happening in Chechnya, in

that moment, Putin reacted since he said this is domestic jurisdiction, and you have no right to ask me something like that. And it is understandable, but there is another aspect that other European prime ministers reacted as Putin did. They said you have no right to ask him what he did in his state, and it is not (inaudible) for us to make this behavior.

So the point was that also in the relations with Russia, the European Union has not, let's say, a single strategy. The relation of Russia with the European Union sometimes intends to be a (inaudible) with the Union.

But in most cases, the member states tend to have their own relations with Russia that are bilateral instead of passing through Brussels.

So maybe it's important to reflect also on this aspect, because in my opinion it shows that probably it is a little bit early to speak about European foreign policy as we intended in a single state, national state. Okay.

But going on with history, as I told you, this agreement, this partnership and cooperation agreement, ended in December 2007. Actually, Putin

didn't intend it to go on with the relations with the European Union. I think he knew that a new president would come. And then, Putin, at the end of his mandate, was much more interested in, let's say, make the Russia a real superpower again. He was really thinking about bilateral relations with the United States and collaboration with the European members instead of the single European Union; also because Putin was a little bit afraid or was afraid (inaudible) about the European Union enlargement.

When, at the end of the '90s, the European Union decided to, let's say, proceed towards the enlargement, at really beginning, Moscow reacted in a double way. At being really beginning, Moscow said, okay, it could be an opportunity for us since we have some programs with some European countries, that is, for example, Poland, already Baltic states and so on. If these states are going to join the European Union, maybe Brussels, will, let's say, control the anti-Russian feelings.

And moreover, we can have a wider market, that is the European, and if we could have much more interesting trade with the European Union.

At the same time, another stream of feelings, let's say, rides in Moscow, and it was something opposite. And they said, okay, if, for example, Poland and the Baltic states are going to join the European Union, probably all the European Union would be, let's say, against Russian interests, motivated by political and economic point of view.

At the end, the second (inaudible) was the ruling one. So Moscow really was not happy (inaudible) complete enlargement, and started it to (inaudible) and it's a political question, starting some time from, let's say, the end game.

For example, Moscow has always had this problem of (inaudible) and the visa regime for (inaudible). It is true that those that Russian veteran traveling or traveling from the motherland to (inaudible) and vice versa as to, let's say, go across the European Union, but they have a technical possibility of not paying any visa taxation since they are traveling in fast train without stopping. So actually they have not pay anything.

Anyway, Moscow is already and its (inaudible) say something about this (inaudible),

because they intends to cause, let's say, political questions just to try to have, let's say, other interesting agreements with the European Union.

The same thing was done with the Russian minorities living in the Baltic states, especially Moscow was saying that Estonia was obliging the Russian people living in Estonia to pass some examinations to get the Estonian citizenship.

Actually, it was another dramatization of the situation, because it was not so true. Only some, let's say, Russian people has to do that -- but if those who were going to live there after having lived a long part of their lives in Russia, for example.

But Russia (inaudible) to use this point to try to recognize Russian as an official language of Estonia and making so if Russian is an official language of Estonia, it becomes also an official language of the European Union. So this -- all these aspects shown that Moscow is always trying to react to the European Union initiatives.

Nowadays, we have a new Russian president, as I suppose you know that, Medvedev, and he arrived at the Kremlin only two months ago. He arrived on the

8th of May. But what for me surprised me he started to do a lot of things. I say that for me he surprised me because at the really beginning, I thought was just a man of Putin, so it was just, let's say, making what Putin would say.

Maybe it is so. I don't know. But he started to make a lot of international meetings and appointments. He participated to an economic forum. He participated to the G-8 in these (inaudible), and he's also organized an EU-Russian Summit.

All those appointments, while those meetings are what's interesting. In the first one that was organized (inaudible), that is the Economic Forum, he was saying that Russia would be appreciated some agreement with the European Union for economic and trade. Obviously, besides this question, there is the gas and oil question, energy question, let's say, in the sense that the European Union intends to create an energy charter to be ratified also by Russia, and Russia intends to participate in a strong way to the deliberation of this document.

Then during the EU Summit, the Russian president proposed the creation of a new, let's say,

EU-Russian agreement. And actually, the negotiation for this new agreement started on July the 4th, so just some days before.

So for this, in the first -- these two meetings, everything seems to be quite at a good level, at least the situation seems to improve. But (inaudible), as usual, in the relations between Russia and the EU, we found another, let's say, difficult point since during the G-8 yesterday the American president said that an agreement for the space shuttle was signed between the Czech Republic in the United States. And Moscow immediately rejected a (inaudible) visit and said that if these agreements could be signed, Moscow would give a military answer and they use this kind of adjective, "military," to describe (inaudible) in a certain extent if it could be mean everything. Okay?

So we have just to wait right now if something is going to happen.

And as I said, the fact shows that the relation has always been hostile or difficult.

During the last two years that it was already clear that the Russian people have no interest

in renewing disagreement, the cooperation and partnership agreement, that was, as I say, the only official and important document signed by the most parties, that is, the European Union and Russia.

Now that the agreement is failed and a new one has to be prepared, but according to these last two events, we have to wait what we did, but also what the European Union are going to suggest overcome this little part of it seems to be (inaudible) again.
Thank you.

(Applause)

MR. CASIER: Well, we have no chair, but I propose that I'll continue my job of this morning, and I'll pass on the floor.

SPEAKER: Okay. But do you want to speak one after the other and questions altogether afterward?

MR. CASIER: I think we'd better take questions in the end, too.

MS. GINKOVA: Okay. First, I would like to thank the organizers of this conference for inviting me here. (inaudible) and my topic is European

Strategy: Influences Towards Ukraine and Belarus.

Okay.

In my (inaudible), I will structure it by dividing first the EU policies towards these two former Soviet Union states, and then I will assess how they are (inaudible) is today and what are the prospectus for them to access or not and how upon what conditions to access the European Union.

First of all, in my opinion, the turning point when speaking about Belarus and Ukraine and the European Union is the enlargement in 2004, when 10 members belonging to the former Soviet bloc entered. And somehow this enlargement change the picture in the sense that this was a kind of a model that the Soviet -- that the Eastern Bloc could transform, could achieve a new position, a new -- how to say -- a new regime. It started, and it took some democratizations; started to liberalize its economy and respected human rights, introduced mobile law. So it was a kind of an example that these former Soviet states and satellites they could, in fact, transform and belong -- de-European states.

What happened? Certainly, this enlargement had some positive aspects in a sense that they brought some dynamics to the European Union, to the market. They increase the labor market, made it more dynamic. We have the freedom of movement, in fact.

Of course, they contributed to the climbing EU growth rate, and they made some incentives for reforms within the states. Being former Soviet states, they, in a sense, they overtake the legacy of the Cold War -- these dividing lines between Eastern Bloc and West.

So I can assess and I can say that this enlargement in 2004 was a turning point, and it was a positive sign. It was a success story.

But since 2004, there were some negative aspects, and these aren't that once the conditionality of regime was over, the reform pace slowed somehow. There was no external pressure on these 10 members, so the reforms slowed the growth somehow slowed, too, and there was no -- the priorities that were set before the accession and a strong drive for reform and somehow just slowed and it was not a priority for these governments.

Then the old members of the European Union said well, perhaps it was our fault, and these countries accessed the European Union too early. They were not prepared, and so we, the old members, now have problems with them. There was this fear that it is still today there is this fear that jobs are going from the West to these eastern countries.

Now, we have a lot of widespread phenomena of this corruption, of this organized crime, and, for example, the last two members that accessed the European Union, Bulgaria and Romania, nevertheless they accessed the Union. They achieved that objective.

Today, we have not very good situation within them domestically speaking. So at this point, the European Union introduced this concept in this question of the absorption capacity. Is the European Union really right now able to absorb new members? Can we speak from now in the midterm for new accession, or we should stop, we should have a pause for some 10 years perhaps and then (inaudible) go away.

For right now, this absorption capacity is not defined very well. It is still quite a (inaudible) concept. And it's not clear that whether it is aimed at preventing further enlargement or just trying to absorb, to digest these new members.

With this situation, in my opinion, in the midterm, neither from Poland and for Ukraine, nor for Belarus there's no prospect for membership. So, in a sense, this was the reason why the incapacity of the European Union to offer something more to these eastern neighbors. The European Union introduced in 2004 the European Neighborhood Policy. It was a policy that was directed to create a kind of ring of friends, as then the president of the European Commission (inaudible) Pradi called it.

And it was aimed to create a kind of stability region along the borders of the European Union, to promote order in those countries. So just to be secure that in the near, in the proximity there is no conflicts and no immediate risks for the Union.

The problem with this European Neighborhood Policy is that unfortunately it offers to Ukraine and Belarus, which are members of it, offers weaker means

to achieve something more, and, of course, this not so ambitious perspective of not achieving membership. It called -- we offer you something that is less than -- something more than -- sorry -- something that is more a partnership but less than membership.

So we want you with us, but we're not able right now to offer something more, and the other thing that is more important at that time and also today, the European Union does not have the economic resources to attract these countries, so no political means and no economic. In this sense, the European Neighborhood Policy is somewhat weak, not so attractive and unsatisfactory policy for the states.

If we compare the enlargement and the European Neighborhood Policy, the enlargement, of course, it is based on these associations, association agreements, and it offers immediately the accession. There is a very strict time schedule, and the countries are really forced to implement reforms and go on in order to be members.

On the contrary, the neighborhood policy relies on just shared common values. It is just,

let's say, promise for cooperation integration but just in sectors, not at all, not full integration.

It is based on these instruments called action plans, which are kind of day-per-day instruments implementing, coordinating, and monitoring the policy in how the state behaves. And there is only talk about convergence and coordination no more. And that is the problem, because in the case of Ukraine since the Orange Revolution broke out in 2004, in November, December, Ukraine has all the time insisted that it is a European state. It is in Europe and it is worth to be in Europe. It wants to enter the Union.

So having this convergence just talks and no real deeds. It's not the right way to behave towards Ukraine in this case. And later I will say about Belarus.

Having this weak neighborhood policy, on the other hand, the European Union is further weak because it is divided. There is no coherence within the European Union members about this policy. Some members, mainly, of course, the Eastern Bloc, the 2004 members, 2004 enlargement members, and Germany in some

points also Finland, they insist and promote the Eastern (inaudible), I mean the eastern neighbors of the European Union.

On the other hand, we have friends with the recent proposal of this Barcelona process and the Union for the Mediterranean, so they -- somehow they look and focus on the south dimension of the European Union.

So if we have weak and vague policies and no consensus among members, I think, in my opinion, this is really a troubled time for the European Union to go in some ways, some direction. This is really a stalling moment.

Then the other problem, you know, when we are talking about Ukraine and Belarus and the European Union is that these are, of course, former Soviet member countries, and they are strongly influenced by Russia.

In the case of Belarus, it is called -- the country calls the last dictatorship in Europe. It is extremely dependent on Russian in sectors like security, for example, in relation with the U.S. proposal to deploy an anti-missile shield in Central

Europe. Belarus President Bucaschenka said that if the project goes on, he will say -- he will protect, let's say, Russia, and he will admit missiles on his territory, on his country's territory. So he will be the first line of Russia.

Belarus is dependent on Russia 100 when we are talking about energy. It is a transit country, but it is also a consumer country, and all its economy is based on these former Soviet links with the Russian economy. So, from Russia -- exactly -- from Russia, Belarus receives not only financial, but all kinds of economic support, and that is a real problem for the EU to overcome and to establish a new kind of policy or new instruments so to (inaudible) somehow Russia and to introduce the European Union values in Belarus.

Of course, Belarus is also dependent on Russia when we are talking about politics. There is this project since 1999 of establishing a union of states between Russia. As of today, there is no concrete progress in it because of these divergent and conflicting views between Lucaschenka and Putin, but I think also Mevedev in a sense that Russia wants this

state of union to be -- to absorb Belarus within the borders of Russia.

On the other hand, Belarus does not want to be a part of Russia, but it wants to preserve its sovereignty and be -- and to form a kind of confederation with Russia.

So at the moment, no progress, no breakthrough in this political union between the two.

And finally, Belarus is dependent on Russia about -- on its -- sorry -- economy, of course, since Russia is investing a lot of its industries in Belarus, and in 2007 it also gave to Minsk a loan of \$1.5 billion to be for five years. So it is a kind of supporting and investing in Belarus.

On the other hand, if we look at Ukraine and Russia, Ukraine is diverse, is different from Belarus. It has shown a preference for the Euro-Atlantic structures. It has always declared its desire to be a member of the European Union and that was the reason why in 2004 broke out the Orange Revolution with Kimoschenko and (inaudible) at the forefront.

So Ukraine is not -- it is dependent on Russia and on energy, of course, but it has different

historical reasons to be also more Euro -- pro-European, because if we look at the country, there is a geographical division. We have central and western parts of Ukraine, who are, of course, more geographically speaking more close to the European Union. They have origins, ethnic regions which belong to Europe, to Hungary, so their natural drive is to be in Europe.

On the other hand, we have south and eastern part of Ukraine where there is a lot of people who speak Russian, who are ethnic Russians. And they want to be -- to belong to have a return to Russia.

So Ukraine is different from Belarus. It is not a dictatorship. It is a democracy. It has promoted reforms. It has started to liberalize its economy. It has reduced the control of the states on economy. But it's somehow -- it is prevented from being directly a member, to enter the European Union because of this dependence on Russia.

It depends on Russia also in security. We have (inaudible) it is deployed the Russian Black Sea fleet, and that is a problem, because there is Ukraine allowed a lease for these Black Sea fleet there until

2017. And Russia would like to further this agreement. Unfortunately, Ukraine -- Kiev is not -- does not share this opinion, and it wants to stop, to finish this agreement to expiry and not prolong it after 2017.

So there is this strategic position of Russia in Ukraine.

So when we are talking about Ukraine and Belarus and their relations with the European Union, we cannot ignore Russia and its interests -- strategic, military, economic, political -- in these countries. But the problem is that Europe -- the European Union cannot offer something more.

The most recent breakthrough in the case of Ukraine is the proposal, the Swedish-Polish proposal for an eastern partnership, which appeared in late May. And these two countries proposed that Ukraine may become in the future. They do not rule out explicitly that the country cannot be a membership, cannot be a member of the European Union. But they put some targets -- how to be achieved this membership and they, for example, they proposed Ukraine to follow the Visa (inaudible) group, which is a group among

Czech Republic, Poland, Slovakia, and Hungary established in 1991 until 2004, which group prepared these four countries for their accession for -- to the European Union.

So Poland insists that Ukraine can be -- can form with the other eastern neighbors of the European Union. It can form a kind of Visegrad Group and start this coherence and world-wide process of a reformed and prepare -- boost these reforms in order to achieve the membership.

So another problem that is -- that we have when we are talking about the European Union and the two, Ukraine and Belarus, is that the civil society is not very aware of what is European Union. I mean it is just talks, but people, ordinary people, they cannot really assess what is this. What are the gains and how can they be achieved and in what time, what schedule?

So the European Union should really insist and invest in this field about informing the civil society people what is the European Union, because if these two countries become members, this involves a really long process of reforms, which will not be one

year or two, which involves all the society, all sectors of society -- economy, political, strategic, military -- everything. It is not just, as in the case of NATO, where is concerned the military sector and that's it.

European Union membership involves everything. So, in my conclusion, I would like to summing up all this information. I would like to point out that began listening to inform the society and the need that the European Union, Brussels, should rethink its neighborhood policy and perhaps offer something more than just partnership ordination or just economic integration, because as it is right now it is unattractive and without any real goal for the future.

Another point is that the European Union should involve in all talks, negotiations with these two countries should involve Russia. Russia is still too sensible on this issue, and these countries, they depend a lot on Russia, so Russia should not be ignored. Perhaps we can talk about the coordination between the European Union, NATO, and these two countries. So that's it. Thank you.

(Applause)

SPEAKER: Thank you very much. Now Tom with a presentation about your Vienna neighborhood policy.

MR. CASIER: Okay. Thank you very much. Good afternoon. I will start by raising some wrong expectations. First of all, I have a PowerPoint presentation, which will make you expect probably lots of spectacular visual effects, whether I'm on. As you've seen this morning, my technological knowledge is not that high. It's just in case you get lost in my talk that you can sort of see where I am. This is just meant as a sort of structure, as a sort of background to illustrate a couple of things.

I'm also standing up, so this may raise the expectation that I'm going to do some standup comedy, but with a topic like European Neighborhood Policy that's actually pretty hard to do, but it's an easy way to move closer to the fan and not to melt by the end of the day.

Okay. So I'm going to talk about European Neighborhood Policy, and this may sound a bit like an introduction after we heard already part of the European Neighborhood Policy, especially for Ukraine

and Belarus, where actually also my field of interest lies. But I think I'll have a bit of a different approach.

First of all, let me try to say that I start from the assumption, and that's an important assumption to remember for the rest of my talk. I start from the assumption that the European integration process is about the creation of stability. It is originally, as one of its reasons of existence, about the creation of stability in Europe. The reason why European integration started what's to reconcile France and Germany to avoid the wars in Europe. So this is somewhere still in the back of the minds of the leaders of the different member states, and it is when it comes to enlargement, when it comes to a regional foreign policy such as European Neighborhood Policy this is still one of the very important motivations, even if it is not always written down in documents in this particular way.

That's one thing to keep in mind.

I'll try to make two points -- I'll actually try to make a point, yeah, sorry.

SPEAKER: (Off mike) -

MR. CASIER: It's better, yeah. Thanks.

Sorry.

So I'm going to try to make two points, and one point is that European Neighborhood Policy -- and apologize if I speak about ENP. ENP is actually a very important shift in the strategy of the European Union when it comes to creating stability. I'll explain in a minute why.

The second point I will try to make is that the nature of European Neighborhood Policy as such is fundamentally different from enlargement policy. That's stating pretty much the obvious. The point I want to make is that the nature of the ENP will also determine that ENP has to be judged by very different standards, that is, following a very different logic as compared to enlargement.

So one of the things I'll try to do is to make some comparisons between the two processes in order to explain why, according to me, the nature of ENP as a process predetermines that ENP is following a different logic.

Before we do that, I just want to go over the basics again. The previous speaker has already

mentioned several points about (inaudible) policy, but just to wrap up a couple of things.

In its most simple definition, you could say European Neighborhood Policy is a sort of subsector of EU foreign policy. It is a regional foreign policy. It's part of the foreign policy of the EU developed for one particular area, the areas surrounding the European Union.

And it has, in fact, one aim -- developing privileged relations with the neighbors without giving them the prospect of accession. And that's a very important thing, and that's already the first thing that will distinguish European Neighborhood Policy from the enlargement policy.

Now if I were to ask you what does it mean privileged relations. If you need a very nice boy or a very nice girl and this person says to you, like, "I want privileged relations with you." What would you think? Well, let's stick to the ENP in this case. What would privileged relations be all about?

SPEAKER: (Off mike) -

MR. CASIER: Well, that might actually be the outcome of ENP. But what's (inaudible) the

European Union offer to the neighbor states. Please, in the back.

SPEAKER: Visa regimes.

MR. CASIER: Relaxed visa regimes. Do you know whether they have done so so far?

SPEAKER: (Off mike) -

MR. CASIER: Where they have done it?

SPEAKER: Switzerland.

MR. CASIER: Switzerland is not in the European neighborhood. I'll get to that in a minute.

SPEAKER: No.

MR. CASIER: They haven't. Exactly. Are you (inaudible) from Georgia, so I'm sure you know very well that they haven't. What else could they give?

SPEAKER: (Off mike) -

MR. CASIER: A stake in the internal market. Excellent. This is really something that one of the spokes of the (inaudible) European Commission has invented. They get a stake in the internal market. Nobody knows what it means. But to find it in any document: a stake in the internal market.

We can suppose that it has to do something with, well, preferential trade, better access to the single European market. But what exactly it means it's not defined. What else could it be?

SPEAKER: (Off mike) -

MR. CASIER: Yeah. Exactly. Access to community programs, so, for example, that (inaudible) students can participate in (inaudible) -- that sort of issues. Yeah.

But as I will make clear, none of this is very clearly defined. I see already two questions. Please.

SPEAKER: (Off mike) -

MR. CASIER: Yeah, well, that's the other way around. And I'll speak in a minute about conditionality and the rewards and the benefits of European Neighborhood Policy. That would typically be one of the conditions that the European Union will impose upon the target countries of European Neighborhood Policy. I'll get to that a bit later. It's part of the process.

SPEAKER: (Off mike) -

MR. CASIER: Yep.

SPEAKER: (Off mike) -

MR. CASIER: Yep.

SPEAKER: But what kind of programming
(inaudible) in what used to be (inaudible)?

MR. CASIER: Mm-hmm.

SPEAKER: (Off mike) -

MR. CASIER: There are training projects
being set up. There is also the border mission on the
border with (inaudible) and (inaudible). Yeah. So
these are all examples of what it could involve.

SPEAKER: (Off mike) -

MR. CASIER: Yeah. Ukraine and Moldova are
(inaudible). Okay.

SPEAKER: (Off mike) -

MR. CASIER: It is part of the ENP project,
but again as a condition that EU stipulates for the
countries. I mean, it was a concrete condition for
cooperation with Moldova and Ukraine.

So let me explain first what ENP is because
it will maybe solve some of the misunderstandings.
And when (inaudible) Brodick was President of the
European Commission, he used much stronger terms than
just privileged relations. He said that the neighbors

of the European Union would share everything but the institutions, so that would -- all the fruits of European integration. The only thing they wouldn't get is the ticket to enter the club called the European Union.

And in the early documents of the EU you find references to the freedom of movement, which would include that these countries will get a position very similar to Switzerland, for example, yeah. Switzerland is not in the EU, but it is part of the European economic area, and it's benefiting from any of the single market benefits from this position. Okay.

It's also important to see the context. The context is that European Neighborhood Policy -- I won't tell you the whole story -- but it was actually launched first under a different name, by the European Initiative -- on the eve of enlargement. Yeah, and it was, in fact, driven by the fear first of all that when the European Union would enlarge it would find itself surrounded by different countries that were less stable. And all of a sudden, the EU would find

itself closer to trans (inaudible), and closer to the conflicts over (inaudible), Apcasia and so on.

So this fear that its instability might sort of threaten the European Union was a very important factor.

And it was also at the same time, an attempt to escape the dilemma between, well, on the one hand, going on with enlargement forever, which was something that was not very popular with the public opinion in 2004 -- there was a sort of enlargement fatigue -- or, on the other hand, having to say to Ukraine, Moldova, sorry; this is it. The enlargement process is over. We stop here. These are the final borders of Europe. You have bad luck. We decided to stop here, and you may live in a Europe that is maybe poorer, that is maybe less stable. It may be also less democratic, whatever. We don't care. You're on the other side of the border.

So that was the sort of context that inspired in particular Solana and (inaudible) to take the initiative to launch the European Neighborhood Policy.

Just very quickly, to make sure you have a good understanding of the countries. All the countries in dark green are countries that are part of a European Neighborhood Policy. Actually you can say there are four geographical areas. There is the southern Mediterranean, with Libya still being on hold. There is the eastern Mediterranean, with Syria officially also a target country, but ENP has not been activated yet. There is Eastern Europe, which Belarus, a similar case in the sense that ENP has not been activated yet as well as Belarus doesn't meet the democratic standards. And then later at it are the countries of the Caucasus -- Georgia, Azerbaijan, and Armenia.

So these are the current countries that are part of the regional foreign policy call the European Neighborhood Policy.

They have progressed in different ways. Let's keep that. I'll get back to that a bit later. Okay.

This just as an introduction. Let me say something about the nature of the European Neighborhood Policy. And first of all, let me say a

few things more about these objectives. You could say that there are many objectives when it comes to European Neighborhood Policy. There are also economic interests. The EU is looking for trade opportunities, investment opportunities.

There are also energy interests. Many of the European Neighborhood Policy countries are producers of oil or gas or have a very strategic position in terms of construction of pipelines for oil and gas.

But I just want to focus on these two because they're important for my argumentation and they are also the core objectives of European Neighborhood Policy.

The first objective, as I mentioned, is to create stability in wide Europe without at the same time enlarging the European Union, and that's where I want to make my first point. You can say that European Neighborhood Policy is a shift in strategy. Enlargement was a strategy that was based on the creation of stability by extending the European Union. The best way to make a country stable is to say, well, if you enter the club, you have to fulfill certain

conditions -- Copenhagen criteria -- then you can enter the club, and your country will be part of the stable, affluent European Union.

ENP tries to create this stability not by extending the club, because membership is explicitly excluded, but it tries to create stability by exporting the EU model, and again, model between quotes. I'm not necessarily claiming there is such a thing like an EU model, but at least there are certain roles, norms, practices that are typical of the European Union. And the EU likes to refer to the model itself.

The second thing is the avoidance of dividing lines within Europe. As I said, ENP had to create something, and, as also the previous speaker said, ENP had to create something between membership and between being just any other country somewhere in the world. It had to create this privileged partnership.

The aim and that's very explicit in all the founding documents of European Neighborhood Policy was to avoid that enlargement would create new dividing lines in Europe; that we would create a new curtain.

This time not an Iron Curtain, but this time sort of social and economic curtain, a sort of Euro-curtain, with rich countries on the West and poor countries on the East. Yeah?

So ENP was an attempt to find a way to distribute the wealth of Europe, but also distribute the practices and rules of Europe with the rest of wider Europe.

What is very crucial about this is that this is, in fact, the first time that the EU tries to separate the creation of stability and the process of integration. And that exactly makes European Neighborhood Policy such an interesting case. It's a new strategy which, for the first time, separates membership from the creation of stability, and that makes many people, including me, rather pessimistic about the chances of success. I'm an academic, and, as an academic, I was paid to be pessimistic. So that's one of the advantages. But I'll get back to some of the scenarios if we have enough time in a minute.

But I would first like to make a sidestep; hence, the different color of the slide, so there is a

visual effect in the end. I would like to make a sidestep to explain that the EU is sort of a unique actor. The EU has often been declared a unique actor, but I mean in a slightly different way.

The EU is a sort of unique actor in the sense that it is in the famous phrase it is an economic giant, a political dwarf, a military (inaudible). You have different versions of the (inaudible).

It is an economic giant, which means that it has an enormous impact, but an unintended impact on its direct neighbors. Do you have any idea how much of the export of the neighbors of the EU goes to the European Union? Do you have a guess in terms of percent? A wild guess? How much would Georgia export to the EU? How much would Ukraine export to the EU? How much would Morocco export?

SPEAKER: (Off mike) -

MR. CASIER: I don't know what the biggest role the individual countries. To be honest, so I think on Georgia you can tell me anything you want. I will say you're right.

SPEAKER: (Off mike) -

MR. CASIER: Yep.

SPEAKER: (Off mike) -

MR. CASIER: Exactly. For all countries, it is at least around 30 percent. And there are peaks up to 60 percent. Like, for Morocco, it's more than 60 percent of that exports that goes to the European Union, which means that these countries are extremely dependent on the EU. Imagine you're producing certain goods in Morocco, and you want to export them to the EU. You have no other choice but accepting the standards and the rules of the European Union. Yeah, the technical standards, safety standards, environmental standards. Otherwise, your product will simply not be accepted.

The point I want to make is that EU has an enormous unintended impact on its direct neighbors. But its intended impact, intended impact defines us -- well, the proactive foreign policy that the EU has; its foreign policy, in which a purpose it wants to create a certain impact. This policy is still very much developing. It's still at a very early stage. It is still weak. It is still inter-governmental.

And that makes the EU a very different actor as compared to, say, the United States, where you have a strong intended impact and a strong unintended act. In the case of the EU, unintended impact is strong. The intended impact is still rather weak.

As a result of enlargement, unintended impact for the neighbors would become much bigger and much more negative terms of trade, but also in terms of free movement, for example. Ukrainian citizens could in the past without any visa travel to Poland, for example. As Poland became a member of the European Union, Poland was obliged to introduce visa. So Ukrainians need a visa to travel to travel to Poland. You can imagine all the consequences it has in terms of border trade, in terms of students wanting to go study in Poland and so on and so on.

So in other words, enlargement created all sorts of negative effects, and European Neighborhood Policy has as an explicit purpose to well, change this balance, this negative balance for the neighbors between unintended and intended impact. In other words, it explicitly tries to mitigate the negative effects of enlargement.

And that's an interesting question. First of all it's interesting to see to what extent the EU actually manages to do that. And strangely enough, very little research has been done. There's very few systematic research on whether the EU manages to mitigate the negative effects of enlargement.

But it's also interesting as a question about well, the identity of the European Union, whether the European Union is a sort of different actor for the simple reason that it is maybe one of the exceptions in international affairs that tries to mitigate the negative effects of enlargement rather than to reinforce them; rather than to fight for the interests of the European Union.

I'm just asking this as a question because my conclusion will be much more negative -- actually saying that the EU has not been very successful so far in mitigating these negative effects. I'll get to that in a minute. Yeah. You're still with me? Okay. Good.

If you look at European Neighborhood Policy, it looks very much like enlargement. It seems very similar. This has to do with the outlook. The

instruments that are used are very similar to the ones of enlargement. It is based on negotiations. It is based on a constant monitoring. It is based on all sorts of agreements, and these agreements take different forms. Let me show as a few examples. You have, for example, country reports. You have the most important one, the action plans. You have the progress reports.

Let me just pick these two examples. Action plans are, in principle, bilateral agreements between the EU and one particular country, in which the EU says what that country has to do -- reform its industry, abolish state monopolies, respect human rights, and so on. But many, many very specific conditions. And, on the other hand, as I will say in a minute, (inaudible) very vaguely also says something about the rewards.

You also have the progress reports. They also look very similar to the enlargement instruments, yeah. But you have the regular reports, sort of measuring the process, assessing the progress that a country was making in reforming its country to the standards of the European Union.

So these instruments are very similar. Action plans resemble the accession partnerships very much. Progress reports very much look like the regular reports under enlargement.

There is also another issue that makes it look quite similar. Both are forms of structural foreign policy. Are you familiar with the term structural foreign policy? No?

Let me try to explain very quickly, then we can get a bit more complicated. Structural foreign policy is usually the antonym of structural foreign policy is conventional foreign policy. In a conventional foreign policy, you try to control something. You try to control the territory of another country. You try to control the pipelines that transport oil and gas to your country or whatever.

Structural foreign policy is completely different, because it tries to create a more positive international environment for your country, for your organization. In that sense of enlargement and ENP are policies that are structural, that try to restructure the environment of the EU, that try to re-

create in the longer term, because it's a slow process -- tries to create a neighborhood modeled along the image of the European Union. So the EU tries to reshape, remodel its neighborhood in its own image. And that's why it is structural foreign policy.

But that's basically where the similarities between enlargement and European Neighborhood Policy stop. There are also very clear differences. I mentioned already the fact that European Neighborhood Policy doesn't give the prospect of membership. But also very important is that European Neighborhood Policy is nothing more but a framework. It is a framework for bilateral relations between the EU and each of the individual states of the European Neighborhood Policy.

In other words, the policies are tailor-made. The policy of the EU towards Ukraine is different from the one with Morocco, for obvious reasons, because you have been most diverse countries there.

Moreover, it is a dynamic policy. It is a dynamic policy because the policy is evolving, first of all because it's progressing along the standards

that the target country's needs. So the better they reform, the more progress they can make, the more privileged the relations are supposed to become.

And it is also dynamic in a sense that well, the finality of the process, the final objective of European Neighborhood Policy is not clear. Nobody knows what should be the final stage of European Neighborhood Policy -- a stake in the internal market, privileged relations, fine. But what does that mean?

So it is a dynamic policy. And, as a result of that, it functions according to a very different logic, and that will be the second point and want to make.

It makes all this a much more political process. No? You've seen that slide already. So let me move to the second point.

What determines whether ENP is successful in exporting stability? If you say in its most simple terms European Neighborhood Policy is about the transfer of rules and norms from the European Union to its neighboring countries. What makes that some countries are more willing to accept these norms and

these rules and to reform, and what makes that some other countries are not?

Many people have tried to explain that on the basis of the concept of conditionality, because academics have the same reflex as many people within the European Commission, saying like, well, we have this new policy. We just copy what we know from enlargement. In the same way, many academics copied their research on enlargement to European Neighborhood Policy. And it seems to be based on conditionality, and conditionality in its most simple version is about the EU imposing certain conditions upon its neighboring states and promising something in return, promising a reward, a benefit in return.

If that should be the case, then you would expect that ENP is purely sort of cost-benefit calculation, yeah? If it's not too costly to reform, if the domestic production costs are not too high and the benefits are considerable, well, then, you can expect the country to reform and to live up to the demands of the European Union.

But in practice, it doesn't seem to function like that. Although the documents suggest that there

is conditionality, in practice there is not so much of conditionality in my view at least.

First of all, if you look at the documents, the action plans, which are the instruments of collaboration between the EU and the ENP countries. It's very interesting. Take the case of Ukraine, for example. I think the action plan for Ukraine is more than 40 pages. These 40 pages park, according to somebody in the European Commission 80 percent about the conditions, and 20 percent about the rewards that will the country will get.

I think that's far too optimistic. I think it's 95 percent -- 95 percent conditions, five percent what neighboring countries will get.

The rewards, the five percent, they are not only very limited, but they are also very vague, and they are very uncertain. Yeah? Stake in the internal market, privileged relations, these sort of very great things.

And that's actually quite interesting. But first, to finish the last point, there is also no very clear link between the rewards and conditions. Yeah? In the case of enlargement, it was pretty clear: you

had to fulfill the Copenhagen criteria; even if the interpretation was also highly political, at least it was clear what you were supposed to do. And it was clear what sort of reward you would get. If you fulfilled the Copenhagen criteria, you get membership.

In ENP, this link between the two is not clear. There are conditions and awards in the action plans, but if you fulfilled that particular condition, what will it lead to? Nobody knows.

So some people -- (inaudible) is one of them -- has spoken about conditionality lite, to say, well, it's only a sort of very weak conditionality. I would be tempted to put it slightly differently. I would say conditionality is very ambiguous. At the macro level, the political level, conditionality is almost absent, and there may be references to human rights and democracy and so on, but specific conditions on democracy and human rights are much weaker and are not playing a very vital role in the negotiations.

On the other hand, at the physical level, let me speak about very specific measures. There is a lot more conditionality, so you can speak their about technical micro-conditionality. And to give you one

example, Moldova, which is the small country between Ukraine and Romania, Moldova got some preferential trade measures under European Neighborhood Policy, but it was a very clear condition attached to it, and that is that Moldova had to give guarantees that they would respect the rules of origin. I don't know whether you're familiar with the rules of origin. Actually the rules of origin setting in which country a certain product has been produced -- yeah -- which means that this is a way for the EU to avoid that if Moldova gets the permission to export sugar without any tariffs to the European Union that, all of a sudden, not all of the sugar produced in the world would pass through Moldova to enter the single European market.

So the EU needs certain guarantees that the sugar that Moldova is exporting to the EU is actually also produced in Moldova. Yeah?

And that's a very clear example of this sort of very specific conditionality. The Commission said to Moldova we'll try to convince the member states of these preferential trade measures, but you have to guarantee us the rules of origin. And if there is one

case of major fraud, immediately be preferential trade measures will stop. You know?

That's a very clear case of conditionality, but at a very specific technical level.

Okay. So my point is basically that conditionality is, if not weak, and least very ambiguous, and, therefore, it is not the right way to explain why in certain cases there is a rule transfer taking place and why in some other countries is not taking place.

So we need to go to different explanations. And I believe that an explanation in terms of a process of social learning and a process in which the interaction in a similar way of thinking between negotiators will most of the time find themselves in Brussels, yeah. The people that negotiate on a daily basis are the people from the commission, (inaudible), and the people from the missions of the different countries based in Brussels.

So the social learning process is quite important. But this social learning process depends on three factors, and these three factors are interrelated. Sorry, it's a bit of a complicated

message. It's always nicer to say it's conditionality. It's not. This is a bit more complicated, because I think it's a very complex process.

First of all, the most important factor that determines whether an ENP country is willing to reform is a result of its own domestic agenda and the domestic situation. If a country sees the utility of reforms and thinks it makes sense for domestic purposes to reform, they will very much be tempted to do that; also on the condition that there is no strong domestic opposition against that -- or (inaudible) what is called veto players, certain actors that can block the reforms.

The second factor is -- and that's where ENP fundamentally differs from enlargement -- is that European Neighborhood Policy is a much more political process. In the case of enlargement, there was one final example. The example was the same for all. Everybody had to fulfill the Copenhagen criteria. Again, the interpretation might have been political to some extent, but it was clear what the conditions had

to be fulfilled. There was one single example for all candidate member states.

And the reward was also the same for all member states -- for all candidate member states. They would all be rewarded by membership.

In the case of European Neighborhood Policy, as I hopefully made clear, because of its differentiated nature, because of (inaudible) framework, and because it is very dependent on the member states, it is a highly political process in which the end the member states decide whether they want to grant a certain benefit to a certain country, which means that they have completely different attitude depending on the country we're speaking about.

Poland will very often say well, let's grant something to Ukraine, because they want to support Ukraine, they want to support especially the new regime in Ukraine, the new since the Orange Revolution.

So it becomes a very process in which the benefits and the conditions are all the time reformulated depending on the political support that a

certain country is willing to give. And, of course, the target states of ENP know that very well. And they go to lobby all the time with the different member states within the European Union. They go to lobby in order to get political support.

And the third factor has to do with well, a very subjective factor. Just the prospect or even, if you can put it that way, the irrational hope of membership of the European Union. I'm sure that in the case of Ukraine, and I think the same holds for Georgia, one of the factors that drives the political leaders to reform is that they hope that maybe not tomorrow, maybe not even in five or 10 years, but that one day this will lead to membership, and that is a very important bonus. Irrational, because the policy formerly excludes it. No? But I hope very much that well, if a country reforms very well, there will be no good arguments to say no, you cannot enter. Imagine a situation in which Turkey would have become a member of the European Union and imagine that Ukraine would have been very successful in reforming its political system and its economy and it will be competitive. What good arguments will you have a say to Ukraine

sorry, but you can't enter, especially if you know that Poland and probably Romania and so on would support the membership of Ukraine. There would be very few moral reasons to say now, and that's a sort of effect that some of the neighboring countries are counting on.

Moving to a conclusion, I would just like to summarize some of the points I made in this table, bringing back in the concept of unintended impact and actually making this sort of comparison between enlargement and European Neighborhood Policy as two different strategies.

As I said, enlargement was a strategy to extend a model of stability. It was based on what some people have called a strong gravitational pull, a very strong attraction by the EU, the EU being seen as a paradise, as a model, not necessarily in terms of model to be copied, but a model that generates wealth, because that's very often the most important factor. And, at the same time, enlargement was accompanied by an intended impact, a proactive foreign policy that was based on strong conditionality, because it was based on the Copenhagen criteria.

While ENP is a strategy that doesn't try to extend the EU, but tries to create stability by exporting it to its neighbors. Whereas, conditionality is much weaker and much more ambiguous, and where at the same time, you could say about the gravitational pull is playing a role, but it is very much dependent on the perception within the neighboring countries of whether they would have a chance maybe in the future if everything goes well maybe on the mid- or longer-term still to become a member of the European Union. And the fact that this perception is very different in different countries explains why in some countries will transfer has been rather successful, Ukraine being the strongest example. Yeah.

Ukraine got a lot of political support and for that reason Ukraine has a quite positive perception of its chances in the longer term still to become a member of the EU, while some of the countries around the Mediterranean, for example, do not have the perspective of the prospect of becoming a member, because the treaties say that only European states can become a member of the EU. And Morocco applied back

in '87, if I'm correct, and got turned down its application for membership on the basis of the fact that it was not a European country. So the prospects for Mediterranean countries -- Turkey, of course being an important exception -- for the Mediterranean countries in ENP to become a member are much lower because that perception of an accession one day is very low.

So (inaudible) the points I wanted to make, and I hope this sort of summarizes the argument. Thank you.

(Applause)

SPEAKER: Thank you, Professor Casier for your presentation. It's now your turn. So as always, I think we'll collect some questions, three or four questions, and then speakers will answer.

SPEAKER: (Off mike) -

SPEAKER: Hello. (inaudible) University of Turkey. I'd like to hear the opinions of the panelists, and thanks for your speeches. They were really informative and wonderful. It appears to be that European conditionality, especially at the (inaudible) level, like European focus on the shared

or common values such as democracy, human rights and rule of law are understandable in the sense that these are the founding principles that led to the creation of Europe.

However, there is also certainly true -- is also certainly true when the countries in the neighboring -- the leaders of the neighboring countries if you don't like the (inaudible) populations, don't like being lectured in democracy and human rights and rule of law. So in a sense that when we look at the neighborhood policy today or when we look at the European relations with Russia, Syria, or Belarus, I mean we can clearly see that putting so much idealism perhaps is not working and is not healing the results that it should be.

So would you agree that, like, maybe Europe should focus more on pragmatism and realism to put aside the idealism in (inaudible). What I mean is, like, giving -- showing the populations come you know where the concrete benefits of the improved relations with the EU, and then later on focusing on promoting ideals like democracy and human rights? Thanks.

SPEAKER: So my questions are less (inaudible) and more substantial in the sense that I would like to know the content of the policy of the more. The first is on the Ukraine in the sense that I do agree that a lot of analyses are emphasizing probably through (inaudible) and the role of the role of the European Union. And I understand your point that one needs to divide diplomacy from civil society, so even if the Ukraine -- in Ukraine, you have a weak support of the civil society or the ideal of the European Union, but, according to my limited knowledge of the Ukraine, the role of Solana, (inaudible), and the Polish prime minister was quite important in a political phase of transition.

So I would like to hear a bit more when your analysis of the political effects of the European Union on the diplomatic side rather than on the overall policy or on the overall political (inaudible) of the situation in the Ukraine.

And the second question that is related to the ENP. It's striking to see that a commission as (inaudible) or (inaudible) is speaking so late about what the Americans would say democracy promotion. And

I wonder how much democracy promotion is part of the ENP, mostly, and this is probably a (inaudible) question and I'm coming to a conclusion. If you consider -- I mean, what do you think will be the institutional implication of having not a minister of foreign affairs, but a high representative for foreign policy, while at the same time retaining a commissioner for neighborhood policy in the sense that even if the list when the treaty passes, and we hope it will, there would still be, I mean, a high representative parallel to the Commissioner for neighborhood policy.

So it's quite apparent in the sense that one would say (inaudible) the neighborhood is the place where foreign policy is placed.

MR. WARFLE: Hello. Michael Warfle from George Washington University, a master's student.

My question deals with the development of alternate methods of energy transport going into your end more (inaudible) what have you, and the impacts that would have on relations between Belarus and Ukraine and with Russia and what impacts do you think

that might have the European union relationships with those two countries.

MR. CASIER: Yeah. I think we can start. Yeah. Shall I start? Okay. Good. That's many questions. Should the EU be more pragmatic in its policy of promoting democracy, human rights? Should it be less part of conditionality? I very much believe myself to the fact that you cannot impose democracy and that it doesn't function. I think you give important incentives to do so, but I think the European Union should do that. I think they have a sort of duty, especially in their neighborhood to do it.

I think the only way to do it in a successful way is if you give countries the prospect of enlargement, but then it brings back the whole discussion about the final borders of the European Union, which was actually precisely the sort of debate that the ENP tried to avoid.

I think in general I would say if you exclude membership, you have to be a bit more pragmatic in this, and actually you could say in many ways the European Union is quite pragmatic in this.

There is a very interesting difference between how the EU tries to impose democracy and human rights in the eastern neighbors versus how it tries to do it on the southern neighbors.

If you look at the action plan for Ukraine, for example, for Moldova, you will find quite some reference to democracy, human rights, the law-based state. You will not find many references in, say, the action plan with Morocco, and this has to do with political reasons, and it shows that there is already quite a lot of pragmatism. This has to do with political reasons because there is a fear among some EU member states that if you put too much pressure on the countries of North Africa this might have an adverse effect. This may lead to more radicalism. And the big fear there is Muslim fundamentalism, and especially the fact that Algeria is one of the target countries of ENP is quite a case in point. Algeria back in the '90s had this very serious problem of Muslim fundamentalism with this and so on.

So there is the fear that if you put too much pressure without giving much benefits or many benefits in terms of creating wealth of these

countries, if you put too much pressure in emphasis on democracy, this may have a reverse effect and make -- sort of undermine the stability of these societies.

So you see that actually the EU prefers its own interests, stability in the region, over the values of democracy.

The question about -- (inaudible) you had a question about democracy promotion in general. There was a question about a high representative and the commission for external relations. Well, first thing, we have to see them actually nobody has really talked about it in detail is whether the treaty will survive. Now, if it happens, I think it might be a very uneasy combination for the good reason that its new high representative, the recycled foreign minister of the EU led the same time be in the European Commission. And this may lead to certain frictions between the commissioner for external relations or the person in charge of neighborhood policy then in this high representative. The only argument I could find to still keep somebody else in charge of neighborhood policy is the fact that neighborhood policy is a cross (inaudible) policy, and that it might be useful to

have somebody sort of guarding the consistency and the communication across the different pillars, across the different BGs of the neighborhood policy.

The question about alternative energy streams and the impact on relations between Russia and Belarus, Russia and Ukraine, many answers are possible. I'll limit myself to one to give the other speakers also an opportunity to say something, sorry.

Russia has played the game of talking to individual member states of the European Union very well and having all sorts of energy deals with individual states. I mean, there was a famous case with the Northstream Project deal with Germany, how it sort of avoided Poland. There was a famous case with Bulgaria -- Bulgaria that was in the past (inaudible) sometimes called 16th Republic of the Soviet Union, forgive me for that. That was the joke at the time.

So this has concerned many people within the European Commission, also within different member states. I mean, Russia is playing the (inaudible) game and talks to the different countries individually.

So in that sense, I think that Russia is playing quite a clever game in keeping Belarus especially because they also want to, but to a lesser extent Ukraine quite dependent when it comes to energy issues. But I'm sure my -- the other speakers will have sort of things to add on that.

MS. PICCARDO: Okay. The last question about north stream and south stream. Well, these are two projects that avoid the territories of these former Soviet states -- Union states. They are projected to be involved deeper with European countries because of these bilateral relations and strengthened relations with these European states and promote further relations with them, especially in the case of Germany.

Implications for Ukraine and Belarus, this is a chance for them to be left somehow free to decide by themselves their destiny and their fate and how to manage this energy dependence on Russia and perhaps to manage to elaborate a new policy on this issue towards Russia.

So Russia is playing a double game. On the one hand, it leaves the states, okay, I believe. You

do what you want, but then just remember that I'm the boss, you know?

And this kind of behavior was very evident in the '90s in the beginning of 2000 one at the beginning of Russia said you are still under my influence, and so you should follow my policies and my strategy.

But then suddenly Russia decided okay, I will leave you. But I'm not just -- I move a finger. If you want something, you should be the person, the object, the subject to come to me and to come to some terms about energy. So I think, yes, I agree with you that Russia is quite clever.

And something more, Russia is acting. Russia does not have this imperialistic approach towards these states. You just pragmatic approach and just based on market tactics -- economic benefits, and that's it. It's not -- we have to just to live by this Cold War approach thinking oh, Russia now wants to restore its empire, the Soviet empire, and that really belongs in the past. That's it, according to you.

And would you like to. Okay.

SPEAKER: I will just try to answer the question about (inaudible) transport. Well, the European Union is trying to add a new project about energy and transportation, especially according to the problems that the EU and the (inaudible) of Russia does produce and so on and the others obviously.

And actually just about yesterday the European Parliament had (inaudible) this document, saying that there is a new strategy for European energy in the sense that it is the interest of the EU of trying to diversify the (inaudible) the geographical coming of energy, but also the types of energy.

Doing so, the European Union is trying to avoid, let's say, this energy independence from Russia.

And about the pragmatism and idealism of the EU approach to Russia, first of all, I think that maybe Russia is not (inaudible), but I little bit disagree with -- I don't remember your name, sorry -- in the sense that it might be in Russia there is still a lot of Cold War in the sense that Russia tries to steal himself, let's say, again a superpower anyway

and it's right to do in this way, to have deep (inaudible), and to have a role in all be international important forums and in some case to speak with the United States or just some head of state instead of giving a chance to other countries to express themselves and the way they prefer.

I make an example in this economic forum of St. Petersburg that took place in May. Georgia and Ukraine you said that they were just making a kind of discussion about the possible entry into NATO, and the Russians said, okay, you can do what you want, but wait a minute, if you do that, you will have very bad relations with us.

In my opinion, it is a kind of threat and this is not a way to say that Russia is making every country free to do what they want.

And about pragmatism, I can say that maybe the European Union is trying to reach this pragmatism, because all the ideological, let's say, or idealist solutions didn't give any practical results. So there is nothing to do than to try to use other, let's say, common pragmatic interests to work together and maybe to reach other and farther results.

SPEAKER: You have your second round of questions.

SPEAKER: Thank you. Thank you for your presentation on the (inaudible) issue. Let me ask a couple of questions, and I will not say a word about your (inaudible).

I was also thinking sometimes late last year that maybe (inaudible) there is no (inaudible). But then (inaudible) came out, which is called the New (inaudible). The book I recommend reading because it really says that (off mike) - but I will not get into that detail. I will just ask (inaudible) now a question.

Can the (off mike) - European states, and this is common knowledge that (inaudible) that the diversification of the energy resources is the main goal. I think that the European Commission had declared in the white paper (inaudible) energy (inaudible) the member states -- you know, when starting from the UK and then Bulgaria, they all claim that the (inaudible) diversification of (inaudible) resources is the main goal.

How does the building of the new energy projects, such as the Northstream or such as the Northstream or (inaudible) and not paying enough attention to the projects such as trans-Caspian energy projects. How does serve the goal of diversifying energy resources. If diversification of the energy resources means being less dependent on a single provider than in this particular case, gas. How does building of new infrastructure which basically underlines a dependence on a single energy provider (inaudible) and I would like to hear your opinion regarding this.

And just another question regarding the conditionality which I (inaudible) you asked in the previous round. You said that one of the things the European Union is trying -- and I (inaudible) before asking the question. I absolutely agree with your analysis, and all the (inaudible) the ENP. (Inaudible) most of it. You said that the EU is no way trying to export its model through the European Neighborhood Policy, if I understood you correctly.

My question then would be given that, you know, the main instruments of the European

Neighborhood Policy are the ENP action plans, and what (inaudible) the action plans are actually not (inaudible) by the European Commission, but (inaudible) by the member states (inaudible) in (inaudible) of the European Commission. There is (inaudible), everyone said today, yes, the European Commission wrote it, but in reality they did not. But the members did, the ministries of foreign affairs and the governments wrote them together with the European Commission.

Given that, what are the main principles of the European Union policy is called joint (inaudible), which means that the country itself identifies the priorities it wants to achieve, and then the European Union tries to do some (inaudible) with it. And given that there is no particular (inaudible) in these action plans and how do you still -- probably is still saying that the EU is trying to export its own model? Thank you.

SPEAKER: (Off mike) - allow me to give credit. First of all, allow me to give credit to the organizers for bringing together (inaudible) (off mike) - perception of the neighborhood without several

strategic things. It's -- let me say directly Europe had been able to enjoy the benefits of American leadership and to (inaudible) the economic development rather than making strategic moves. Now the U.S. power is overstretched. It's fighting a war in Iraq, fighting a war in Afghanistan. Its leadership is declining because of unpopular decisions like invading Iraq, like going to war with Iraq and things like that. And Europe have the capacity, especially so far the capacity to fill up the space of the (inaudible) the demand, this demand for them to do so, especially vis a vis Russia. Because Russia is a power in ascendance, but a power that is not (inaudible) new period.

Europe has a lot of power to (inaudible) that and to motivate Russia and be constructive. Do you all understand that Europe has (inaudible) and the (inaudible)? But these economic interests, at least from the point of view of -- my point of view can be (inaudible) without (inaudible) to Russia, and a new superpower.

There are institutions which one can motivate Russia (inaudible). For example, you can

have Italian investments in Russia without having to need to (inaudible) the projects that are not governments in the interests of Europe as a whole, which are (inaudible) those members who are hopefully dependent on having the energy transit through their soil.

(Off mike) - to Tom's comment. First, he's right. The prospect that you see (inaudible) of the EU (inaudible), but at least some kind of framework across Russia to (inaudible) turn this relationship into an interdependent, not only dependence on Russia as a world power.

What can be done, especially (inaudible) as I mentioned on the 4th of July -- what is the strategy for partnerships with Russia? What are the important tools and I can think of a couple, but can you tell me whether or not (inaudible) going to use that?

SPEAKER: That's okay. So would it be --

MR. CASIER: Yeah. The ladies first. The ladies first, yeah. I won't speak too much.

MS. PICCARDO: Okay. I will try to answer starting from your question. First of all, I'm pretty critical about these EU and Russian relations, and

uncritical because of some of the EU forms in the sense what I have to say that I really believe in the European integration, so right now the European Union is just something that is more than a saying but just (inaudible) less than (inaudible) or whatever.

So my first criticism is that the European Union has not (inaudible) foreign policy in the sense that within external members that or within external international events, generally the (inaudible) member states are acting not together, but by themselves. For example, you talked about (inaudible). During the (inaudible) country thought it was right. Italy was in, for example, and France and Germany were out. And it is that there is no foreign policy or common foreign policy. We as (inaudible), but it's very difficult to say a common foreign policy in pragmatic ideals.

What to do to develop the situation with Russia? First of all, it would be useful that the 27 member states, and I'm underlining 20 and seven member states quite high in numbers -- should become in a sense should present a common position, and then they could maybe have it, let's say, a proposal to deal

with Russia. But I think right now the problem is definitely only Russia because of some attitudes that we can discuss, but the question is also that we are 27 members and (inaudible) we are sharing a house that was prepared for six members. It means that we have no institutional power, force, to prepare something that is a common foreign policy. This is my point.

And about the (inaudible) point is it very (inaudible) to be the -- an answer that's going to be right also, because I'm not an economist and so many I'm making some mistakes in analyzing. I think that is not my issue. But I think they have to say that right now, European institutions are analyzing some projects, and they are trying to have these economic analyses, but also the environmental analyses about this.

Before making a new development projects, (inaudible) diversification of providers and diversification of raw materials.

SPEAKER: (Off mike) - on Russia, I mean, it's interesting because I see it from an American, from the U.S., I see that the relation with Russia is completely different when you see it from the U.S. and

when you see it from Europe. (Off mike) - our energy plans, especially between Germany. We are planning as much as we (inaudible).

Now, the strategy to our agreements is (inaudible) in Russia. This is (inaudible) strategy, because if you implant it in Russia, then --

SPEAKER: (Off mike) -

SPEAKER: It will, but not in the (inaudible) in (inaudible) economy. It's not just (inaudible) of the economy. And democracy is slowly following. I mean, whether we like it or not. Few (inaudible) didn't change the resolution, and (inaudible) people that (inaudible). I mean, for me, the resolution was (inaudible), which had been -- I appreciate, but I think that while one can criticize, one also has to acknowledge that it (inaudible).

(Off mike) - has managed in making Russia feel itself a power country, which is something that Russia historically perceived itself as, an empire. So you have the (inaudible) for that. And now it's just that they view them more (inaudible) anyway, even if you had it, so but what I wanted of your questions, the answer that countries (inaudible) are leaving is

the fact that we are dependent on exporting energy market is investing in Russia economically so we have a leverage on that and Germany (inaudible) has the same.

SPEAKER: (Off mike) -

SPEAKER: Yeah, you know, but they are saying that, for example, in the case of Italy, I read just this morning that Berlusconi proposed to open (inaudible) a nuclear center, sort of plan.

SPEAKER: You want to add something?

SPEAKER: Just briefly. I think right now Europe is in, let's say, the transition position in the sense that it likes his common position on many issues, especially with relations and especially on energy.

On the other hand, Russia is also in transition because it has to restore its might, economic might, political might come everything, and we should not always think of Russia as kind of, if you will, we are really -- we have to teach how to behave. They have a different pattern of living in constructing their society. So if we want to build up a solid partnership, not independence, but

interdependence, we should respect each other -- in some respect the incapacity of Europe to be -- to have a common position. In Germany wants to construct this North-South and North -- sorry -- Northstream, why don't you criticize Germany, but you're just saying all, Russia, it's your fault. You are creating here in the European Union dividing lines. You should not -- Italy is the same --

SPEAKER: (Off mike) -

SPEAKER: -- I think really we should really wait for some years. Right now, there is no interdependence or independence. Investing in economy, okay, Russia is opening its markets. The problem is that not that this -- it's opening the part not at this point that Europe wants, especially as long as the energy market is concerned because of these 42 strategic sectors that they are closed for foreign investments. They're totally under state control.

Perhaps right now I'm really (inaudible) about this relationship between Europe and Russia.

MR. CASIER: I've actually many things to add on that, but I'll first reply to the other questions, otherwise, I'll forget them.

Diversification of energy resources in the infrastructure problem, I think, first of all, all countries in the EU agree that we need diversification of energy resources. They just don't agree on the way in which to reach it because they have very different energy problems. Just to give one example. Some countries import a lot of their gas from Russia. Other countries import a lot of their gas from Algeria, and that creates completely different interests. In the infrastructure problem the problem of nuclear plants has a lot to do with the fear of China and that we would have a new China built.

It is true that you may see there are certain inconsistency, which is not atypical of EU foreign policy or the EU policy in general. There are quite often inconsistencies between different policies, and it's anyway sort of contentious issues in the framework of global climate change, whether you should stick to nuclear energy or not. That's the debate has such actually.

And about the EU exporting its model, you mentioned joint ownership. You mention the fact that the action plans are bilateral documents, which is all correct in principle. In practice, the documents very much reflect the asymmetry between the EU and the neighboring countries. And I remember I happened to do it interview just one week ago with one of the members of the European Commission, telling me literally like -- he used expressions like we made them swallow this, and we made -- we push that through, sort of indicating very well that the Commission is pushing very hard to have a certain action plan, which doesn't mean that it doesn't reflect any of the concerns at all.

I think one of the strongest examples would be that the Commission has recently come up with three reforms for European Neighborhood Policy. One had to do with creating a free trade area. One had to do with the present conflicts. One had to do with visa facilitation.

These three aspects reflect very much the concerns of the neighboring states. That's what they want. And I was at a conference in couple of months

ago and I asked the question representatives from -- the permanent representation from Germany and the Netherlands -- like what is your attitude towards these three reform proposals, and they basically said not interested. Free trade, the Dutch guy said, well, yes, it depends which goods. In principle, free trade is always fine. Visa, no public opinion doesn't accept that. Frozen conflicts, it's too difficult because of Russia.

So which means the Commission has made it a willingness to reform and take into account the concerns of these countries, but, on the side of the member states, it is definitely lacking.

Then the issue of soft power capacity, what approach to Russia. Well, it's indeed opening Pandora's box, and that was already clear from the debate we had. First of all, it's interesting to note that Russia is not part of ENP, but that originally it was supposed to be part of the European Neighborhood Policy. Russia excluded itself. They withdrew themselves. They were in a hotel in Brussels, showing -- expected to show up for the last meeting. They stayed in the hotel. At the very last minute, they

dropped out. And instead the EU decided that, as it is stated in one of the official documents, Russia and the EU are part of each other's neighborhood.

Now there is one good reason. Russia is actually of all the neighboring countries of the EU the only country that doesn't have a trade deficit with the European Union, and there are only two reasons for that: one is oil; the other is gas.

And I don't believe that Russia tries to become a superpower to integrate this part. Russia wants to become a big power, a big player, and they say that very explicitly. But that's a different thing. They don't want to challenge the United States. They see rather a sort of multi-polar world in which they are one of the leading forces.

Now I personally think -- that's on a very personal note, that's one of the biggest historical mistakes that has been made is not to integrate Russia after the collapse of the Soviet Union in '91. I think this is a historical mistake that will be very hard to repay.

Now it might sound like a bit of a wild idea, but integrating France and Germany soon after

the second world war was also a wild idea, and I think in that sense it's really a historical opportunity that has been missed.

If you look at the map of Europe and you just see the enlargement of the EU and you see the enlargement of NATO, you cannot conclude much else that this was not really to the advantage of Russia, apart from all other observations about Russia's imperial history and so on, which I do understand. And I remember visiting NATO with a group of students back in the -- I think it was '94, '95 or something, and I remember one of the NATO people then saying enlargement of NATO to the Baltic states is absolutely excluded because this would upset Russia, and you cannot upset Russia.

Well, nevertheless, we have seen it happen. And now Georgia is -- in Georgia and Ukraine is on the table again.

This has let even some very liberal politicians and Russian, like Yublinski , for example, making a comparison saying like, well, the enlargement of NATO is something like a tank coming towards the Russian garden. And NATO may say, well, it's not a

threat to you. I mean, the tank is painted in cheerful colors, and it's carrying flowers, and it's playing cheerful music, so it's not a threat. You don't have to be worried.

But Yublinski said, well, it's still a tank coming towards your garden. So in that sense I do understand very well the position that Russia feels itself threatened, and the main fear behind Russia's foreign policy was the fear to be excluded from the rest of Europe, not saying that to say that Russia is right or wrong or anything, just to say that the story is in fact very much complicated, and it leaves the EU is very weak bargaining tools, because I think the worst that happens for EU-Russian relations is a process that is not part of EU, but it's the enlargement of NATO. If there is something that spoils EU-Russian relations, it is the enlargement of NATO, whether that's a good thing or a bad thing, that's a completely different debate, but it is indirectly affecting the relations.

SPEAKER: Can we (inaudible). Thanks to the speakers. Thanks to you.

SPEAKER: Wait, wait, wait, wait.

SPEAKER: We have a couple of things.

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, III

Notary Public # 351998

in and for the Commonwealth of Virginia

My Commission Expires: November 30, 2008

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190