



DANISH
FOREIGN POLICY
YEARBOOK
2010

EDITED BY NANNA HVIDT AND HANS MOURITZEN

DIIS · DANISH INSTITUTE FOR INTERNATIONAL STUDIES

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Danish Foreign Policy Yearbook

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Preface

As previously, *Danish Foreign Policy Yearbook* focuses on Danish foreign policy and Denmark's position within an international and a transnational context – at the regional as well as the global level. In line with the yearbook's tradition, this volume presents the official outline of Denmark's 2009 foreign policy by the Permanent Secretary of State for Foreign Affairs, Claus Grube. In addition, we have included articles by Clive Archer, Finn Østrup, Per Meilstrup, Thomas Gammeltoft-Hansen and Rebecca Adler-Nissen, who represent only themselves and their foreign policy expertise.

The Stoltenberg Report on the future of Nordic foreign and security policy cooperation, being analysed by Clive Archer, has already aroused much interest in the other Nordic countries. Finn Østrup shifts the focus to the global financial crisis, in particular the Danish bank crisis in a transnational perspective. Per Meilstrup scrutinizes COP 15 on climate change, probably the largest international policy effort by a Danish government in modern history. What were the contributing factors behind the summit ending close to diplomatic chaos and deep conflicts between developing and developed countries? Finally, inspired by the Treaty of Lisbon, Thomas Gammeltoft-Hansen and Rebecca Adler-Nissen analyse the Danish opt-out on justice and home affairs and its prospects under new conditions.

The articles are abstracted, both in English and Danish, at the outset of chapter one. After the articles follows a small selection of official documents, which we consider to be pioneering or characteristic of Danish foreign policy during 2009. This is supplemented by essential statistics on Danish foreign policy, as well as some of the most relevant polls on the attitude of the Danish

population on key foreign policy questions. A bibliography then offers a limited selection of scholarly books, articles, and chapters published in 2009 in English, German or French dealing with the yearbook's topics.

The editors of *Danish Foreign Policy Yearbook* are Director Nanna Hvidt and dr.scient.pol. Hans Mouritzen, senior researcher. Members of The Advisory Board have provided inspiration for the thematic selection of the scholarly articles as well as reviews of specific drafts. Special thanks also to Peter Viggo Jakobsen, lecturer at the University of Copenhagen, and Jesper Jespersen, professor at Roskilde University. Pauline Sachs and Louise Lading Clausen, both political science students, have served as assistant editors, while Robert Parkin has been our linguistic consultant.

The editors

DIIS, Copenhagen

May 2010

Chapter I

Articles

ABSTRACTS IN ENGLISH AND DANISH

The International Situation and Danish Foreign Policy 2009

Claus Grube

The Permanent Secretary of State for Foreign Affairs outlines the Danish foreign policy priorities of 2009, a year that was marked by the global financial crisis becoming an economic crisis. The fundamental conditions for Danish foreign policy are changing as a result of the economic crisis and the changes in international relations that globalisation is bringing about. This made 2009 an eventful and significant year in Danish foreign policy. Taking its point of departure in broad global issues such as the economic crisis, climate change and global governance reform the focus of the article is on (1) the global economy and global governance, (2) Denmark and its partners, (3) crisis management in global hot spots, and (4) the re-organisation of the Ministry of Foreign Affairs in June 2009.

Udenrigsministeriets departementschef gennemgår i artiklen Danmarks udenrigspolitiske prioriteter i 2009, et år hvor den globale finanskriser udviklede sig til en økonomisk krise. Rammebetingelserne for dansk udenrigspolitik er under forandring på grund af den økonomiske krise og de forandringer i udenrigspolitikken, som følger af globaliseringen. Dette gjorde 2009 til et begivenhedsrigt og betydningsfuldt år i dansk udenrigspolitik. Med udgangspunkt i overordnede globale emner som den økonomiske krise, klimaforandringer, og reform af det multilate-

rale system fokuseres der i artiklen på (1) den globale økonomi og global regeringsførelse, (2) Danmark og omverdenen, (3) krisehåndtering i globale brændpunkter samt (4) omorganiseringen af Udenrigsministeriet i juni 2009.

The Stoltenberg Report and Nordic Security: Big Idea, Small Steps

Clive Archer

In February 2009 the report on Nordic foreign and security policy cooperation was presented by the former Norwegian foreign and defense minister, Thorvald Stoltenberg, to the Nordic foreign ministers. The report started from the basis of the 'widely held perception that because of their geographical proximity, the Nordic countries have many foreign and security policy interests in common, despite their different forms of association with the EU and NATO'. It suggested that the Nordic area was becoming more important in geopolitical and strategic terms and noted that modern technology made defence systems expensive. The report found that Nordic cooperation in the northern seas and the Arctic was particularly relevant and made 13 specific recommendations to strengthen Nordic cooperation in foreign and security policy. Are the Nordic states close enough to have more enhanced security cooperation? Could the end-point be a 'Nordic Defence Union' or are they going to be disappointed once again in their pursuit of security cooperation? The article suggests that modest steps in defence and security cooperation will be the outcome, rather than a grand scheme.

I februar 2009 præsenterede den norske tidligere udenrigs- og forsvarsministerminister Thorvald Stoltenberg en rapport om nordisk udenrigs- og sikkerhedspolitik samarbejde for de nordiske udenrigsministre. Rapporten har sit udspring i den 'udbredte opfattelse, at de nordiske lande grundet deres geografiske nærhed har mange udenrigs- og sikkerhedspolitiske interesser til fælles på trods af deres forskellige former for tilknytning til EU og NATO'. Rapporten påpegede, at Norden geopolitisk bliver et stadig vigtigere strategisk område og bemærkede, at moderne teknologi gjorde forsvarssystemer dyrere. Rapporten anførte også, at nordisk samarbejde i de nordlige farvande og Arktis var særligt væsentligt, og fremsatte 13 specifikke anbefalinger til at styrke det nordiske samarbejde på det udenrigs- og

sikkerhedspolitiske område. Men er de nordiske lande tæt nok på hinanden til at kunne og ville styrke det sikkerhedspolitiske samarbejde? Kan slutresultatet blive en nordisk forsvarsunion, eller vil man endnu en gang blive skuffet i sin stræben efter sikkerhedssamarbejde? Artiklen forudser, at små skridt i forsvars- og sikkerhedssamarbejdet vil blive resultatet snarere end en stor forkromet strategi.

The Danish Bank Crisis in a Transnational Perspective

Finn Østrup

The article provides a brief overview of the financial crisis as it has evolved both internationally and in Denmark. It then discusses a number of international issues in relation to the policy intervention in support of financial institutions. The main issues addressed are: (1) To what extent does national intervention in support of financial institutions cause cross-border effects which affect the inclination of policy-makers to undertake such intervention and which affect national policy-makers' behaviour? (2) To what extent has the decision of national governments to intervene in support of financial institutions been influenced by international factors? (3) To what extent have national authorities pursued narrow national interests in their response to the crisis, and to what extent have they designed government intervention in such a way that the interests of other countries are also taken into account? And (4) what may have motivated national policy-makers to take into account the international effects of their policy intervention as well? Finally the article briefly considers some questions with respect to the wider effects of the financial crisis on the international system. The main questions in this regard are: (1) The possible end of American supremacy; (2) the future of the open world order; and (3) the future of the euro.

Artiklen giver et overblik over forløbet af den finansielle krise internationalt og i Danmark. Den diskuterer derefter en række internationale aspekter af den intervention, som er foregået specifikt for at støtte enkelte landes finansielle virksomheder og/eller finansielle sektorer. Det diskuteres i denne sammenhæng: (1) I hvilket omfang giver intervention til støtte for finansielle virksomheder anledning til grænseoverskridende effekter? (2) I hvilket omfang har de nationale myndighe-

ders beslutning om at intervenere været påvirket af internationale faktorer? (3) I hvilket omfang har de nationale myndigheder ved tilrettelæggelsen af intervention til støtte for finansielle virksomheder taget hensyn ikke alene til nationale interesser, men også til andre landes interesser? Samt (4) hvilke faktorer kan have motiveret nationale beslutningstagere til også at inddrage andre landes interesser? Artiklen præsenterer til sidst kortfattet en række argumenter i forbindelse med den finansielle krises påvirkning af det internationale system. Hovedspørgsmål i denne forbindelse er: (1) Den mulige afslutning på USA's førende stilling i det internationale system, (2) fremtiden for den åbne økonomiske verdensorden, samt (3) fremtiden for euro-samarbejdet.

The Runaway Summit: The Background Story of the Danish Presidency of COP15, the UN Climate Change Conference

Per Meilstrup

2009 saw the culmination of probably the largest international policy effort in modern history by a Danish government: The presidency of the UN summit on climate change (COP15) in Copenhagen in December. Preparations started in 2006 and in this article, Per Meilstrup, Climate Director of the independent think tank 'Monday Morning', gives a behind-the-scenes account of the year-long process, based on interviews with key figures in the Danish presidency. The preparatory phase was historical in terms of building momentum among important stakeholders – but it was also paralyzed by deep, internal disagreements between ministers and ministries on the diplomatic strategy and character of the presidency. In the end, this was one of many contributing factors behind a summit that ended in diplomatic chaos and unforeseen deep divides between developing and developed countries – and a disappointing outcome.

I 2009 kulminerede den måske største internationale satsning af en dansk regering i nyere tid: Formandskabet for FN's klimatopmøde (COP15) i december. Forberedelserne startede i 2006, og i denne artikel giver Per Meilstrup, klimadirektør i den uafhængige tænketank 'Mandag Morgen', et indblik bag kulisserne i den årelange proces, baseret på interviews med en række nøglepersoner i det danske formandskab. Forberedelserne var historiske i form af succesen med at opbygge mo-

mentum blandt vigtige interessenter – men den blev også lammet af dybe, interne uenigheder mellem ministre og ministerier om den diplomatiske strategi og formandskabets profil. Til sidst blev dette en af mange årsager til, at topmødet endte i diplomatisk kaos og uforudsete dybe konflikter mellem ilande og ulande – og et skuffende resultat.

Straitjacket or Sovereignty Shield? The Danish Opt-Out on Justice and Home Affairs and Prospects after the Treaty of Lisbon

Rebecca Adler-Nissen & Thomas Gammeltoft-Hansen

Since 1992, Justice and Home Affairs (JHA) has been the fastest growing policy area within the European Union. As a result of its particular opt-out from this area, Denmark has gradually been excluded from EU cooperation on everything from immigration policy to civil law and to police cooperation. In principle, the JHA opt-out sets Denmark free to pursue a different policy than the rest of the Union with regard to matters such as asylum and immigration. Yet in practice the picture is far from that simple. As JHA cooperation has become more ambitious, the ability of the opt-out to ensure legal immunity is more and more challenged. Furthermore, it has become increasingly clear that the opt-out excludes Denmark from cooperation in areas where shifting Danish governments would otherwise prefer to participate and that it limits Denmark's room for manoeuvre in other areas of European cooperation. The Treaty of Lisbon provides Denmark with an opportunity to replace the current opt-out with a more flexible opt-in. Yet, exploring the British and Irish experiences with a similar model, it is far from certain that such a change will address all challenges when it comes to balancing autonomy and integration.

Siden 1992 har EU's samarbejde om retlige og indre anliggender været det hurtigst voksende politikområde inden for EU. På grund af retsforbeholdet står Danmark uden for EU-samarbejdet på alt fra udlændingepolitik til civilret og politisamarbejde. I princippet stiller retsforbeholdet Danmark frit til at følge en selvstændig politik på f.eks. udlændingeområdet. I praksis er situationen langt fra så enkel. Som EU-samarbejdet har udviklet sig, er forbeholdets evne til at garantere Danmarks selvstændighed i forhold til EU-retten i stigende grad udfordret.

Samtidig er det blevet tydeligt, at forbeholdet begrænser Danmarks frihed til at deltage i dele af EU-samarbejdet, hvor skiftende danske regeringer ellers har et stærkt ønske om deltagelse. Forbeholdet påvirker desuden Danmarks handlefrihed i forhold til andre politikområder. Med Lissabon-traktaten har Danmark fået en særlig mulighed for at erstatte det nuværende forbehold med en såkaldt tilvalgsordning. Erfaringerne fra Storbritannien og Irland med at håndtere en lignende ordning, tyder dog på, at en omdannelse af forbeholdet næppe kan løse alle problemer, når det handler om at balancere selvstændighed og integration.

The International Situation and Danish Foreign Policy 2009

Claus Grube¹

In 2009 the financial crisis became an economic crisis. This had a profound effect on a number of cross-cutting global problems and on questions of global governance. Developments in the global economy brought about new challenges and also accelerated other developments that were already taking place. The fundamental conditions for Danish foreign policy are changing as a result of the economic crisis and the changes in international relations that globalisation is bringing about. This made 2009 an eventful and significant year in Danish foreign policy.

In the following, I will focus on a number of key issues that characterised 2009. My point of departure will be broad global issues: the economic crisis, climate change and the question of global governance reform.

THE GLOBAL ECONOMY AND GLOBAL GOVERNANCE

The Global Economic Crisis

2009 was marked by the events of autumn 2008, when financial imbalances became unsustainable. The decision of the American authorities not to save Lehman Brothers from bankruptcy proved to be a watershed for international economics, finance and politics and triggered a financial panic affecting the entire global financial system. Normal financial transactions ground to a halt, credit

¹ Ambassador Claus Grube is the Danish Permanent Secretary of State for Foreign Affairs.

lines froze and new loans became next to impossible to obtain. These events accelerated a cyclical economic adjustment into the worst recession since the 1930s. The combined value of the world's stock exchanges was roughly halved from the autumn of 2008 to March 2009. World trade fell by 25 per cent in the last quarter of 2008 and into the first of 2009. Investments were put on hold, production fell dramatically and the unemployment rate rose rapidly. As we entered 2009 more or less all developed economies were in a synchronised recession that only started to ease up in the summer of that year.

The authorities in both the United States and Europe were forced to bail out large financial institutions and to extend a safety net under the financial sector in order to maintain some confidence in the system. At the national level, countries like Ireland, Iceland and Latvia felt the brunt of the financial storm the hardest. Iceland had to ask for a financial rescue from the IMF, the EU and the Nordic countries and entered into a deep recession. A similar situation occurred in Latvia, which had to ask the EU and the IMF for emergency loans in order to maintain their currency, which was pegged to the Euro, while Ireland was forced to cope with severe adjustments within the Euro system.

Emerging Asian and Latin American economies were also hit by the second-round effects of the financial crisis, but to a much lesser extent. Although exports were initially heavily affected by the crisis, these economies managed to pull through relatively unscathed. Thus we have experienced a decoupling of growth rates in emerging and developed economies. In many cases the emerging economies had ample room to implement an expansionary fiscal policy to support the economy. Healthy growth rates were maintained in China, India and South Africa. Similarly, most oil-producing countries stimulated their economies heavily and avoided a significant economic downturn. Japan, on the other hand, was among the countries worst hit by the crisis.

The fallout of the crisis is not yet clear. Most countries reacted with large government bail-outs of the financial sector, very low interest rates and highly expansionary fiscal policies to stimulate the economy. This contained the crisis, but it also led to significant increases in public deficits and debt ratios in the US, Europe and Japan. It remains to be seen whether the policy actions taken so far will prove to be sufficient and whether they are sustainable in the longer term.

The Ministry of Foreign Affairs is devoted to ensuring renewed growth and

creating jobs in Denmark through our overall foreign policy, which aims to create the best possible framework conditions for the Danish economy. More concretely, the Trade Council of Denmark, which is an integral part of the Ministry of Foreign Affairs, is responsible for export promotion and assisting enterprises in attracting investments to Denmark. This is done by means of consultancy at home and through the missions abroad offering complete, all-round consultancy on political, economic and commercial issues. The goals include increasing Danish exports in the period 2010-2012 by DKK 30 billion and creating more than 1,000 knowledge-intensive jobs. The efforts to ensure growth and create jobs are also taking place in a broader sense through our participation in multilateral organisations, notably the EU, the IMF and the World Bank.

The Economic Crisis and Global Governance

International reaction to the crisis was quick, decisive and collective. There was a general recognition that the nature of the crisis was global, and that it required a globally coordinated response. Not even the most powerful countries could manage it alone. This recognition was manifested in the G20. Until the crisis the G20 – the world's twenty leading economies – had solely been a forum for finance ministers. However, in November 2008 the G20 met for the first time at the level of heads of state and government. This was a novel construction that required political determination and vision. The coordinated effort to combat the crisis across national borders with coordinated financial sector support, synchronised lowering of interest rates, expansionary fiscal policies and an active dialogue regarding the avoidance of protectionism and other mistakes of previous crises were fundamental reasons why the financial crisis did not develop as critically as it had in the 1930s. The G20 also initiated a series of reforms designed to curb irresponsible behaviour in the financial sector and to prevent the re-emergence of similar crises in the future.

Though it was welcome and helpful that the G20 responded so swiftly and vigorously to contain the crisis, by its very nature the G20 is not representative of all the countries in the world. It creates fundamental problems of legitimacy when political decisions of key importance to the world's 192 countries are taken by a select few. The problem is exacerbated when decisions taken by the G20 are voted through institutions with global representation, such as the

IMF and the World Bank, where the G20 represents a voting majority with a view to translating the political guidelines into international rules.

Developing countries and emerging economies are also demanding a greater say in the IMF and the World Bank, institutions where countries are allocated shares based on their relative weight in the world economy. It is this lack of a say that makes these countries less willing to participate in the international work and shaping of global solutions. Reforms are now under way to transfer more voting power to developing countries in those two institutions. This additional voting power will primarily be transferred from developed countries, including Denmark and other European countries, all of which have seen their relative weight in the world economy decline with the rise of economic powers such as China, India and Brazil. The process is painful – nobody likes to give away influence – but it is nonetheless necessary if we wish to maintain the IMF and the World Bank as primary international institutions for decision-making. And this is imperative if we want to follow through on the global financial and development agenda.

By rebalancing power relations in the Bretton Woods Institutions to the benefit of developing and emerging countries, we can maintain and even strengthen the incentive for all countries to seek solutions to global challenges in legitimate global institutions. Turning a deaf ear to the valid demands for a stronger vote for emerging economies will most certainly lead them to seek solutions elsewhere, quite possibly in less representative or more regional clubs of countries, notably those with great and growing surpluses. That is not in Denmark's interest nor, indeed, in the interest of the world at large.

The economic and financial crisis will shape future international relations, institutions and economic policy for many years to come. The dynamics in the distribution of wealth and economic power internationally are shifting. This was already happening before the economic crisis, but the crisis has accelerated this development. Emerging economies like Brazil, China and India are producing an ever-increasing share of global economic output. The postlude of the crisis will see these new structures materialising in international negotiations. They will, in all likelihood, have an effect on Denmark's and Europe's relations with third countries in Africa, South America and the Middle East. Moreover, the crisis has put the finger on significant weaknesses in the economic growth model of the West. And, as unemployment rises and economic growth remains

sluggish, the attractiveness of the model of free trade and deregulation will be challenged. It is apparent that the crisis has led to a relative loss of both hard and soft power for the Western world. Whether this proves temporary or permanent remains to be seen.

With developing countries like China, India, Brazil and other emerging economies with their traditions and culture becoming increasingly powerful and beginning to act accordingly on the international stage, we can expect Western values and paradigms to be tested increasingly intensely. The outcome of COP15, in which developing countries played a key role, was a clear example of this. We cannot turn a deaf ear to the demands of these countries, nor take their support for granted. Doing so risks leading them to seek solutions in more regional clubs of countries and leaving differences to be resolved by other, perhaps less peaceful means.

Denmark's interests remain unambiguous. Representative multilateral institutions such as the UN, the IMF and the World Bank are the institutions in which global decision and debates can and should take place. The world should not be run by the G2, G8, G20 or any other exclusive and unrepresentative club. Therefore, we must seek to engage in dialogue and inclusive debates. Denmark is gearing up for this dialogue and is prepared for the changes that are occurring in the international political and economic landscape. We are preparing ourselves by supporting a stronger voice for the EU in the world, aiming to fully exploit the new perspectives in this regard that the Lisbon Treaty has provided and by maintaining our long-standing collaboration with the other Nordic and Baltic countries in the IMF and the World Bank.

Perspectives for Global Free Trade

Global trade fell by more than 10 per cent in 2009. The pressure on the governments of developed countries to protect national production and employment grew. The WTO and the EU continued monitoring new protectionist measures, and G20 declarations in London and Pittsburgh reiterated members' previous commitments from 2008 to refrain from introducing new protectionist measures. An increase in trade-distorting measures was seen, though they were kept to a minimum. Measures were introduced by countries that were not members of the WTO, or in areas not covered by WTO agreements. Having one of the world's most open economies, with exports amounting to around

50 per cent of GDP, it is in Denmark's clear national interest that free world trade is not limited by a protectionist wave that will deepen the economic crisis. Therefore, Denmark puts strong emphasis on a successful conclusion of the Doha Development Agenda in order to maintain a multilateral trade system.

Although most projections show a continuation of positive growth in 2010, questions about the strength and sustainability of the recovery remain. While the implementation of protectionist measures has been limited so far, the risk of protectionism has not disappeared. At the same time, it is important to consider exit strategies for current measures. To supplement the unsuccessful multilateral WTO negotiations, regional and bilateral free trade agreements (FTAs) have become important. The EU is currently negotiating several FTAs with countries as part of the Global Europe Strategy. In 2009 the EU concluded negotiations on its first comprehensive and ambitious FTA with Korea. In 2010 negotiations with Peru and Colombia are likely to be concluded, and negotiations with, among others, Canada, India and Singapore will continue.

Climate Change

Being the host country for COP15 was perhaps the single greatest challenge in Danish foreign policy in 2009, both in terms of bringing the climate change agenda forward and achieving the necessary results, and in terms of the enormous logistical challenges involved in hosting a meeting with the participation of 129 heads of state and government and more than 30,000 accredited individuals. The concrete outcome of COP15 was the Copenhagen Accord. It might not be the optimal result that many had aimed and struggled for, but it was a result that is an essential step forward and the only politically possible result. The increased power and more assertive role in world politics of China, India, Brazil and other emerging economies came as no surprise, but the events of COP15 nevertheless demonstrated to everybody the changed balances in the global distribution of power that have taken place in recent decades.

In preparation for the Presidency of COP15, Denmark was actively involved in the negotiations that took place up to the start of the conference on 7 December 2009. As the formal two-track negotiations prior to COP15 seemed to run into deadlock with increasingly fewer prospects of an agreement at COP15, the intensity of informal consultations increased. Already in the autumn of 2009, therefore, Denmark decided to focus on seeking a political solu-

tion to initiate immediate action on combating climate change in line with the 2°C objective, while at the same time providing guidance on further United Nations Framework Convention on Climate Change (UNFCCC) negotiations on a legally binding instrument. The aim was to conclude a politically binding agreement with these two goals in order to demonstrate progress with immediate impact. This approach gained substantive support from leaders all over the world, including representatives of the least developed countries and small vulnerable island states. In this process Denmark financially supported the participation of developing countries in order to make sure that there was an inclusive and transparent process with representatives from all groups.

The Copenhagen Accord was negotiated by leaders representing all the main groups. However, while failing to endorse the Accord formally, the Conference 'took note' of its existence. By end of January 2010, countries could notify their association with the Accord to the UNFCCC and report as a political commitment their planned efforts in respect of emission reductions and mitigation actions respectively. It is important to emphasise that the Accord was negotiated among 29 heads of state and government responsible for more than 80 per cent of the global CO₂ emissions and representing all key interest groups, and it was supported by the vast majority of Parties. By spring 2010 a total of 105 countries had notified the UN of their willingness to be included in the Accord. The Accord is not legally binding and does not expressly foresee the conclusions of a legally binding agreement in 2010, but it does represent significant progress that must be built on in future climate negotiations leading up to COP16.

The Copenhagen Accord anchors the 2°C objective and provides for a review of this objective by 2015 with a reference to exploring pathways to remain below a 1.5°C rise in global temperature. It provides the basis for significant financing for climate action in a balanced manner both for mitigation and adaptation, including fast-start funding of approximately USD 30 billion for the three years from 2010 to 2012, and the mobilisation of long-term finance of USD 100 billion per year by 2020. On the institutional side, the Accord provides for the establishment of structures for managing this financing, including a Copenhagen Green Climate Fund and a High Level Panel to study the contribution of the potential sources of revenue. A mechanism for reducing emissions from deforestation and forest degradation and enhancing removals

of greenhouse gas emissions by forests, as well as the establishment of a mechanism to accelerate transfer of technology are also among the achievements of the Copenhagen Accord. Finally, the Accord addresses action on adaptation, especially in the developing countries that are particularly vulnerable, especially the least developed countries, small island developing states and Africa.

DENMARK AND ITS PARTNERS

The Lisbon Treaty

On 1 December 2009 the Lisbon Treaty entered into force ending more than a decade of negotiations and ratification processes. The treaty has changed the EU's institutional set-up to that of a more vigorous, open and democratic Europe. The overall aim of the Lisbon Treaty is to equip the EU with the necessary structures to act effectively with 27 member states in a globalised world, as well as to provide a response to the questions raised by the French and Dutch referendums in 2005 and the Irish referendum in 2008. With the entering into force of its new lasting institutional framework, the EU will be able to focus its attention on 'real' issues that are more directly related to the everyday lives of European citizens.

A major innovation of the treaty is the introduction of two new posts: the permanent President of the European Council, the former Belgian Prime Minister Herman van Rompuy; and a High Representative for Foreign Affairs and Security Policy, the former EU Trade Commissioner Catherine Ashton from the United Kingdom. The High Representative will also chair the Foreign Affairs Council on a permanent basis and function as vice-president of the European Commission. The idea behind the posts of permanent President of the European Council and the High Representative is to provide more continuity in agenda-setting than the rotating six-monthly presidencies were able to offer. The hope is that the posts will also strengthen the consistencies between the different policies of the European Union and in following them up, thus increasing their impact. In the foreign-policy field, this should enable the EU to carry more clout on the global scene. An instrument that will help realise this objective is the so-called European External Action Service, to be established in the first half of 2010. The Service will support the High Representative in

her duties and will consist of the different existing foreign-policy desks in the Commission and the Council Secretariat, as well as diplomats from member states. The EAS is expected to be based on the principles of single country desks, so that, for example, the various existing offices for the geographical regions should be merged into one system, as well as on the principle of budget neutrality. The Danish Permanent Representative to the EU, Poul Skytte Christoffersen, has been appointed special adviser to the High Representative with responsibility for establishing the EAS.

The treaty also contains a number of elements specifically aimed at bringing the Union closer to its citizens. The ordinary legislative procedure (formerly known as co-decision) is being extended to a number of new areas, thus increasing the influence of the European Parliament. The role of national parliaments in the legislative procedure is also being strengthened, for instance, in being given a special role in the control of the subsidiarity principle. Treaty provisions on transparency are explicated. Also worth mentioning is the citizen's initiative that creates the possibility for a million EU citizens from a significant number of member states to invite the Commission to take action on a specific policy area within its field of competence.

Overall, the Lisbon Treaty endows the EU with the necessary tools to meet the challenges of the 21st century and to participate actively in a new global era, one that will largely be defined by the need of the European Union to position itself globally.

The EU is and remains the main foreign-policy platform for Denmark on the global stage. With the Lisbon Treaty, the EU – and thus Denmark – has improved that platform in order to cope with future challenges. When faced with the perspective of a so-called 'G2 world' consisting of the US and China, the EU owes it to itself and the world to make its positions and its values heard. It is, however, up to the member states to use these new instruments and to turn the treaty objectives into 'realpolitik'.

NATO: Celebrating Its 60th Anniversary and Defining Its Future Role

With the celebration of NATO's 60th anniversary at the NATO summit in Strasbourg/Kehl in April 2009, the allies launched the process of developing a new Strategic Concept, which will define NATO's future role in the security

environment of the 21st century. In recent years, NATO has developed from focusing primarily on the defence of member states' territory in the traditional sense to promoting global security and stability more broadly. Issues such as failed states, the dangers of non-state actors, the proliferation of weapons of mass destruction, growing energy demands and climate change are examples of the increasingly complex security challenges facing the Alliance. The new Strategic Concept will help the allies to better prioritise the future tasks of NATO, to adapt and modernise the needed political and military tools, and to identify the necessary resources in that regard.

Important events in 2009 contributed to shaping a positive foundation for this demanding task: the election of a new US administration with a strong focus on transatlantic cooperation and multilateral solutions; the French decision to fully participate in all NATO structures; and finally, the nomination of the former Danish Prime Minister, Anders Fogh Rasmussen, as new NATO Secretary General, promising strong political leadership of the Alliance.

Denmark continues to provide substantial contributions to NATO's missions and operations. At the end of 2009, more than 1000 of approximately 1200 Danish troops engaged in international operations were under NATO command (AFG and Kosovo). In addition, Denmark plays an active role in shaping the future orientation and work of the Alliance. In shaping the new Strategic Concept of NATO, the Danish focus will be on three issues:

First, NATO's core tasks should remain the defence of our territory and our populations, while acknowledging that territorial defence often starts far from our own borders, as we see in Afghanistan. Secondly, therefore, we need to continue the military transformation to allow us to perform all the necessary tasks – from collective defence to peace support operations. Thirdly, we need to build much more on the 'Comprehensive Approach', enabling NATO to engage and cooperate better with other international players.

Other aspects will undoubtedly play an important part in the Strategic Concept, not least in defining NATO's relationship with Russia. Following President Obama's decision to 're-set' the relationship with Russia, 2009 saw a resumption of the NATO–Russia political dialogue that had been suspended in 2008 as a consequence of the Russia–Georgia conflict. This development was consolidated when the foreign ministers of NATO member states and Russia agreed to a substantial package.

The NATO-led international mission to stabilise Afghanistan (ISAF) remained high on NATO's agenda throughout 2009 and will remain so for years ahead. A number of countries increased their troops in Afghanistan as part of a new transition phase and in response to ISAF Commander-in-Chief General McChrystal's new population-centric counter-insurgency strategy and, as of December 2009, there were 43 troop-contributing nations. The temporary surge in troop levels is intended to roll back the insurgent forces, one of the main aims being to create better conditions for the capacity-building of the Afghan national security forces and thus prepare for a gradual transfer of security responsibilities to the Afghans, province by province.

NATO's Training Mission in Afghanistan (NTM-A), which was established in 2009, will be one of the key instruments of support to the transition phase. Denmark will continue its support and contribution to NTM-A. 'Partnering' between ISAF troops and the Afghan security forces will be another key method enabling the latter to assume security responsibilities. In 2010, Danish forces will also 'partner' with Afghan forces in the Helmand province. Other priorities for NATO and ISAF in 2010 will be to support Afghan-led reintegration efforts and to enhance and support civilian coordination in Afghanistan.

Revitalised Transatlantic Relations

The United States is a key partner for the EU, and Denmark. We share strong cultural and historical ties and work closely together on most important international issues. The close cooperation with the United States was reconfirmed and continued when President Obama took office in January 2009.

President Obama visited Europe four times in 2009, out of which he visited Denmark twice. This is a remarkable fact, considering that a sitting American president had only visited Denmark twice before that – in 1997 and 2005. President Obama was not the only American top politician who visited Denmark in 2009. Others included Secretary of State Hillary Clinton, House Speaker Nancy Pelosi and Senator John Kerry.

Much of the US attention towards Denmark in 2009 was caused by COP15 in December. However, also in a broader perspective, the longstanding US-Danish relationship is characterised by being close and very cooperative. To highlight one specific policy area, Denmark is known for punching above its weight in Afghanistan.

President Obama has renewed the American approach to multilateral cooperation. This provides opportunities for reaching much needed progress in multilateral work. The Obama administration brought a new dynamic into transatlantic cooperation. On both sides of the Atlantic, we share the fundamental values of our respective societies. Although emerging powers are increasing their global power and influence, the United States will remain the only superpower in the decades to come. This is especially the case in the military and defence fields, but in other areas such as the economic sphere the situation can be expected to be more complex. The United States remains the most natural ally for Europe. Combined with the new possibilities for a larger global role of the EU with the Lisbon Treaty, this gives promising perspectives for transatlantic cooperation.

The EU and Its Neighbours

Many European countries still see EU membership as a guarantee for democracy, human rights and economic stability, as well as the rule of law. The prospect of accession to the Union in itself often encourages reforms in the aspiring countries. In 2009 both Iceland and Serbia submitted their applications to the EU, and other Western Balkan countries also continue on the path towards membership. The negotiations with Croatia and Turkey continued in 2009. Croatia has shown substantial progress in its implementation of reforms in various fields and a solution to the border issues with Slovenia is under way, thereby resolving several deadlocks in the negotiating process. Yet, Croatia still needs to make progress in areas such as corruption, the judiciary, fundamental rights and cooperation with the International Criminal Tribunal for the former Yugoslavia.

Expectations are that negotiations with Croatia will intensify and enter into the final phase in 2010. Accession negotiations with Turkey advanced with low intensity in 2009. Although Turkey has implemented several important reforms over a period of years, there are still considerable shortcomings in pivotal areas such as freedom of speech, women's rights and anti-corruption. Negotiations will continue, and it is important that the Turkish Government still aims at membership.

The EU's Eastern Partnership was agreed upon at the Prague Summit in May 2009 with the partner countries of Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The Eastern Partnership aims to strengthen the re-

lationship between the EU and the partner countries in a region that is crucial to European security and prosperity. In launching the Eastern Partnership, the EU and the partner countries have signalled their desire for a more ambitious partnership based on a shared commitment to democracy, respect for human rights, good governance, sustainable development and the market economy. As the partner countries succeed in implementing the reforms envisaged, they will be able to enjoy greater benefits such as market access and visa-free travel, thereby helping to stabilise and develop these countries further.

Russia

During 2009, bilateral relations between Denmark and Russia were further strengthened. The political dialogue was intensified, as several meetings took place between heads of government and foreign ministers. This trend is set to continue, since President Medvedev has been invited to pay a state visit to Denmark in April 2010. Denmark and the EU welcomed the decision of the new US administration to 'reset' its policy towards Russia. This shift in US policy has led to a greater degree of transatlantic convergence as regards policies towards Russia. Throughout 2009, the EU sought to enhance cooperation with Russia. A core element of this policy is the negotiations on a new, comprehensive, EU-Russia cooperation agreement to replace the partly outdated Partnership and Cooperation Agreement with Russia of 1994. While some progress was achieved during 2009, a number of issues are still outstanding, in particular with respect to trade and investment-related issues. This is partly due to the economic crisis and the continued uncertainty about Russia's intentions to join the WTO. EU policy on Russia continues to be characterised by a dual-track approach. While seeking to engage Russia within a broad range of political and economic issues, the EU has remained critical, among other things, of Russia's policy towards Georgia and the problems that human rights activists face in Russia.

Arctic and Nordic issues

The Kingdom of Denmark is committed to dealing with the challenges facing the Arctic region. Some of these challenges were discussed and agreed upon in the Ilulissat Declaration of May 2008. However, the task of carrying these issues forward and developing solutions lies to a large extent with the Arctic Council, the chair of which the Kingdom of Denmark took over in April 2009.

An organised future for the governance of the Arctic will rest with the political framework of the Arctic Council.

Climate change is a global challenge with severe regional impacts. It presents itself as the overarching issue and basic theme for work within the Arctic Council in the years to come. As chair of the Arctic Council, the Kingdom of Denmark presented a detailed scientific report to COP15 in Copenhagen in December 2009 highlighting the impact of climate change on the Greenland Ice Sheet. The Kingdom of Denmark will continue to carry the climate change agenda forward in the Arctic Council. Not least as a result of climate change, the world's attention is being directed to the Arctic region, and the challenges and possibilities it presents. In this new setting, it will be of major importance for the Arctic Council to safeguard the inherent cultural, economic and political rights of the Indigenous Peoples in the Arctic.

Denmark holds the presidency of the Nordic Council of Ministers and Nordic cooperation on foreign and security policy in 2010. The overarching, multi-sectoral aim of the 2010 Presidency of the Nordic Council of Ministers, consisting of Denmark, Greenland and the Faroe Islands, will be to consolidate and develop the Nordic response to globalisation. The financial crisis highlighted the need for the region to exploit the opportunities arising from globalisation, as well as to meet its challenges. Collaboration between the Nordic countries has never been more vital. The Council of Ministers' budget has been reprioritised to ensure that funding will be available for the necessary measures in this area. Globalisation and building a sustainable Nordic Region, in which equality plays a key role, are consistent themes of the Danish Presidency. Regarding Nordic foreign policy cooperation, Denmark aims to show concrete implementation of some of the proposals in the report on further foreign and security cooperation which the former foreign minister of Norway, Thorvald Stoltenberg, drew up in early 2009. One such proposal is closer cooperation, both physical and substantial, in embassies abroad. Denmark would like to go even further and develop some new proposals for deepening and enlarging Nordic cooperation.

Ups and Downs in Sino-Danish Relations

As mentioned above, global economic developments have shifted power towards the emerging economies. This has led to a more self-aware international

role by these countries. An illustrative case of this was developments in the Sino-Danish relationship, a relationship that, in 2009, began well and ended well.

Commercial ties between Denmark and China continued rapidly expanding, with trade volumes and investments going in both directions, showing promising signs. China is already the most important trading partner for Denmark in Asia, and there is little doubt that China's importance as a market and sourcing hub will continue to grow in the years to come as China moves ahead at full speed. Inter-cultural exchanges continue to expand as more and more Danes take an interest in China and as China encourages its many bright students to study in Western countries. On the political front, China expressed strong discontent with the Danish Prime Minister's and Foreign Minister's meeting with the Dalai Lama in May 2009. China made it clear that it views meetings between the Danish Government and the Dalai Lama as political support for the Dalai Lama and Tibetan independence. As Denmark does not view such meetings as support for, for example, Tibetan independence, this represented a challenge for the bilateral relationship between the two countries. In order to clarify the Danish Government's position about this and other issues in the Sino-Danish relations, Denmark delivered a verbal note to the Chinese authorities on 10 December 2009 describing important milestones in the Sino-Danish relationship. With the note Denmark also reaffirmed its One-China Policy and its unchanged position that Tibet is an integral part of China. China has welcomed the Danish note, and both countries now look forward to strengthening their partnership and to celebrating the 60th anniversary of the establishment of diplomatic relations on 11 May 2010.

A few years ago we were talking about China as an emerging market or an emerging power. But events in 2009 made it abundantly clear that China is no longer just emerging; it has emerged as a new and very significant world power, and sooner than was expected before the financial crisis. The rapid expansion of China's economic and political influence constitutes a major change in the global architecture. China does not necessarily share the same values or interests as Western countries and is acting with increased confidence in multilateral organisations as well as in relations with individual countries (as witnessed by their often hard wording on countries seen to be interfering in what are considered to be internal Chinese affairs).

COP15, as described above, was a clear example of the new global balance.

The Chinese showed themselves to be tough negotiators who were clearly not willing to bow to foreign pressure. On the other hand, if China can be encouraged to play a constructive role, the potential benefits are vast, whether the issue is North Korea, climate change, nuclear proliferation, Africa or combating the financial crisis. The Danish Government has taken the view that constructive dialogue and strategic partnership with China is the only way forward. Denmark will therefore aim at strengthening our cooperation with China in the years to come, both bilaterally and through the EU.

Africa and Development

Africa was severely influenced by the economic crisis in 2009. Despite earlier reforms and prudent macroeconomic frameworks, Africa was less able to cushion itself against some of the impacts of the financial crisis through fiscal stimulus packages, and poverty was once again rising. This comes after a prolonged period in which Africa was able to ensure high growth rates. Natural resource exporters were especially hard hit by the global slowdown in demand, but middle-income African countries and to a lesser extent the least developed African countries were too. All these countries experienced balance of payments deteriorations, falls in remittances, lower foreign direct investment and in a number of countries also a fall in income from tourism. As a consequence, unemployment rose rapidly in both the formal and informal sectors. Previous gains in development started to go into reverse. The impact of the financial crisis in Africa underlined the need for further job creation and the development of more diversified economies.

The Danish Africa Commission adopted its final report in Copenhagen in May 2009. The Commission's overall line of thought was to suggest ways to increase African competitiveness and to realise the potential of Africa's rapidly growing young population as an important driver of economic growth on the continent. In the report, the Africa Commission argued the case for a stronger national and international focus on private-sector development and launched a number of recommendations and five concrete initiatives, which together were intended to strengthen private sector-led economic growth and youth employment in Africa. The initiatives of the Commission are in the process of being implemented in collaboration with international organisations and African partners on a pilot basis with Danish financing. The policy represents

an extension of initiatives to more countries on the continent with financing from other donors. Furthermore, together with African partner countries, institutions and other like-minded countries, Denmark intends to promote the Commission's private-sector development approach on the international development agenda, not least in connection with the fulfilment of the Millennium Development Goals (MDGs) and the MDG summit in 2010.

Politically, Africa has taken significant steps towards democratisation. The African Union (AU) is increasingly playing a prominent role in safeguarding democracy, free elections and good governance on the continent. Unconstitutional changes of government usually lead to temporary exclusion from the AU. Nonetheless, a number of countries experienced politically motivated crises during 2009, most notably Madagascar, Guinea Conakry, Guinea Bissau, Mauritania and Niger.

Developments in other African countries, however, gave grounds for optimism about democracy taking root in the continent. For instance, free and fair elections in Ghana brought about a peaceful change of administration, and in Zimbabwe, long known for its entrenched political crisis, a Government of National Unity took office, offering the highly deserving population new hope for the future. One year into its existence, the transitional government has produced significant results – including macroeconomic stabilisation and reconstruction, the restoration of basic social services and progress in the constitutional reform process – although there are still serious outstanding issues. Denmark has taken an active stance in favour of the reformers, arguing that without external support the reform process is likely to fail.

The African Union is playing a significant role in promoting peace and security in Africa. The AU is playing a significant role in peacekeeping operations in Somalia, where the AU Mission (AMISOM) is assisting the Transitional Federal Government (TFG). The international community has continued to increase its assistance to Somalia over the last year. Humanitarian crises, conflict, piracy and the threat from international terrorism have called for greater international co-operation. The AU, EU and UN are working together to assist the Transitional Federal Government. Denmark issued a policy paper on Somalia in 2009. The Danish policy on Somalia has both bilateral as well as multilateral entry points through, amongst other bodies, the AU, UN and EU, and we are trying to bring together political, humanitarian and development

issues. The short-term aim is to work for greater security and stability as well as humanitarian interventions. Until 2011 we expect to spend more than USD 100 million on various interventions in Somalia in support of the TFG Government through the AU, AMISON and the UN.

In 2009 Denmark also continued its assistance to the implementation of the Comprehensive Peace Agreement in Sudan. Upcoming elections in 2010 and a referendum in 2011 on the possible secession of South Sudan could increase the risk of further instability in the Horn of Africa more generally. As with Somalia there is a need for a more coherent Danish approach, and in the coming year we will therefore be working on a policy paper on Sudan.

New Strategy for Danish Development Cooperation

In 2009 the formulation of a new strategy for Danish development cooperation was launched with a view to its adoption by the Government and Parliament in spring 2010. The aim is to ensure that Denmark remains a preferred partner that delivers relevant, effective and efficient development cooperation. The new strategy will address the complex issues related to fighting poverty and promoting sustainable development that we face today. The process of formulating the new strategy for development cooperation has been open and inclusive, with extensive stakeholder consultation. Many of the debates have focused on how global trends like climate change, natural resource constraints, the urgent need for economic growth and employment, instability and conflicts, population growth, and not least global crises affect developing countries and their opportunities for long-term sustainable development. The new strategy should ensure that Danish development cooperation delivers effective and sustainable results for the poor. Denmark intends to build on the strong position of Danish development policy as an integral part of an active Danish foreign and security policy.

Human Rights: The Value Debate

Denmark attaches great importance to the promotion of democracy and human rights, both as objectives in their own right and a means of reducing poverty and promoting peace and security. Denmark's strong democratic tradition serves as a good basis for our efforts to advance an international order that allows every individual the full enjoyment of his or her human rights.

2009 also witnessed a further intensification of the debate between key players such as the EU and the Organisation of the Islamic Conference (OIC) on the interpretation of human rights. Human rights are indivisible, interdependent and interrelated. They are inherently equal, and therefore countries cannot interpret or single out some rights as more worthy of protection than others. During the preparations for the follow-up conference to the United Nations World Conference against Racism – the so-called Durban Review Conference – in April 2009, certain actors sought to use the negotiations as a basis for granting religions human rights protection that takes precedence over the human rights of the individual and to give the concept of ‘defamation of religions’ status as a human rights violation. Denmark and the EU strongly opposed these attempts. The existing human rights system is meant to protect the individual, not religions or other belief systems. Accordingly, Denmark, along with other like-minded countries, will continue to reject ‘defamation of religions’ as a concept. The final declaration of the Durban Review Conference turned out to be satisfactory to most EU countries, including Denmark. This would probably not have been the case had Europe not – strongly encouraged by Denmark – agreed on a set of red lines that fundamentally changed the basis of the final negotiations.

The value debate continues to have a massive influence on the work and negotiation climate in the United Nation’s Third Committee and the UN Human Rights Council. Regrettably, some countries at times use these fora to attack the universality of internationally recognised human rights and in addition have questioned the Human Rights Council’s so-called Special Procedures, which enable the Council to address specific country situations or thematic human rights issues in all parts of the world. This is an unfortunate development, as the Council’s ability to respond to human rights violations, where and when they occur, is of the utmost importance to its credibility. Respect for human rights internationally is far from a given matter, and efforts to promote such rights meet frequent opposition. In cooperation with our EU partners and other like-minded nations, Denmark works actively to counter any attempt to infringe upon the human rights of the individual or call the universality of these rights into question. In addition, the Government remains committed to reaching out to other nations and engaging in a dialogue showing that promoting respect for individual human rights is not only a moral

obligation but in their own national interests. Changing hearts and minds is a slow process and there are no easy victories, but Denmark is committed to the long haul.

In the future, we hope that the strengthened High Representative of the EU, supported by the European External Action Service, will provide a better platform for EU coordination on these issues. If we can react earlier and more proactively, we will improve our influence over outcomes. Also, closer European cooperation on these issues could strengthen the dialogue with other actors, including central partner countries, the UN system, regional organisations and organisations such as the OIC. After all, the EU by its very nature represents value-based cooperation.

CRISIS MANAGEMENT IN GLOBAL HOT SPOTS

Denmark pursues an active foreign policy. This means working to increase international security and stability. It is a key priority in Danish foreign policy to contribute to international security and stability through a broad integrated effort involving defence, diplomacy and development. This active foreign policy requires a Danish presence on the ground in global hot spots with soldiers, development workers and diplomats.

Afghanistan

Two things more than anything defined developments in Afghanistan in 2009: the new American approach to Afghanistan, and the much criticised Afghan presidential elections in August. When the Obama administration took office at the beginning of the year, a new approach to strategy in Afghanistan was introduced. A much stronger emphasis was placed on Afghanistan with a troop surge in February 2009 and the appointment of General McChrystal as the new ISAF Commander. The presidential elections were marred by widespread fraud and demonstrated more than anything that the international community needed to take governance and the Afghan government's effectiveness more seriously. It was clear that the Government of Afghanistan would not succeed if it did not establish legitimacy in the eyes of the population. The overall context

was the highest number of insurgency attacks and the hardest fighting year yet in Afghanistan measured in coalition casualties.

These developments coalesced into a new resolve in the international community. In a key speech on 1 December, President Obama signalled unequivocal support for McChrystal's strategy and announced a 34,000 troop lift. NATO and ISAF allies followed this announcement by committing approximately an additional 7,000 troops. However, these announcements were connected with the certainty that we were moving into a new phase of transition to full Afghan responsibility for security and for assuming effective government control of all parts of the country within a certain time frame. President Karzai announced that Afghanistan would be ready to take the lead in the majority of security operations in the insecure areas of Helmand within three years and take control of physical security within five years. With this new approach came also a stronger focus on and support for the civilian capacity-building and reintegration efforts. The Danish view is that the civilian build-up must go hand in hand with military capacity-building. The transition cannot succeed unless the Afghan government can assume full civilian and security control. A key element in this regard is the legitimacy of the Afghan government in the eyes of the population. The government must be perceived as non-corrupt and genuinely engaged in making improvements for the population. Another element is the ability of the government to ensure effective service delivery. Without civilian legitimacy based on these elements, the transition is not likely to succeed.

This overall re-orientation of focus also had implications for the Danish interventions in the Helmand Province, as well as in the national-level development programmes in support of the Afghan government. In 2009 the security situation in Helmand was marked by more attacks from the insurgency and more losses than in any previous year. This was mainly a result of the intensified Afghan and international operations to root out the insurgents from the main population centres. In 2009, the majority of population centres were secured from Taliban influence. Danish forces were heavily involved in security operations in Helmand, not least in the 'Panther's Claw' Operation during the summer of 2009. At the same time, a renewed effort against drugs production led to a significant reduction of a third in poppy cultivation. This result was obtained through a wheat substitution programme championed by Governor Gulab Mangal, as well as by targeted operations against drug traffickers.

The situation in 2009 highlighted the insufficient numbers of Afghan troops. The Afghan police sustained higher casualties in Helmand than the Afghan army. In 2009, a commitment was obtained from the Afghan Government to deploy the troops necessary to ensure a stable 'hold' of the main population centres in Helmand, as well as to participate in and eventually take a lead in security operations.

Despite challenges, the Danish development engagement in Afghanistan provided many results throughout 2009. The Danish Afghanistan strategy embodies a combined civilian and military approach focusing on a military effort that supports the reconstruction and development initiatives and vice versa. In 2009 development assistance reached a peak of DKK 450 million a year, which is projected to continue until 2012. The three main areas of intervention for the Danish development programme in Afghanistan are: 1) improving overall living conditions; 2) education, with a specific focus on enabling girls and women to participate actively in the education system; and 3) state building, including a focus on local development and empowerment of the local levels of government. Effective local government is crucial to roll back Taliban influence. The funds are mainly directed through the Afghan government to secure as much national ownership as possible. The human rights situation in Afghanistan received separate political attention in 2009. The Karzai government did not deliver sufficiently on human rights obligations. Improving human rights and the rights of women is a pronounced Danish priority.

In general, the main purpose of the Danish presence in Afghanistan is to contribute to national, regional and global security by preventing the country from once again becoming a refuge for terrorists. This overall rationale has not diminished over the years. It is still in our national interest to contribute to the growth of a stable, secure and more developed Afghanistan. The main challenge in Afghanistan remains to provide the Afghan government and security forces with the necessary capacity to take over responsibility and authority throughout the country, including difficult regions like Helmand.

The situation in Afghanistan is very closely linked to the situation in Pakistan. Stability in Pakistan is vital to the overall peace and stability in Afghanistan and in the region. Pakistan is facing immense challenges, with growing extremism and terrorism throughout the country, huge and increasing poverty and fragile democratic institutions. The Pakistani government's military cam-

paign against the Taliban in north-western Pakistan in 2009 resulted in more than two million internally displaced persons. All these challenges in a nuclear-armed country make it one of today's most important security policy challenges. The international community stands by Pakistan in its fight against militant extremism and terrorism, and Denmark supports Pakistan politically through the group Friends of Democratic Pakistan. Denmark's decision in 2009 to start development cooperation with Pakistan is a reflection of Denmark's commitment to a democratic and stable Pakistan. Denmark will support Pakistan with a total of DKK 140 million in 2009-2012, focusing on stability in the border region with Afghanistan and the strengthening of democratic institutions.

The Fight Against Piracy

Denmark attaches great importance to the fight against piracy. During 2009 Danish naval forces took part in fighting piracy in operations off the Horn of Africa. Denmark also played an active role in multilateral efforts to solve the many legal issues that arise in the fight against piracy. Denmark was elected chairman of the international working group on legal issues concerning the fight against piracy. The working group falls under 'The Contact Group on Piracy off the Coast of Somalia', which in January 2009 was established by request of the UN Security Council. The Danish approach to solving the piracy problem is broad and also involves a focus on development and humanitarian assistance to Somalia to address the root causes of piracy.

The Middle East: The Long Push to Re-launch Negotiations

In the Middle East, 2009 began with a serious conflict in Gaza in which many innocent lives were lost and houses and infrastructure destroyed. The year ended with a sense of hope and with strong international engagement. An actively engaged US administration and a strong commitment from the EU are keeping up pressure on the parties to re-launch peace negotiations. Though a ceasefire in Gaza was announced in January 2009, there is still no viable peace, attacks continue, and the situation – not least for the civilian population in Gaza – is still of great concern.

In 2009 international diplomacy focused on re-launching peace negotiations, implementation of Road Map obligations (not least regarding settlements), and improving the situation on the ground in Gaza and the West Bank.

Economic progress was registered in the West Bank after many years without growth. In November, the Israeli Government took an important decision to halt new settlement construction for ten months. The new US administration has engaged actively in the region with the so-called Annapolis process and in all aspects of the conflict, focusing on the conditions that would allow the negotiations to restart.

The EU has maintained an active role in the region. The EU has an elaborate network, is the main donor to the Palestinians, and has continued to explore ways to contribute to peace and stability in the region. Politically the conclusions from the foreign ministers' meeting in December 2009 underlined the engagement of the EU and contributed to maintaining pressure on the parties to restart negotiations. There was no progress on negotiations between Israel and Syria or Israel and Lebanon in 2009. EU ministers agreed in October on the longstanding EU–Syria association agreement. However, Syria unfortunately postponed the signing of the agreement. The successful elections in Lebanon in 2009 have allowed for continued momentum towards stability and democratisation.

The Danish government has been clear regarding what is needed in 2010: the parties must deliver what it takes to get back to the negotiating table, and negotiations must be re-launched soon based on a game plan and timetable. Denmark wants the EU to play a bigger role in concert with the US. The EU and the international community must enhance support to the Palestinians and the leadership of the Palestinian Authority, work to improve further the situation in the West Bank and access to Gaza, and contribute to security.

Throughout 2009 Denmark continued its active contribution to international diplomacy. Denmark has worked bilaterally and through the EU and other international organisations. The Danish foreign minister participated in the Gaza reconstruction conference in Egypt, and Denmark hosted a workshop on weapons smuggling into Gaza. Within the EU, Denmark took initiatives on Gaza and border assistance, launched ideas for an EU regional policy framework and promoted support for the Palestinian Prime Minister Fayyad's ambitious two-year development plan. Denmark continued to support a range of concrete activities aimed at peace and stability in the region. The Danish-Arab Partnership Programme is centre stage. Finally, Denmark continues to be

a major donor to the Palestinian Authority and to United Nations Relief and Works Agency (UNRWA) and in November 2009 approved a new framework for Danish-Palestinian development cooperation in 2010 to 2012.

Iran: A Source of Concern

2009 may in many ways turn out to be a determining year for Iran. In the months leading up to the presidential elections on 12 June, we witnessed a lively and outspoken presidential election campaign. The debate was at times fierce and very direct, and it promised well for the elections. Many ordinary Iranians had hopes of a democratic Iran opening up to the world and engaging constructively on the international scene. When many peaceful protesters went on to the streets in the days after the official election result was announced, they were met with security forces trying to suppress all opposition through violence, repression and intimidation. Innocent lives were lost. The opposition forces continued their protests throughout the year. The election and the events before and after –illuminated clear divisions and tensions within both Iranian society and the elite. Many are asking whether the current situation will be sustainable in the months to come.

On several occasions, Denmark and the EU strongly condemned the violence against peaceful demonstrators, and we urged Iran to live up to its international obligations, including those regarding human rights. We made it clear that we stand behind the Iranian people's right to democracy, to demonstrate peacefully and to freedom of expression. The regime has to listen to the protesters, take them seriously and end the brutal repression.

Another matter of concern is the development of Iran's nuclear programme. The International Atomic and Energy Agency (IAEA) noted in its latest report on Iran dated November 2009 that it continues to be unable to verify that Iran's nuclear programme is for exclusively peaceful purposes. Iran continues to defy its obligations according to several IAEA and UN Security Council Resolutions. Iran is already subject to UN as well as EU sanctions. Negotiations with Iran have been conducted by the five permanent members of the UN Security Council and Germany (P5+1), following a 'dual-track' approach in which negotiations remain possible, but continuing non-compliance may lead to additional sanctions as a means to raise the Iranian incentive to negotiate. However, despite the outstretched hand offered by the Obama

administration in 2009, Iran has declined to participate in talks on the nuclear issue.

In 2010 Iran is required to decide to answer the outstanding issues on its nuclear programme by addressing the suspicions that there is a possible military dimension, which gives rise to concern. If again they choose not to, they must expect increasing pressure through new UN sanctions. 2010 will show us what path the Iranian regime will choose to take, that leading to constructive international engagement and collaboration, or the alternative leading to further isolation, critical dialogue and missed opportunities. In the time to come, it will be important to stress that, no matter what actions the international community decides to take in response to the lack of dialogue and transparency concerning the nuclear programme, these actions will not be targeting the Iranian people.

Terrorism

2009 demonstrated once again that international terrorism is one of the most substantial threats faced by the international community, and there is no prospect of it being significantly reduced in the coming years. The reprinting of the cartoons led to an increased focus on Denmark and Danish interests abroad as potential terrorist targets among leading militant extremists.

Although terrorism is not in itself a new phenomenon, some of the characteristics of the terrorism threat we are facing are unprecedented. Apart from the willingness to inflict indiscriminate suffering, the new challenge is characterised by using loose networks to achieve global aims and to some extent global reach. This implies that no country can isolate itself from the risks and consequences of terrorist attacks. Consequently international cooperation is imperative in the fight against terrorism. Denmark plays an active role in this cooperation and is particularly engaged in the Horn of Africa (including Somalia), as well as Pakistan and Afghanistan. At the regional level, the EU effort against terrorism is subject to continuous dynamic development. One example of the important role the EU plays for Denmark is the listing of terrorists, as this is based on EU legislation and coordinated at the EU level. Within the EU, Denmark has also emphasised the development of close cooperation with the EU Counter-Terrorist Coordinator, who plays an important role as a catalyst in guiding EU actions both internally and externally.

At the global level, the UN is a natural forum for counter-terrorism cooperation, establishing joint norms and coordinating the global effort. Denmark is a staunch supporter of the UN Counter Terrorism Strategy adopted by the UN General Assembly in 2006. Having been adopted by all UN Member States, it is a consensus instrument that can function as a framework for the necessary holistic approach to counter-terrorism. The challenge is to turn it into action on the ground. Denmark is currently engaged in concrete projects in both East and West Africa aimed at strengthening the counter-terrorism capacity in these areas. The complex nature of terrorism underlies the important principle that there can be no real security without development and no development without security. Denmark's counter-terrorism efforts are based on the approach that law-enforcement measures etc. should be combined with addressing the factors that lead to radicalisation and terrorism through development assistance. Another important principle for Denmark is that counter-terrorism measures should conform to the principles of human rights.

THE RE-ORGANISATION OF THE MINISTRY OF FOREIGN AFFAIRS, JUNE 2009

As I have described above, fundamental changes are taking place in the international system. This, of course, brings new challenges to the Danish Ministry of Foreign Affairs. Thus in June 2009 the Ministry carried out the most comprehensive organisational reform since 1991, when an earlier reform was introduced that reflected the new global challenges and the new world order after the end of the Cold War. At the heart of the 2009 organisational reform is the creation of an organisation that is best suited to dealing with the new challenges and opportunities of a globalised world through a cross-cutting single management structure resting on eleven centres with different geographical, functional or thematic responsibilities. An illustrative example of the new organisational structure is the creation of a stabilisation department that combines security and development, particularly vis-à-vis Afghanistan, where these issues go hand in hand. Another example is a Centre for Global Challenges that focuses on global economic questions, the environment, and climate, health and gender equality issues. All these issues require multilateral global

solutions and are to a large extent interrelated. A key element of the Ministry's new structure is the introduction of new integrating management structure ensuring better coordination between different, but interrelated, policy areas. The overall aim is to create a more holistic approach to foreign policy that can take the best possible care of Danish interests in the always changing framework conditions that globalisation will continue to bring about.

The Stoltenberg Report and Nordic Security: Big Idea, Small Steps

Clive Archer¹

INTRODUCTION

Whatever closeness the Nordic states have experienced in other areas, they have sought their security separately. Admittedly, Denmark, Norway and Iceland have had NATO membership in common, though that of Iceland has been particular as it has no armed forces. In the past, attempts to seek common security arrangements have been interrupted by one or two of the Nordic states acting as a spoiler, either through choice or requirement. In 1939 Denmark felt obliged to sign a non-aggression pact with Nazi Germany rather than progress with a common Nordic defence arrangement. In 1948, Norway led the way to signature of the North Atlantic Treaty, finally putting paid to any hopes of a Nordic Defence Union. By 1985, an attempt at a Nordic nuclear-free zone was effectively buried by the NATO Nordic states.² With the end of the Cold War and many of the outside restraints on the security of the Nordic region, has the time finally come for a Nordic system of defence and security? Could a Nordic security region show the way to other such regions by a pooling of security efforts? Or, once again, will a Nordic state – perhaps this time Denmark – spoil the Nordic game?

As a response to the request made in June 2008 by the Nordic foreign ministers, Thorvald Stoltenberg, the former foreign minister of Norway, handed a report to the ministers in February 2009. It contained thirteen concrete pro-

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2 Archer, 2004: 205.

posals for strengthening Nordic cooperation in this area.³ This is not the first time that the Nordic states, or at least some of them, have discussed cooperative arrangements in the defence and security field, but previous efforts demonstrate the limitations on such action. This article will look at the background to the Stoltenberg proposals, their content and their reception in the Nordic region. In particular, it will compare the Norwegian and Danish responses. It will assess the chances of the report either being implemented in full or being adopted in stages. The conclusion is that, so far, Nordic states have not engaged in a defence association because of their differing strategic positions and choices, and, despite the major strategic developments since the end of the Cold War, the Nordic governments' defence and security policies still reflect enduring strategic differences. These will make the big idea of the Stoltenberg report – that the Nordic countries 'must assume collective responsibility for their own security'⁴ – unlikely to be achieved, with smaller steps towards 'Nordic cooperation on foreign and security policy' (the title of the report) being the most probable outcome. That will suit fine Denmark with its security orientation now firmly fixed outside the Nordic region.

THE BACKGROUND

Inter-governmental cooperation across the Nordic region has covered many subjects, though security has tended to be the least favourite topic. This has often been seen as a reflection of three of the Nordic states being in NATO and two being outside any alliance, but in truth it reflects the deeper requirement that quite different defence and security policies are needed to answer a variety of strategic positions and choices. In the 1930s, when there were discussions about common defence postures,⁵ it became clear that the states had varied needs and fears, with those of Denmark, concerned about the power of Nazi Germany on its southern border, not reflecting those of Finland, with its fear of invasion by the Soviet Union.

3 Stoltenberg, 2009a.

4 Stoltenberg 2009b: 11.

5 Kristiansen, 2008: 285-8.

After the Second World War, there was an attempt to establish what was called a Nordic Defence Union in 1948, though in reality it was rather a Scandinavian defence association. Nevertheless, the three Scandinavian states of Denmark, Norway and Sweden agreed on a high level of defence cooperation before negotiations broke down, basically because Denmark and Norway wished to sign the North Atlantic Treaty and Sweden did not. Indeed the report that was to be the basis of the Defence Union went into great detail about what was to be done in the event that one or more of the three states were attacked.⁶ Despite the failure of this pact, a level of military cooperation based on the work carried out for the negotiations continued between the three states, sometimes surreptitiously, well into the days of the Cold War.⁷

Danish, Norwegian and Icelandic membership of NATO saw the increasingly close cooperation of the three states, especially the first two, within NATO's command structures, though even here Denmark tended to look to arrangements in NATO's central front – with residual interests in the Atlantic through the defence of the Faroe Islands and Greenland – while Norwegian concerns were increasingly with the Kola peninsula and the North Atlantic.

Despite differences based on strategic position and alliance choices, the Nordic region nevertheless had an internal dynamics in the security area that was of importance in the Cold War period. Despite the growth in Soviet forces, the increase in the US maritime presence in the north-east Atlantic and tensions on the European continent, the Nordic region was characterised as 'a low-tension area' where the Nordic states 'chose to take into account the position and interests of their neighbours when making decisions about security.' According to a former Norwegian minister of defence and foreign affairs, Johan Jørgen Holst, this was less 'the product of deliberate design but rather the aggregated result of incremental decisions and adjustment.'⁸ This has sometimes been called the 'Nordic balance', though Holst pointed out that the Nordic states were 'not poised against each other', nor were Finland's 1948

6 SOU, 1994: 11, Bilagor, p. 40.

7 Dalsjö, 2006: passim.

8 Holst, 1990: 8.

treaty obligations to the Soviet Union equivalent to the North Atlantic treaty commitments of Denmark, Iceland and Norway.⁹

The opportunities open to Nordic security decision-makers widened once the Cold War ended. The East-West divide that had constrained them since 1948 had vanished, and the security agenda expanded to include environmental and societal factors, with insecurities and risks being the main calculation for the defence and security ministries. Sweden and Finland joined the European Union, while Norway and Iceland became closely linked to the EU through the European Economic Area (EEA). NATO's nature changed, and soon Swedish and Finnish forces were serving with NATO ones in the former Yugoslavia and other parts of the world. Sweden and Finland contributed fully to the EU's European Security and Defence Policy (ESDP) and Norway and Iceland made their own contributions, though Denmark was limited to participating in the civilian side of the ESDP.¹⁰ The Nordic states developed both their peacekeeping ideas and their previous modest cooperation in UN peacekeeping to meet the more challenging operations of the 1990s.¹¹ After excluding security and defence issues (except UN peacekeeping) from discussion in Nordic institutions (the Nordic Council and the Nordic Council of Ministers) during the Cold War, the Nordic countries found that they could again discuss such issues in the open, and they did so.¹² The Nordic ministers of defence started meeting together, later joined by their Baltic counterparts. They now discuss such sensitive issues as their contributions to the conflict in Afghanistan.¹³

By 2005, the Nordic defence ministers, meeting with their Baltic counterparts, were boasting that 'Nordic countries have had a comprehensive cooperation in defence and security politics.'¹⁴ Early cooperation over peacekeeping had developed into examples of some of the Nordic states acting in concert in peace missions in the post-Cold War period. NORDCAPS, the Nordic Coordinated Arrangement for Military Peace Support, was one example, aimed

9 Ibid.

10 Archer, 2008.

11 Jakobsen, 2006: 1-5.

12 Dybesland, 2000: 31-32.

13 Ministry of Defence, Finland, 2009.

14 Ministry of Defence, Finland, 2005.

at strengthening 'existing cooperation in the Nordic Cooperation Group for Military UN matters (NORDSAMFN) with regard to military peace support operations (PSO) and expand it to cover operations mandated or led by others than the UN.'¹⁵ NORDSUP, or Nordic support structures, produced a 166-page study that outlined Nordic military cooperation on land, at sea and in the air, but only between Finland, Norway and Sweden.¹⁶ In 2008 a NORDSUP report concluded ambitiously that the '(d)evlopment of Nordic military co-operation should initially focus on reinforcement and enlargement of ongoing initiatives, and on actions that lay the foundation for later expansion to areas within the entire span of desired defence capabilities.'¹⁷

While NORDSUP deals with the support structures of military cooperation, the Nordic ministers have also looked at the need for a more efficient system of arming these forces. Here there have been some spectacular cases of non-cooperation among the Nordic states, such as the Norwegian decision in 2009 to replace their F-16 fighter aircraft with an American model rather than the Swedish option. Nevertheless there is now an institutional basis for joint procurement: the Nordic Armaments Co-operation (NORDAC) was started by an agreement in 1994 between the defence ministers of Denmark, Finland, Norway and Sweden to cooperate on armaments development and procurement. A Leading Group manages the framework agreement, while the Coordination Group has set up working groups on subjects such as light patrol vehicles, medical equipment and military clothing.¹⁸ In November 2008 the Nordic defence ministers signed a memorandum of understanding (MoU) for enhanced cooperation on defence matters, the NORDSUP MoU. This was meant to complement NORDCAPS and NORDAC. In November 2009 a revised structure was created with a new MoU that included all Nordic defence cooperation activities, and from December 2009 all the work of NORDCAPS, NORDAC and NORDSUP has been transferred to a new structure, the Nordic Defence Co-Operation (NORDEFECO). This allows ministers of defence to meet twice a year in the Nordic Defence Policy Steering Committee, junior

15 NORDCAPS, 2009.

16 NORDSUP, 2008.

17 Ibid.

18 NORDAC, 2008.

ministers or top civil servants to meet once a year, and the chiefs of defence to meet regularly with the Nordic Military Coordination Committee.¹⁹

Another sign of practical cooperation between the Nordic states was the establishment of a Nordic Battlegroup as one of the battlegroups set up in the context of the European Security and Defence Policy (ESDP).²⁰ This showed that the Nordic states wished to act collectively within this new framework, but it fell short of what its name suggests. Of the five Nordic states, only three – Finland, Norway and Sweden – contribute, the other members being Ireland and Estonia. Also, Finland has signed up to two battlegroups, thus dividing its resources.

All this cooperative effort covers a vast range of military activity and products. However, a number of points need to be kept in mind. First, while these agreements are political ones, a lot of the foundation work has been undertaken by the military, especially the chiefs of defence of Finland, Norway and Sweden. Secondly, by its nature the cooperation does not always cover all of the Nordic states and is often trilateral or even bilateral. Because of its lack of armed forces, Iceland does not participate in many ventures, but Denmark is also a notable absentee, especially in the meetings of the defence chiefs. Thirdly, these institutions are often in competition with others from NATO and the EU. This does not exclude more regional cooperative efforts, but sometimes the larger forums are more attractive and cooperation with larger allies more productive. Nevertheless, the Stoltenberg report should not be seen in a vacuum: there were already important numerous Nordic defence and security cooperative activities before its arrival.

STOLTENBERG'S IDEAS

Thorvald Stoltenberg was asked by the Nordic foreign ministers to draw up his 'proposals for closer foreign and security policy cooperation between the Nordic countries.'²¹ This already showed a commitment at least to a process by the Nordic governments. Each of the five ministries appointed two con-

19 NORDAC, 2009.

20 Government Offices of Sweden, 2007.

21 Stoltenberg, 2009a: 5.

tact persons, and the Norwegian foreign ministry provided Stoltenberg with a small secretariat. He visited the Nordic capitals and talked to a wide range of people, and his recommendations reflect what emerged from his conversations. The process itself is interesting: the report was initiated by the five governments, which then made their own contributions to Stoltenberg's thinking, but there was no committee of political or even civil service representatives, just the contact persons. This meant that the report was less likely to be a list of lowest common denominators, but also it was not 'owned' by the governments that commissioned it. They could take or leave its contents piecemeal, which is precisely what they did.

Why was the report commissioned at this stage? Part of the reasoning is provided by the cooperation described above: the post-Cold War wave of cooperation looked as though it was about to break. Also, the initiative for the report came from the armed forces, which saw their budgets being cut and new defence systems becoming more expensive. One possible way out was increased Nordic cooperation, which would permit common efforts, joint procurement and the possibility of some specialisation. By 2007 the Swedish and Norwegian chiefs of defence, Håkan Syrén and Sverre Diesen, were calling for closer defence cooperation between the two states, and, after being joined by their Finnish counterpart, Juhani Kaskela, by mid-2008 they had identified some 140 examples of military cooperation in a joint tripartite report.²² It was precisely at this time that the Nordic ministers asked for recommendations from Stoltenberg.

While issues surrounding the division of labour and advantages of scale may have concerned the military, there were wider political issues that may have persuaded the Nordic ministers to turn to Stoltenberg. First, as already mentioned, the work undertaken by the three chiefs of defence staffs in Finland, Norway and Sweden was based on 'financial considerations' involving their defence budgets, and their work provided 'an important motivating factor' for the foreign ministers' decision.²³ Secondly, since the departure of US

22 NORDSUP, 2008.

23 Stoltenberg, 2009b: 10 and 11. The initiative can also be seen as a way of bringing the Danes into discussions from which they had been absent, though this begs the question of why they had not engaged in the defence chiefs' work. One anonymous source claims they had not been invited because it was known that they would be fully engaged in this work.

forces from Keflavik in 2006, Iceland had been left without regular air cover for its airspace. NATO states had attempted to organize a rota to cover this gap, but it was clear that Russia was taking advantage of the lack of US aircraft to intrude into Icelandic airspace.²⁴ Thirdly, the wider Arctic region was becoming an area of strategic interest. The Arctic climate was seen by researchers as being crucial to the wider issue of global warming, but there was also the concern that a melting polar ice-cap could mean an increase of commercial, tourist and transport activities in the region. The question arose as to how this might be managed, especially if some of the legal issues remained unsolved, and particularly if the Russian Federation should become more pro-active in the Arctic. The episode in which a Russian flag was planted at the North Pole in August 2007 led to increased speculation about the control of activities in the region.²⁵ Fourth, there was the prospect of a major UN peace support operation in Africa in and near the Darfur region of Sudan.²⁶ The Nordic states would be among the 'usual suspects' to be rounded up by the UN Secretary-General in establishing such a force, but all of them were stretched in their commitments, not only to UN peacekeeping operations, but also to ISAF in Afghanistan. Perhaps a joint effort was possible. Finally, the Nordic option had some political traction in 2008. For the Norwegian centre-left government, it led the Labour Party (led, after all, by Thorvald Stoltenberg's son) to look at the Nordic option at a time when its security policy – especially the Norwegian presence in Afghanistan – was under pressure from its Socialist Left partners in government. For the centre-right government in Stockholm, it allowed further cooperation with NATO partners (particularly Norway) at a time when the question of full NATO membership was still causing political earthquakes at home. A similar response can be detected from the centre-right government in Helsinki. As seen, Denmark had been a notable absentee from the Nordic chiefs of defence meetings. However, while Denmark's right-wing government was more solidly pro-NATO and closer to the US compared with its Nordic neighbours, it was certainly not willing to prevent discussion of common Nordic security activities.

24 Stoltenberg, 2009b: 12.

25 BBC News, 2007. See also Borgerson, 2008, Mason, 2008, *The Independent*, 2007.

26 Federspiel, 2008: 17-18.

Box 1. The Stoltenberg Proposals

1. Nordic stabilisation task force with both civilian and military personnel: can be deployed to states affected by major internal unrest or other critical situations where international assistance is desirable and would help stabilise the situation.
2. Nordic states should take on part of the responsibility for air surveillance and air patrolling over Iceland. Initially, the Nordic countries could deploy personnel to the Keflavik base and take part in the regular Icelandic Northern Viking exercises and could later be responsible for some NATO-organised air patrols.
3. A Nordic system should be established for monitoring and early warning in the Nordic sea areas. This should in principle be civilian and could monitor the marine environment, pollution and civilian traffic. It could have two pillars, one for the Baltic Sea ('Baltic Watch'), and one for the North Atlantic, parts of the Arctic Ocean and the Barents Sea ('Barents Watch'), under a common overall system.
4. With a Nordic maritime monitoring system in place, a Nordic maritime response force should be established, with elements from the Nordic countries' coastguard and rescue services. Its main task should be search and rescue in the Nordic seas.
5. By 2020, a Nordic polar orbit satellite system should be established, connected to the development of a Nordic maritime monitoring system. It would provide real-time images essential for effective maritime monitoring and crisis management.
6. The Nordic countries should develop cooperation on Arctic issues on practical matters such as the environment, climate change, maritime safety, and search and rescue services.
7. A Nordic resource network could defend the Nordic countries against cyber attacks. It would help exchange experience and coordinate national protection efforts and provide advice. In the longer term, the resource network could develop and coordinate systems for identifying cyber threats against the Nordic countries.
8. A Nordic disaster response unit could deal with large-scale disasters and accidents in the Nordic region and in other countries. It would coordinate Nordic efforts, maintain an overview of available equipment and personnel, and establish a network of public and private organisations. The unit would set up Nordic groups/teams to meet specific needs, such as search and rescue.
9. A joint investigation unit could coordinate the Nordic countries' investigations of genocide, crimes against humanity and war crimes committed by persons residing in the Nordic countries.

10. In countries and areas where no Nordic country has an embassy or consulate general, the countries could establish and run joint diplomatic and consular missions.
11. The Nordic countries should strengthen their defence cooperation on medical services, education, materiel and exercise ranges, as discussed in the report presented by the Finnish, Norwegian and Swedish Chiefs of Defence.
12. A Nordic amphibious unit should be established based on existing units and the current cooperation between Sweden and Finland. The unit could be employed in international operations, developing its own Arctic expertise.
13. The Nordic governments should issue a mutual declaration of solidarity in which they commit themselves to clarifying how they would respond if a Nordic country became subject to external attack or undue pressure.

Source: Stoltenberg 2009a.

What did Stoltenberg recommend? His thirteen proposals are a varied mixture (see Box 1). There are two proposals (1 and 10) that would affect Nordic dealings with the world outside Europe. The idea of a Nordic Stabilisation Task Force builds to some extent on the experience of the Multinational Standby High Readiness Brigade for United Nations Operations (SHIRBRIG). This was a Danish initiative that was operative from 1996 until it was closed at the end of 2009. It provided a ‘multinational brigade that can be made available to the UN as a rapidly deployable peacekeeping force’ and by 2008 had sixteen participating nations, all of them European except Argentina. Denmark, Finland, Norway and Sweden all participated. It had limited involvement in Eritrea, the Ivory Coast, Liberia and Sudan.²⁷ Stoltenberg concluded that SHIRBRIG had been ‘disbanded after the UN failed to make use of it’, but thought that the Nordic states should not ‘refuse to supply troops to the UN again because of that.’²⁸ This may show a touching belief in the UN system’s willingness to change its ways. Furthermore the existence of NORDCAPS tended to divide the Nordic states into the group of three – Finland, Sweden and Norway – who saw that institution as a priority, while in Denmark it was ‘not really seen as an option’ and SHIRBRIG, which was based in Copenha-

27 SHIRBRIG, 2010.

28 Stoltenberg, 2009b: 13. Another view of SHIRBRIG’s disbanding, is that the member states failed to provide troops when crises arose.

gen, was the instrument of choice.²⁹ Nevertheless what Stoltenberg proposes goes beyond either NORDCAPS or SHIRBRIG as it involves not just a military component but also a civilian one. The military side would act as a rapid reaction force under the auspices of the UN to help stabilise a crisis situation. This would then be followed by 'statebuilding components' such as police officers, legal advisers and civilian experts and would be coordinated with the aid agencies.³⁰ The attraction of such a force is that it would be multi-agency, addressing all the needs of the distressed host state, but by limiting the membership to the closely-knit Nordic community, it could presumably avoid many of the coordination problems of wider membership. It would, however, have to work with the UN bureaucracy and in difficult local conditions and probably with other forces such as those from the African Union. The problems met by SHIRBRIG, as well as its successes, no doubt need some consideration before resources are devoted to a more ambitious successor.³¹

The other proposal that would particularly affect the Nordic states' position in the wider world was to have joint Nordic diplomatic and consular missions in those countries and areas where the Nordic states have neither. While this has an economic imperative behind it, such 'jointness' will also mean that the Nordic states can perhaps cover more areas diplomatically, and it could avoid a thinning out of Nordic influence in key areas. The Swedish diplomat, Jan Eliasson, has talked about his sadness at seeing the closure of Swedish consulates in Hamburg, Gdansk and Kaliningrad; joint operations may see such offices kept open, but with five Nordic flags instead of one. One disadvantage is that the office could suffer should one of the Nordic states get into trouble with the host state or its inhabitants. After the 'cartoon crisis' in Denmark, a number of Danish and Norwegian legations were burnt down in early 2006, though Swedish and Finnish offices seemed to have remained untouched.³² Presumably a joint representation would have suffered a joint fate. There have already

29 Jakobsen, 2006: 220. See also the report by Koops and Varwick, 2008: 26, which covered these intra-Nordic rivalries.

30 Stoltenberg, 2009a: 8.

31 Koops and Varwick, 2008.

32 Larsen, 2007: 57-8. Norwegian property was targeted because a small Norwegian journal had reprinted the offending cartoons depicting the Prophet Mohammad, originally published in the Danish newspaper *Jyllands Posten* on 30 September 2005.

been examples of collocated embassies or consulates, the most notable being the use of one building to house all five Nordic embassies in Berlin. Stoltenberg's recommendation seems to build on such action.

Proposals 2 to 6 touch upon joint activity in the Nordic-Arctic region, especially in maritime and surveillance matters. The most immediate suggestion was that the other Nordic states 'should take on part of responsibility for air surveillance and air patrolling over Iceland'.³³ This followed up what had been suggested by the Finnish, Norwegian and Swedish chiefs of defence and had as its starting point the notion that 'the Nordic countries must assume collective responsibility for their own security' and 'greater collective responsibility for their immediate neighbours'.³⁴ The proposal is seen as a practical one, building on a previous Danish and Norwegian presence and on the possibility of Swedish and Finnish action taken through NATO's Partnership for Peace. It should be noted that the idea is for the Nordic states to take over *some* of the patrolling and also that there should be a phased deployment to the Keflavik base.

The cover for Icelandic airspace is linked to proposals 3 (on maritime monitoring) and 5 (on a satellite system) and represents some of the Nordic states taking a greater responsibility 'for surveillance of Nordic airspace and sea areas'.³⁵ The plan for a maritime monitoring system is based on one Baltic Sea and one Barents Sea system under a common overall control which would 'in principle be civilian'.³⁶ The justification is that climate change and the melting of sea ice will enlarge the Nordic sea areas and may open them up to greater activity, such as shipping and petroleum exploration. The experience since 2006 of Finland and Sweden in their joint surveillance of the Baltic Sea by the military is mentioned, as is the Danish, Icelandic and Norwegian military maritime surveillance system and Norway's plans to develop an integrated civilian system for monitoring its parts of the Norwegian and Barents seas. The main problems seem to be bringing together two geographically separated areas – the Barents and the Baltic – adding civilian aspects and integrating these with the efforts of neighbouring countries.

33 Stoltenberg, 2009a: 10.

34 Stoltenberg, 2009b: 11.

35 Ibid.

36 Stoltenberg, 2009a: 12.

The idea for a Nordic polar orbit satellite system from 2020 follows from the proposal for joint maritime surveillance. Stoltenberg sees economic arguments for such a move, as the Nordic states currently buy their satellite services from foreign providers, sometimes duplicating their purchases. A Nordic system would also be politically attractive for defence force requirements for surveillance and communications data.³⁷

A joint Nordic monitoring system (proposal 3) is seen as a pre-condition for the establishment of a joint rescue coordination centre and a Nordic maritime response force (proposal 4). Increased traffic is seen as posing a particular challenge to the resources of the Nordic states individually. The Nordic states should develop an icebreaker capacity for Arctic waters, which currently only Finland and Sweden have in the Baltic Sea.³⁸

The greater accessibility of natural resources in the Arctic region and the possible opening up of transport routes in those seas will lead to an extended focus on the Arctic. Proposal 6 is for greater cooperation by the Nordic states on Arctic matters such as climate change, maritime safety and search and rescue. Other proposals, such as those for a maritime surveillance system and response force, would strengthen the capacity for the Nordic states to act in the Arctic region and would allow them to follow up Arctic Council recommendations to improve search and rescue capabilities in the Arctic. Norway and Denmark (for Greenland) have a much greater interest in the Arctic region, and Sweden and Finland may feel that these two countries are already taking the lead in this area, especially as they attend meetings of the Arctic coastal states, such as that in Ilulissat, Greenland, in May 2008, which excluded Finland, Iceland and Sweden.

Proposals 7, 8 and 9 are placed under the heading of 'Nordic resource network' and 'societal security'. The report mentions that the Nordic states are 'establishing bodies that will be responsible for detecting and preventing hostile activities targeting vital data networks' and suggests that systematic Nordic cooperation be undertaken in this field.³⁹ This would also make a contribution to wider international efforts on the matter and would assist in crisis manage-

37 Stoltenberg, 2009a: 18.

38 Stoltenberg, 2009a: 15-16.

39 Stoltenberg, 2009a: 22, proposal 7.

ment. It is followed by a suggestion that a disaster response unit should be established on a Nordic basis to deal with large-scale accidents in the region and other countries. Its task would be to coordinate and maintain an overview of equipment and personnel available for such tasks, and it would be based on the existing national institutions.⁴⁰ It could be based on already existing Nordic cooperation in rescue services, or NORDRED.⁴¹ The third proposal under the 'Nordic Resources Network' is for a Nordic war crimes investigation unit. This would build on existing special international crimes offices in Denmark, Norway and Sweden and work done by the public prosecutor in Finland.⁴² The proposals seem relatively uncontroversial, especially as they build on existing activity.

Under the heading of 'Military cooperation,' Stoltenberg advised the Nordic countries to strengthen defence cooperation in medical services, military education, transport and exercise ranges. Again, this builds on work already undertaken by the chiefs of defence of Finland, Norway and Sweden and has an economic rationale behind it: unless they cooperate, the Nordic states will eventually lose their capability in some of these defence areas, especially transportation and the upgrading and maintenance of materiel.⁴³ The notion of a Nordic amphibious unit is based on existing cooperation between Finland and Sweden, though the hope was that the unit would develop Arctic expertise in the long run, thus fitting in with proposals 4 and 6 for a maritime response force and cooperation on Arctic issues.⁴⁴

Stoltenberg saved what was perhaps his most controversial proposal to the end: that of a Nordic declaration of solidarity. His idea is for 'a formal security policy guarantee,' with the five governments issuing 'a mutually binding declaration containing a security policy guarantee' which would 'clarify in binding terms how they would respond if a Nordic country were subject to external attack or undue pressure.'⁴⁵ The rationale is that, as the Nordic states took up

40 Stoltenberg, 2009a: 23, proposal 8.

41 The framework agreement for NORDRED was signed between Denmark and Norway in 1989, with Finland and Sweden joining in 1992 and Iceland in 2001. See more on [www.msb.se].

42 Stoltenberg, 2009a: 25, proposal 9.

43 Stoltenberg, 2009a: 28-30, proposal 11.

44 Stoltenberg, 2009a: 32-3, proposal 12.

45 Stoltenberg, 2009a: 34, proposal 13.

the Stoltenberg proposals they would each specialise in certain tasks, with each individual state's defence capability being reduced accordingly. As they started to depend more on each other militarily, then they should have 'access to the military means they require to defend themselves' – hence the security policy guarantee.⁴⁶ It is a little uncertain in the report whether this declaration would come after a number of the Stoltenberg proposals had been implemented or whether it would be made in preparation for their introduction, though Stoltenberg later suggested that the declaration should come before Nordic military capabilities are developed.⁴⁷ He did not see such a declaration as being incompatible with other solidarity clauses that some of the Nordic states may already have agreed, such as those in the North Atlantic treaty.

Taken together, the thirteen proposals had one major theme, that the Nordic states should bear a much greater responsibility for their own security. The incentive was partly economic, but also political in the sense that the Nordic countries should be able to increase their strength by acting together. Many of the proposals build on existing cooperative activities between two or more of the Nordic states, and while some had an immediate time-line, the main aim was to make a difference over a ten- to fifteen-year period.⁴⁸

SOME NORDIC RESPONSES

The responses to Stoltenberg's proposals have been varied. As befits ideas from a respected Nordic statesman, the report was not turned down by any Nordic government or major political group. The main collective response came from a meeting of the ministers for foreign affairs of the Nordic countries in Reykjavik on 8-9 June 2009, at which they placed the proposals in the wider framework of existing European and Euro-Atlantic cooperation, as well as stressing the importance of involving other nations, not least the Baltic states. High-level officials had already examined the 'feasibility of implementing' the proposals. Based on their findings, the ministers proposed their further exami-

46 Stoltenberg, 2009a: 34.

47 Stoltenberg, 2009b: 14.

48 Norden, 2009: 1.

nation 'to identify areas for deepened cooperation while taking into account the work already in progress.'⁴⁹ The ministers pointed to six areas, ranging from the Nordic stabilisation force through the satellite system to enhanced military cooperation, where they considered that immediate attention was appropriate, and they commented on how this might be done (see Table 1). For example, an expert working group was to be 'established to explore the benefit of intensifying Nordic cooperation with regard to international satellite services.' The group was to make proposals to the ministers on 'potential common interests' and to make further proposals.⁵⁰

The ministers dealt with five of the other propositions, mainly by references elsewhere. On the maritime monitoring system, it was noted that Norway had offered 'to share information with the other Nordic countries on preliminary study of such a system' this being the 'BarentsWatch', and that there was extensive international cooperation in the Baltic Sea, where interested Nordic states had already established a dialogue.⁵¹ The maritime response force, leading to an enhanced coastguard presence, was given a different framework: the Arctic Council ministerial meeting in Tromsø in April 2009 had approved a process to reach agreement on cooperation on search and rescue operations in the Arctic by 2011.⁵² With regard to the proposal for closer Nordic cooperation on Arctic matters, reference was made to the consecutive Nordic presidencies of the Arctic Council, at which common objectives had been agreed for the 2006 to 2012 period.⁵³ The disaster response unit was seen as a matter to be dealt with by the Nordic ministerial meeting on civil protection and crisis response, and the Nordic ministers agreed to 'explore ways' to cooperate better on war crimes investigation.

Two areas were not covered by the ministers' declaration. The idea of an amphibious unit, while building on joint Swedish and Finnish experience, was perhaps one of the most ambitious proposals in so far as the end result might be

49 Ministry for Foreign Affairs, Iceland, 2009.

50 Ministry for Foreign Affairs, Iceland, 2009. The five foreign ministers later signed a joint letter giving general support to the proposals but also calling for closer relations between Norden and the Baltic states. See Espersen et al., 2010.

51 Ministry for Foreign Affairs, Iceland, 2009.

52 Arctic Council, 2009: 5.

53 Arctic Council, 2007.

Table 1. The Nordic Ministers for Foreign Affairs' Responses to the Stoltenberg Proposals, June 2009

Proposal	Nordic Ministers' meeting: Immediate attention	Comments by Nordic Ministers' meeting	Heading
1. Stabilisation task force	X	Closer training cooperation and UN support	Peace-building
2. Air surveillance	X	NCM to examine further	Air surveillance
3. Maritime monitoring system		Preliminary study; dialogue	Maritime monitoring and arctic issues
4. Maritime response force		Arctic Council decision	Maritime monitoring and arctic issues
5. Satellite system	X	Expert group set up	Maritime monitoring and arctic issues
6. Arctic cooperation		Consecutive Nordic presidencies of Arctic Council	Maritime monitoring and arctic issues
7. Resource network against cyber attacks	X	Cooperation through National Computer Emergency Response Teams	Societal security
8. Disaster response unit		NORDRED meetings and Nordic ministerial meeting on Civil protection and Crisis preparedness	Societal security
9. Joint investigation unit		Nordic ministers to explore ways	Societal security
10. Cooperation between foreign services	X	Pilot project in Kabul	Foreign services
11. Military cooperation	X	NORDCAPS, NORDSUP and NORDAC àNORDEFECO	Military cooperation
12. Amphibious unit			Amphibious unit
13. Mutual declaration of solidarity			Declaration of solidarity

an operational military unit with logistics support. In other words, it involved considerable defence resources, which the ministers did not feel ready to commit. The final issue was that of a Nordic declaration of solidarity, a subject that had a number of ramifications. The ministers seemed to steer away from both these proposals, though their having dealt with eleven of the thirteen seemed a good score.

The reception of the proposals in each of the Nordic countries reflected the particular interests of each country and some political party interests. The response of the Swedish government was on the whole positive, but as befits what has been called the 'generous core' of the Nordic region,⁵⁴ the Swedish government showed a degree of modesty. The proposals would, after all, require some extra resources from Sweden if they were to be implemented. Sweden would probably be expected to take a lead role in any Nordic Stabilisation Task force; a new involvement would be needed to contribute to the surveillance of Icelandic airspace and to the BarentsWatch (proposal 3), an Arctic icebreaker capacity (proposal 4) and a polar orbit satellite system (proposal 5). Significant Swedish resources would also be needed in creating a Nordic disaster response unit and a Nordic amphibious unit. On the solidarity declaration, Swedish ministers have already stated that 'Sweden would not stand passive if a neighbour is threatened or attacked. We expect others not to stand passive if Sweden is threatened. We must be able both to provide and receive support, with relevant capabilities, also of a military nature.'⁵⁵

The Swedish defence minister outlined the differences between the Nordic states' challenges and capabilities and drew a conclusion similar to that of the Stoltenberg report that '(i)t is equally natural with deeper Nordic and regional defence cooperation to achieve greater efficiency as well as increased capability and quality.'⁵⁶ The government website seemed to extend the limits, but it also defined an important boundary for Nordic defence cooperation when, in the context of Nordic security and defence cooperation, it stated that 'there are no principle limits for cooperation, provided that it does not require mu-

54 Mouritzen, 2001.

55 Tolgfors, 2009.

56 Ibid.

tual defence guarantees.⁵⁷ Clearly the solidarity declaration mentioned above is not seen by Sweden as the same as a mutual defence guarantee, similar to that undertaken by NATO countries, but is regarded as being closer to its current declaratory policy than to a NATO-style 'Article 5'.

Finnish defence is in many ways different from its Nordic neighbours as it is still based on a large conscript army configured as an anti-invasion force. Nevertheless, Finland has been cooperating more closely with Sweden in the defence field than before. Indeed, in 2007, the Finnish Centre Party's then Prime Minister, Matti Vanhanen, had to dismiss his SDP foreign minister's idea of closer defence cooperation with Sweden as Erkki Tuomioja's 'personal vision', and he declared that common air surveillance with Sweden would be 'a massive leap'.⁵⁸ Nevertheless in 2009 Finland hosted the meetings of Nordic defence ministers and decided to push forward a number of issues even before the Stoltenberg report was issued: participation in crisis management in Africa, defence materiel cooperation, and a comprehensive approach to crisis management.⁵⁹ The Finnish response to the Stoltenberg report is one of stressing the practical aspects of defence cooperation that are already underway and making step-by-step advances there rather than just agreeing broad statements. Clearly the declaration of solidarity was an issue for Finland. The Director of the Department of Strategy and Defence Studies at the National Defence University of Finland expressed one side of the problem:

For Finland, all solidarity declarations without a larger European or transatlantic element put us in a slightly awkward position. In a possible conflict situation between Russia and an EU-member or a Nordic Country like Norway, we would be as between the hammer and the stow. Certainly we would like to help, but considering our geographical position, this would most probably lead to undue pressure against us – a situation where all scarce resources would be needed at home.⁶⁰

57 Regeringskansliet, 2010 [author's translation].

58 Helsingin Sanomat, 2007.

59 Ministry of Defence, Finland, 2008.

60 Errol, 2009.

The chairman of the defence committee of the Finnish parliament agreed that the declaration of solidarity presented difficulties for Finland. He also pointed out that Finland's non-membership of NATO rendered problematic the use of Finnish jet fighters for the surveillance of Icelandic airspace. Nevertheless, he underlined the room for Nordic cooperation on crisis management.⁶¹

Iceland was fully engaged in the ministerial meetings that commissioned the Stoltenberg report and received it. It has a special position in the report in so far as proposal 2 deals with the surveillance of Icelandic airspace. However, detecting an Icelandic reaction to the report has been difficult, as the political elite in Reykjavik has been fully concerned with managing the economic crisis suffered by Iceland since the collapse of its banking sector in 2008. Political events – the fall of a government, a general election, a new government, an application for EU membership and then the rejection in a referendum of the government's plans for international debt repayment – all meant that attention was turned elsewhere. Furthermore, the changes in Iceland's plans for a Defence Agency seemed to mean that the institution that could have devoted some attention to the report's issues will be disbanded in 2010 and its activities taken over by a number of other official institutions.⁶²

One Icelandic commentator with extensive governmental experience is Björn Bjarnason, a former minister of justice. His remarks were critical of the establishment of the Defence Agency and instead pointed to the coastguard as the key agency in Iceland's response to the report:

It would be both questionable and unfortunate if the Defence Agency were to become a sort of go-between in dealings between the Coast Guard and other states.... (D)iplomats are expected to approach security and defence issues from a different angle. To ensure efficient structuring and quick response, civilian security organisations must work closely together closely on a day-to-day basis, without having to operate through intermediaries.⁶³

61 The Finnish Institute of International Affairs, 2009.

62 Ministry of Foreign Affairs, Iceland, 2010.

63 Bjarnason, 2009.

It would seem that a structured response to the report from Iceland will have to await the government freeing itself from dealing with economic crisis, though for the time-being Iceland can be expected to go along with plans for cooperation in maritime response and, in view of the volcanic eruption in southern Iceland in April 2010, there will no doubt be a special interest in disaster response cooperation.

TWO VISIONS

A comparison of responses by the Norwegian and Danish governments is of particular interest. Though both states are NATO members, they have emerged from the end of the Cold War with different strategic prizes.⁶⁴ Denmark noted the disappearance of the Soviet threat to its security and for a decade took on a policy of 'active internationalism' in Europe and wider afield.⁶⁵ However, throughout much of the 2000s, Denmark became more of a strategic actor willing to use force to defeat enemies out in the world in general.⁶⁶ Norway has been less enthusiastic about that role, especially as a residual Russian military presence has led it to place an emphasis on the need for NATO to 'come home' to its core area tasks.⁶⁷ To an extent, these differences are reflected in the initial official responses to the Stoltenberg report.

The reception of the report by the Norwegian centre-left government was certainly favourable. In particular the minister of foreign affairs, Jonas Gahr Støre, pointed to the ground-breaking nature of the proposals, leading to Nordic politicians discussing things in 2009 'that we wouldn't even have considered in 1995.'⁶⁸ He especially showed interest in the elements related to maritime monitoring and Arctic issues, insisting that Russian involvement would almost be a precondition for most of the thirteen proposals. While claiming that none of the Nordic governments had rejected any of the proposals, he clearly has

64 For an early appreciation of these differences see Archer, 1994. For a more recent account see Mouritzen, 2006.

65 Holm, 2002.

66 Ringsmose and Rynning, 2008.

67 Faremo, 2010.

68 Støre, 2009: 49.

reservations about two aspects. The first is not one of Stoltenberg's proposals as such: Støre took a couple of shots at the idea of a standing Nordic force. While in favour of putting together units at short notice that train together, he also noted that standing deployment forces tend to 'remain in place, cost huge amounts of money and lead to frustrations about their being used.'⁶⁹ However, that was not what Stoltenberg put forward in his first proposal, where he suggested that any stabilisation force specifically 'will...not be a standing unit.'⁷⁰ Støre seemed to have had in mind the previous Nordic experience with standing forces, such as SHIRBRIG (see above), which he was reluctant to repeat.

The other area where the Norwegian foreign minister had apparent reservations was the Nordic declaration of solidarity. He made it clear that such a declaration should not conflict with that contained in NATO's Article 5, a point that Stoltenberg himself made. Interestingly, Støre detracted from the immediacy of the declaration by referring to Norway's Nordic neighbour:

Even now some would claim – with some justification – that Sweden has taken the biggest step in that direction [the mutual security policy guarantee] by saying that Sweden would not be unaffected by the fate of another Nordic country.⁷¹

While the Nordic proposal was not rejected, Støre, 2009 felt that it 'is not designed for 2009, but it can lie and mature over a timeframe of 10 to 15 years.'⁷² That period still fits in with the time-frame suggested by Stoltenberg, but is out of the area of vision of most politicians.

The reaction of the Norwegian defence ministry to the Stoltenberg proposals seems to have been more reserved than that of their foreign ministry colleagues. The outgoing defence minister made a reference to the report in brief remarks in August 2009 and to the possible mutual benefits of integration in selected areas of defence, and then reminded her audience that Norway

69 Støre, 2009: 48.

70 Stoltenberg, 2009: 8.

71 Støre, 2009: 51.

72 Ibid.

has, in absolute terms, the largest defence budget of the Nordic countries.⁷³ Nordic cooperation on the ministry's Norwegian website refers primarily to Norway's chairmanship of NORDEFECO in 2010. In the minister's annual keynote speech to the Oslo Military Society given in January 2010, there was no mention of the Stoltenberg proposals or of Nordic cooperation. This may be unsurprising given that the talk developed a Norwegian initiative to get NATO to rebalance its outlook as between 'in area' and 'out of area'. However, there was reference to other international cooperation, but without the Nordic Prince Hamlet:

In international operations such an approach [the need for close cooperation with other international actors] means cooperation with organisations such as the UN, the EU and the African Union. In the High North the parties could well be the International Maritime Organisation (IMO), the Arctic Council and the institutions under the United Nations Convention on the Law of the Sea.⁷⁴

All the above are international institutions of one form or another. Nevertheless, as the Stoltenberg proposals were crafted to appeal to Norwegian interests in the High North, the defence minister's list could have been expanded to include the Nordic countries, either individually or collectively.

Like his Norwegian counterpart, the Danish foreign minister at the time, Per Stig Møller, generally welcomed the report and noted that some of the recommendations had already been implemented, while others required further work. Favourable mention is given to studies for joint diplomatic representation and increased cooperation between Nordic Computer Emergency Response Teams. Another area for wider international cooperation was considered to be satellite systems, but here the minister also specifically referred to the non-Nordic European Space Agency and the Global Monitoring of Environment and Security within which the Nordic states could coordinate their action. To that end a Nordic expert group was established.

73 Strøm-Erichsen, 2009.

74 Faremo, 2010.

Particular Danish interests then became more prominent. As befits a minister from the one Nordic country that is in both NATO and the EU, Møller mentioned that consideration should be given to whether proposals were best implemented in an EU or NATO framework rather than a Nordic one. Furthermore, the minister brought in straightaway the question of resources and noted that the Stoltenberg report did not deal with the economic consequences of its proposals – indeed, it had not been asked to – but that the Danish government had to do just that.⁷⁵ The Danish foreign minister thought that some arrangements should be open to other participants, and in this context he mentioned the non-Nordic Arctic coastal states. He also referred to the Baltic States as other partners for Baltic Sea cooperation. As chair of the Arctic Council, Møller took responsibility for following up the Arctic issues in the report, and he mentioned that the Ilulissat declaration included a shared commitment to search and rescue. However, this declaration excluded the Icelanders, Swedes and Finns and, as Møller also pointed out, for search and rescue to be meaningful in the Arctic, the US, Canada and Russia have to be included.⁷⁶

Like Støre, Møller was cautious about the Nordic declaration of solidarity, merely remarking that the foreign ministers' statement in Reykjavik took into account the differing security policy bases of the Nordic states, as well as their common interests and geographical proximity.⁷⁷

It is in the military area of cooperation that Denmark has other reservations. The idea of an amphibious unit (proposal 12) needed 'further work'.⁷⁸ On military cooperation, Møller mentioned the unification of NORCAPS, NORDAC and NORDSUP into NORDEFECO, stating that this 'in general is more expansive and integrated than proposed by the Stoltenberg report'⁷⁹ However, the minister was remarkably silent on other aspects of military cooperation, and for good reasons. At the time that Nordic ministers were accepting the Stoltenberg report, the main political parties in Denmark were signing

75 Møller, 2009.

76 Ibid.

77 Ibid.

78 Møller, 2009 [author's translation].

79 Ibid.

a defence agreement for 2010-2014 that followed on the historic 2005-2009 agreement. This latter five-party deal had oriented Danish defence forces towards having '(i)nternationally deployable military capacities and...the ability to counter terror acts and their consequences.'⁸⁰ These politicians were able to make the sort of definitive statement that their Norwegian counterparts would not risk: 'the conventional military threat to the Danish territory has ceased for the foreseeable future. There is no longer a need for the conventional territorial defence of the Cold War.'⁸¹ While the Norwegian strategic concept had the same message that 'Norway is currently facing no clear or imminent threat', it continued with the reservation that the 'possibilities for limited military pressure against Norway with the aim to alter Norway's policy cannot be ruled out however.'⁸² The then chief of Defence in Denmark was able to write:

Future threats against Denmark will not be determined by Denmark's geographical position. Instead, there is a need to counter the threats where they develop and/or emerge.⁸³

In contrast, while the Norwegian strategic concept talked about globalisation and the variety of risks and challenges in today's world, of the eight tasks assigned to the Norwegian armed forces, six referred in one way or another to Norway and its adjacent areas.⁸⁴

The 2010 defence agreement continued with Denmark's global vision. The transformation process of the armed forces undertaken by the 2005 agreement was continued. The current agreement made specific mention of Nordic cooperation when touching on UN peacekeeping operations:

This could be achieved partly through focused cooperation in Nordic circles. The already ongoing Nordic cooperation on the training and instruc-

80 Defence Command, Denmark, 2010.

81 Ibid.

82 Norwegian Ministry of Defence, 2009: 21.

83 Helsø, 2010. This was written in 2004 in his capacity of Chief of Defence, a position he retired from in 2008.

84 Norwegian Ministry of Defence, 2009: 11.

tion of African peacekeeping forces will be continued and intensified, and potential opportunities for joint Nordic peacekeeping operations within the UN framework will similarly be pursued.⁸⁵

The growth in the level of importance of the Arctic – a strong theme of the Stoltenberg report – is mentioned in the agreement, but the response is seen in national terms rather than through any association with other Nordic countries: ‘The rising activity [in the Arctic] will change the region’s geostrategic dynamic and significance and will therefore in the long term present the Danish Armed Forces with several challenges.’⁸⁶ Furthermore, the opportunity to conduct surveillance of the Arctic region together with other states such as the Nordic ones, US, Canada, Russia and the United Kingdom was to be analysed in terms of shipping near Greenland to see whether this would ‘improve the ability of the Danish Armed Forces to develop an assessment of the situation in and around Greenland.’⁸⁷

The strong theme in the 2010 Defence Agreement is again the transformation of the Danish armed forces from ‘traditional mobilisation defence to a modern deployable defence force’, and Denmark’s capacity to contribute to the prevention of conflicts and war, as well as to ‘the promotion of democracy and freedom in the world.’⁸⁸ While the agreement has a special section on Greenland, there is no mention of BarentsWatch or the maritime monitoring on Arctic issues with which the Stoltenberg report was dealing at the same time. Apart from references to traditional Nordic cooperation, there is little indication in the agreement that working together with the other Nordic countries might be an essential part of current or future Danish foreign and security policy. In contrast, the Norwegian strategic concept – albeit serving a different purpose than the Danish defence agreement – has a number of references to Nordic cooperation, ranging from the Nordic Battlegroup, cooperation within PfP with Sweden and Finland, NORDEFCO, and the surveillance of Icelandic airspace.

85 Ministry of Defence Denmark, 2010: 2.

86 Ministry of Defence Denmark, 2010: 2. The Danish Defence Commission’s report in 2009 talks about the ‘possibilities’ of Nordic cooperation in the Arctic both generally and, with other Nordic states, for surveillance; Forsvarsministeriet, 2009: 74, 274.

87 Ministry of Defence, Denmark, 2010: 12-13.

88 Ministry of Defence, Denmark, 2010: 1.

While the Norwegian ministry of defence may be more careful than the ministry of foreign affairs about what are suitable subjects for Nordic cooperation, it is certainly more generous than its Danish counterpart.

SOME CONCLUSIONS

The Stoltenberg report has started a process. The committees, groups of officials and experts are meeting. Its general thrust – that the Nordic states should take on a greater collective responsibility for their adjacent areas – seems to have been accepted. To this end, the report has taken up work already in progress and initiated further activity. The likelihood is that greater Nordic defence, security and foreign policy cooperation will result.

If, during the next ten to fifteen years, the Nordic states create a Stabilisation Task Force and an amphibious unit, contribute substantially to the surveillance of Icelandic airspace and to the joint monitoring of the Barents and Baltic seas, merge some of their overseas representation, substantially increase joint procurement of military materiel and agree on a meaningful declaration of solidarity, then they will have created a system of defence and security that is more integrated than that seen between many allies.

This level of integration is unlikely to be reached. Already, there has been some reluctance to subscribe to the amphibious unit and the solidarity declaration, and particular Nordic states are lukewarm about aspects of maritime monitoring and Arctic cooperation. This partly reflects strategic position: getting Sweden and Finland involved in Icelandic airspace may make political rather than military sense; Finland and Sweden are more interested in Baltic surveillance than in the Barents region; Danish and Norwegian Arctic interests, unlike those of Finland, Sweden and Iceland, are those of coastal states. There are also political choices, often responding to strategic position, that mean that the responses of the five states are going to be different. Finland has chosen to maintain its anti-invasion force, whereas Sweden has decided to decrease its armed forces considerably. Norway has placed a strong political emphasis on what is called ‘the High North’, and many of the report’s recommendations address Norwegian concerns in that region. However, for Denmark, the decision to reflect its position as a world trading nation by becoming

active in global security issues not just diplomatically but with its armed forces has taken its gaze away from the larger Nordic region. Even its concerns in the Arctic are addressed in terms of Greenland and cooperation with the Arctic coastal states rather than in a Nordic framework. Denmark has been an absentee in some of the core Nordic defence cooperation over the past decade and its response to the Stoltenberg proposals suggests that there is little enthusiasm in Copenhagen for extensive Nordic cooperation in this area.

The Stoltenberg report will most likely take Nordic cooperation to a newer level of activity, or at least will highlight and enhance what had already been undertaken by two or more Nordic states. It will not lead to a common Nordic defence, nor is it intended to do so, but it is also unlikely to overcome the different decisions made about security policy – and based on perceived strategic factors – in the five Nordic capitals. As long as political leaders see their states' security futures being based in NATO, the EU and links with the US, the Stoltenberg report will produce only modest results. Nevertheless, small steps, rather than grandiose schemes, have been the preference of the Nordic countries when they have acted together in the past. One strength of the Stoltenberg report is that not all the five Nordics states are expected to engage in all the cooperative ventures. Denmark's absence from certain of the activities will not mean that it acts as a spoiler, but it will be a reminder that Denmark's path in defence and security matters may take it away from its Nordic neighbours.

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The Danish Bank Crisis in a Transnational Perspective

Finn Østrup¹

Since August 2007, the world has been experiencing a severe financial crisis marked by the failure of many important financial companies and by the sudden drying up of finance through a number of traditional channels. In particular, there has been a virtual collapse in the market for mortgage-backed securities and in inter-bank lending. The financial crisis has caused governments in the old industrial countries and in other countries to intervene with large-scale support measures that have focused both on financial sectors as a whole and on the rescue of single financial companies. As a result of the financial crisis, countries have launched a series of initiatives designed to strengthen the regulatory framework for financial institutions, in particular by providing a substantial increase in capital requirements. To counter the negative effects of the financial crisis on production and employment, countries have further reacted with fiscal stimulus packages on an unprecedented scale, involving a reduction of taxes and large-scale increases in government spending. Central banks have lowered their interest rates and have introduced a number of new schemes which have added liquidity to the liquidity-strained financial markets. Governments have finally intervened through various kinds of protectionist measures, including massive subsidies to large manufacturers, as in the car industry.

The article discusses the international implications of national authorities' policy response to the financial crisis. A special emphasis is placed on the Danish experience. The article only considers the government's intervention which has been undertaken specifically in support of single financial institutions and/or financial sectors. The aim of this intervention has been to maintain credit

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flows to non-financial enterprises and/or to households. The article does not discuss how the authorities have reacted to the crisis through, for example, macroeconomic policies and trade policy measures. Government intervention specifically in support of financial institutions represents a new kind of policy intervention which has as yet not been discussed in the political literature.

The article first gives a brief overview of the financial crisis as it has evolved internationally and in Denmark. It next considers to what extent the financial crisis is caused by international factors. It then discusses a number of international issues in relation to the policy intervention in support of financial institutions. The main issues addressed are: (i) to what extent does national intervention in support of financial institutions cause cross-border effects which affect the inclination of policy-makers to undertake such intervention and which affect national policy makers' behaviour; (ii) to what extent has the decision of national governments to intervene in support of financial institutions been influenced by international factors; (iii) to what extent have national authorities pursued narrow national interests in their response to the crisis, and to what extent have they designed government intervention in such a way that the interests of other countries are also taken into account; and (iv) what may have motivated national policy-makers to take account of the international effects of their policy interventions too. Finally the article briefly considers some questions with respect to the wider effects of the financial crisis on the international system. The main questions in this regard are: (i) the possible end of American supremacy; (ii) the future of the open world order; and (iii) the future of the euro.

THE INTERNATIONAL FINANCIAL CRISIS: AN OVERVIEW

From the beginning of 2003, the world economy experienced a strong upturn. A major driving force behind this economic expansion was a strong increase in residential real estate prices which created large wealth gains for households in several countries, most importantly in the United States and in Britain. The upswing was also characterised by a strong increase in stock prices. In spite of the economic expansion and of strong increases in raw material prices, infla-

tion remained low. The favourable economic situation led to widespread complacency among policy-makers and economists. It was a widely held view – articulated by Ben Bernanke, later to become chairman of the Federal Reserve System – that the world economy had entered a period of ‘great moderation’. This was seen as being the result of monetary policies in the industrialised countries that were directed towards low inflation.

However, the economic picture was less rosy than it seemed. Many financial firms, including the large investment banks in the United States, had embarked on a policy of financing long-term loans through loans with short maturities, thus creating a risk if it became difficult to raise finance through the short-term markets. Moreover, house price increases were maintained and magnified through a strong rise in household lending, which increased debt relative to households’ disposable income in a number of countries, most importantly in the United States and Britain.

Several factors were behind this growth in household debt. One reason was the policy of low interest rates, which after the bursting of the IT bubble in 2000, was pursued by the major central banks, in particular by the Federal Reserve System in the United States and by the European Central Bank. In many countries, the rise in household lending was affected by financial innovations which facilitated the access of households to credit. Examples are interest-only loans and loans (so-called teaser loans) where the interest in the first years of the loan is kept at a low level, often zero. In the United States, it became increasingly common for original lenders to transfer real estate loans to separate legal entities (so-called ‘special purpose vehicles’), which re-financed the loans through the issue of securities, usually of short duration. The increase in household debt was finally affected by a general relaxation of credit standards. There was, for example, a large growth in subprime loans in the U.S. housing market, i.e. loans to borrowers who typically have low incomes.

In the spring of 2007, the bubble in the U.S. housing market started to burst. A big drop in housing prices followed. This caused fears of losses on the loans which had been given to U.S. homeowners, and thus also losses on the mortgage-related bonds and other securities which had been used to finance the real estate loans. In August 2007, there was a sharp reversal in the attitude towards risk among investors. Interest rates on assets which were perceived as involving risk, started to rise, and there was a corresponding fall in the prices

on mortgage-related securities. Two German banks (IKB and Landesbank Sachsen), which held a large portfolio of U.S. mortgage-related securities, collapsed. This was followed in September 2007 by the collapse of the British mortgage lender Northern Rock, which could no longer raise short-term funding through the international wholesale markets. In March 2008 followed the collapse of the fifth-largest U.S. investment bank, Bear Stearns, which also relied heavily on short-term funding.

The financial crisis further intensified in September 2008 when the U.S. authorities decided not to support the fourth-largest investment bank, Lehman Brothers, which filed for bankruptcy. This was followed by wide-spread panic. A number of securities markets effectively closed down as investors withdrew from the markets. No buyers could be found for newly-issued securities. In addition, many financial institutions found it impossible to raise finance through the international markets, which had formed a main source of finance in the period leading up to the crisis. In the following months, several of the world's largest financial companies had to be rescued through government intervention or were merged with other financial companies to avoid a collapse.

Two factors accounted for the difficulties of the financial companies. First, they experienced big losses due to the fall in securities prices and to failures in the construction sector. These losses meant that core capital in several financial companies fell below the minimum requirements stipulated in the financial legislation. Secondly, it became difficult to raise finance due to fears among investors that the firm might go bankrupt. This was especially a problem for those financial institutions that had relied heavily on short-term finance to finance their lending.

The authorities in countries all over the world reacted to the crisis through a variety of measures. The aim of these interventions was to ensure that businesses and households had continued access to finance and in this way to avoid a collapse in investment and thus in production and employment. The authorities' actions were designed to alleviate the financial companies' access to funding and/or to increase the level of capital in financial companies. Five types of intervention were used by the authorities to maintain credit flows through the existing financial institutions: (i) the injection of capital in the form of common equity or subordinated loans to strengthen the capital base of financial companies; (ii) guarantees on bank liabilities to help banks retain access to

funding; (iii) the nationalisation of financial companies that were taken over by the government; (iv) purchases or guarantees of bad assets on the banks' balances to reduce the banks' exposure to losses on these assets; and (v) access for banks to borrow in central banks on favourable terms. In addition to these measures, which brought support to financial institutions, the authorities directly supplied finance to non-financial enterprises and households through new government lending schemes and/or through the purchase of securities issued by non-financial enterprises or households. In order to alleviate the situation for borrowers who found it hard to repay debt, several countries established schemes to aid debtors, in particular home-owners. One example is the United States, which established a program to support house-owners in difficulties ('Making Home Affordable').

Since October 2008, an ambitious international collaboration has been launched with the aim of changing financial regulations to prevent a new crisis. Although not yet finalised, this is likely to produce important changes in several key areas: (i) a substantial tightening of capital requirements in financial firms; (ii) an extension of regulation to markets for financial derivatives and to non-bank financial institutions, e.g. rating agencies, hedge funds and private equity funds; (iii) a tightening of liquidity requirements in financial firms; and (iv) the adoption of principles for the remuneration of employees in the financial sector. Within the EU, the crisis has strengthened European collaboration through the creation of a European System of Financial Supervisors consisting of separate supervisory authorities within three areas: (i) banking, (ii) insurance and occupational pensions, and (iii) securities. The newly established EU authorities will have the competence to make decisions in certain areas, and they will also have an independent supervisory role, e.g. with respect to rating agencies.

Prior to 2007, several countries – especially Mediterranean countries (Greece, Portugal, Spain) and countries in Central and Eastern Europe – ran large budgetary deficits and/or deficits on their balance-of-payments current account, causing a rise in levels of government debt and/or foreign debt. Some of these countries (Hungary, Latvia, Romania, Ukraine) were bailed out through loans from the IMF. IMF support was also accorded to Iceland which, prior to the crisis, had seen a large expansion in its banking sector. The Icelandic banks collapsed in October-November 2008. In response to the crisis, the

lending resources of the IMF have been expanded, and a new lending facility has been established which can be used by countries to prevent financial crises.

From December 2009, Greece experienced increasing difficulties in raising finance to sustain its large budgetary deficit. The interest rate on Greek government bonds rose steeply relative to the interest rate on bonds issued by other euro-zone governments. It became clear that Greece would be unable to honour its debt commitments unless it received support from other governments or from the IMF. The question of government support for Greece became the object of intense discussion among EU government leaders and among the public. Germany especially was hostile to an intervention in support of Greece of which it would bear the main burden. Countries in favour of support – especially France – emphasised the solidarity among euro-zone member countries and pointed to the humiliation which would follow if Greece turned to the IMF. After February 2010, Portugal, Spain and Ireland also experienced substantial increases in the interest rates on their government bonds. In February–April 2010, the Greek government adopted a number of austerity measures, including cuts in public pay and increases in taxation, which were aimed at bringing its budgetary deficit down from 13.6 per cent of GDP in 2009 to below 3 per cent in 2012. In February 2010, the euro-zone finance ministers (the Eurogroup) issued a declaration in which they affirmed their commitment to take ‘determined and coordinated action’ to ‘safeguard financial stability in the euro area as a whole’. This was widely interpreted as a commitment to support Greece if necessary. In April 2010, the Eurogroup announced the details in the support they would be prepared to accord to Greece. To meet its need for reimbursements on outstanding debt, Greece would in the first year receive bilateral loans amounting to a total of 30 billion euro from the euro-zone countries, while the IMF would contribute with loans with a total value of 15 billion euro. Support for the following years would be decided subsequently. The support would be subject to conditionality. When the financial turmoil continued and the interest rate on Greek, Portuguese, Spanish and Irish government bonds continued to climb, the euro-zone finance ministers announced on 2 May 2010 that Greece would receive loans from the euro-zone governments and from the IMF totalling 110 billion euro. In the following week, this action failed to calm fears of a bankruptcy in the weak euro-zone countries and there was speculation that the financial turmoil would be followed by a panic simi-

lar to that which followed the collapse of Lehman Brothers on 15 September 2008. In order to calm the fears of financial markets, at a meeting on 10 May 2010, the EU finance ministers decided on an increase in the size of the EU medium-term financing facility from 50 to 110 billion euro and an extension of the facility to cover euro-zone countries too. The euro-zone countries decided at the same time to establish a new temporary financing facility which will make loans of up to 440 billion euro available for euro-zone countries that experience difficulties in financing their debt. The finance raised for the loans will be guaranteed by the euro-zone countries and by other EU countries which have volunteered to participate in the guarantees. Loans totalling a further 250 billion euro will be available through the IMF. As an additional support for the weak euro-zone countries, on 10 May 2010 the ECB decided to intervene in the markets for euro-zone government bonds and private bonds to restore calm.

This very comprehensive action restored stability in the financial markets. In the following days, there was a sharp decline in the interest rates on Greek, Irish, Portuguese and Spanish government bonds and there was a big rally in European stock markets. In connection with the support action, the euro-zone governments declared their commitment to strengthening 'the governance of the euro area' and to apply stricter conditions for government budgets.

From the beginning of the financial crisis in mid-2007 to early 2009, international financial integration experienced a set-back, with a large decrease in cross-border capital flows. A major reason behind this reduction in international capital flows was the sudden increase in risk aversion among investors, inducing them to seek 'safe havens' in the markets for government bonds issued by the old industrial countries. Another major reason was the unwinding of the carrying trade, that is, speculative financial transactions which involve borrowing in low-interest currencies such as the Japanese Yen and Swiss Franc and investing in high-interest currencies.

The fall in cross-border capital flows had a big negative effect in the emerging economies. Since March 2009, however, a reversal has taken place: the emerging economies have experienced large capital inflows. It is now widely feared that this capital inflow has allowed new speculative bubbles to build up in the stock markets and real estate markets of emerging economies. In order to prevent speculative bubbles, several emerging economies, for example, Brazil

and India, have introduced capital controls with the aim of dampening capital inflows.

THE DANISH FINANCIAL CRISIS: AN OVERVIEW

In the period from 2003 to 2007, the Danish financial sector experienced strong expansion.² A large increase in lending took place both to Danish households and to Danish non-financial enterprises. At the end of 2007, Danish household debt had reached a level equal to 132 per cent of gross domestic product, against 106 per cent at the end of 2003. Similarly, the debt of non-financial corporations increased from 89 per cent of gross domestic product by the end of 2003 to 106 per cent at the end of 2007. During the 2003-2007 period, some Danish banks experienced annual growth rates in lending which were in excess of 50 per cent.

The increase in lending was a major factor behind large increases in house prices. There were also large increases in the prices of commercial real estate and of agricultural properties. The sharp rise in real estate prices was further driven by speculation, with purchases being made in anticipation of future price increases.

The Danish financial sector is characterised by cross-border activities in three areas especially. First, as lending has risen more strongly than deposits since 2003, Danish banks have become increasingly dependent on funding from the international wholesale markets. By the end of 2007, lending from Danish banks was 41 per cent higher than deposits. Secondly, a number of foreign banks, especially Swedish banks, have made important inroads into the Danish market, mostly through acquisitions. Thus, the second largest bank on the Danish market is a subsidiary of the Swedish bank, Nordea. Other large Swedish banks have also expanded their market shares in the Danish market. Foreign-owned banks now cover around 35 per cent of the Danish market. Finally, as a third effect of financial integration, since the late 1990s the largest Danish financial group, Danske Bank, has expanded abroad. Danske Bank

2 A description is found in Østrup (2010).

has taken over banks in Sweden (1997), Norway (1999), the Irish Republic and Northern Ireland (2005) and, most recently, in Finland (2006). The acquisition of Sampo Bank in Finland brought with it activities in the Baltic countries. Most of the foreign activities in Danske Bank have been organised as branches, making them fully integrated parts of the main bank, which is registered in Denmark and is under the supervision of the Danish Financial Supervisory Authority.

Prices in the Danish property market reached their peak in the third quarter of 2007. Since then, large falls in real estate prices have taken place. By the end of 2009, prices for one-family houses had fallen by around 19 per cent relative to their peak. This places Denmark among the countries that have experienced the largest falls in house prices. In addition to falling prices on residential property, Denmark has also, alone among the industrial countries, experienced large declines in prices of commercial and agricultural property. The sharp fall in prices for residential and commercial real estate has caused big losses for Danish banks that had financed construction projects. From 2007, Danish banks also experienced increasing difficulties in raising finance through the international wholesale financial markets.

In July 2008, the problems in the Danish financial sector came to a head when the seventh-largest bank, Roskilde Bank, ran into difficulties. Roskilde Bank had been among the banks which had expanded lending most aggressively. From early 2008, customers began to withdraw their deposits from the bank. At the beginning of July 2008, the bank was downgraded by the international rating agency, Moody's. The management of the bank sought to solve its problems through a merger with another bank, but no buyers could be found. In mid-July, the Danish authorities intervened to prevent the bank from collapse. The Danish central bank, Danmarks Nationalbank, declared itself ready to supply Roskilde Bank with all necessary liquidity and issued a guarantee on all debt obligations incurred by the bank except subordinated debt. The Danish banking sector declared its willingness to cover losses in Roskilde Bank up to 750 million DKK, with additional losses being covered by the state. In late August 2008, total assets and liabilities in Roskilde Bank (excluding equity and subordinated debt) were transferred to a new company jointly owned by the state and by the Danish banking sector. The new company would continue the activities of the distressed bank until a permanent solution could be found.

After the collapse of Roskilde Bank, it became harder for Danish banks to obtain funding from foreign sources and, following the collapse of Lehman Brothers on 15 September 2008, foreign funding virtually dried up. The financing requirements of the Danish banks had to be covered by loans made available by Danmarks Nationalbank.

On 30 September 2008, the Irish Government issued a government guarantee for the debt commitments incurred by the six largest Irish-owned banks. The Irish guarantee led to the withdrawal of deposits from the Irish branches of Danske Bank and thus aggravated the financing problems of the Danish banking sector. On 10 October 2008, in order to alleviate the financing restraints in the Danish banking sector, a special scheme was adopted by the Danish Parliament, the so-called Bank Package 1. As part of Bank Package 1, a special procedure was established for the resolution of banking crises. Banks which could not meet the minimum capital requirements would be dissolved, with the costs being shared between the government and the Danish banking sector. Bank Package 1 met with the support of all Danish political parties with the exception of the most left-wing party, Enhedslisten (the Unity List).

From mid-2007, the fall in stock prices and a decline in the price of Danish mortgage bonds caused large losses for the Danish pension institutions (pension funds and life insurance companies). This caused a situation in which assets in the pension institutions were unable to cover their future pension obligations. The Danish authorities intervened by changing the accounting rules for the calculation of future pension obligations. This made it possible to avoid a situation in which the Danish Financial Supervisory would be obliged, under Danish legislation, to intervene to force changes in the management of the pension institutions.

Through the remainder of 2008 and into 2009, the funding situation of Danish banks remained difficult. It was difficult to raise funding through international markets. The situation was aggravated because Danmarks Nationalbank maintained relatively high interest rates to prevent capital outflows. For the Danish authorities, it was essential to maintain the fixed exchange rate.

By the end of 2008, there were reports of mounting losses in the Danish banking sector. This caused fears that there would be a collapse in a number of Danish banks, including the largest bank, Danske Bank. The government feared a situation in which banks would be forced to cut down on lending in

order to minimise losses, causing a credit squeeze which would lead to a fall in production and a rise in unemployment. To avoid such a situation with further bank collapses and lending restraint, in early February 2009 the Danish Parliament adopted new legislation – the so-called Bank Package 2 – which gave banks access to subordinated capital in the form of preferred shares from the government. The aim of the capital injection was to raise the solvency of Danish banks, thus making them able to withstand future losses without a further need to raise capital. If it is necessary to meet solvency requirements, the preferred shares can be converted into common equity.

The guarantee scheme established under Bank Package 1 will expire at the end of September 2010. As part of Bank Package 2, a scheme was introduced whereby, for a fee, banks can obtain a government guarantee for loans until the end of 2013.

The difficulties in the Danish financial sector can partly be explained by international factors. Thus, prior to 2007 the low interest rates imported from the international financial markets were a main factor behind the growth of debt in Danish households and non-financial enterprises too. Due to the Danish exchange rate policy involving a fixed rate against the euro, the interest rate set by the Danish central bank has closely followed the interest rate in the euro zone. From August 2007 the difficulties associated with obtaining funding in the international markets hit Danish banks especially hard as Danish banks had financed a large part of their expansion by short-term funding raised through the international markets.

However, a number of purely domestic factors have also contributed to the difficulties in the Danish financial sector, meaning that the international financial crisis can only be seen as partly responsible for the Danish crisis. Various financial innovations particular to Denmark were a major factor behind the increase in Danish debt levels. Thus, the proportion of mortgages with variable interest rates increased as a proportion of total mortgages from 3.8 percent at the end of 1999 to 51.8 percent at the end of 2007. The fact that, with effect from October 2003, Danish mortgage banks were allowed to issue interest-only loans also tended to boost lending. A ceiling on real estate taxes was a further factor behind the sharp increase in house prices.

INTERNATIONAL CAUSES BEHIND THE FINANCIAL CRISIS

Prior to the crisis, many writers had predicted that international financial flows, due to their instability, would lead to frequent crises, ultimately making financial integration unsustainable seen from an economic and political point of view. The question is whether the current financial crisis can be seen as a vindication of these predictions.

In the author's view, this is not the case. The current financial crisis resembles to a large extent previous financial crises. The current crisis is caused by speculation among investors who invest in assets in the belief that they can gain a profit from a further price increase on them. During the current crisis, this speculation has been directed mainly towards residential real estate, but in Denmark also towards commercial and agricultural property. This situation is similar to the experience of a large number of previous financial crises. Thus, the current crisis is remarkably similar to what took place in Denmark and other Nordic countries – Finland, Norway, and Sweden – during the second part of the 1980s and the first part of the 1990s, when a large number of financial institutions had to be rescued or were merged after big losses on, mostly, commercial real estate projects. Speculation in assets can take place in either closed or open economies and therefore does not depend on cross-border capital flows. Evidence of this is found in the many financial crises which occurred before cross-border capital flows became important, such as the South Sea Bubble in Britain in 1720 and France's experience with the Mississippi Company the same year.

Cross-border capital flows can, however, increase the magnitude of speculation by moving funds to countries with assets which form the object of speculation from countries where no such assets are found. An obvious example was the IT bubble in the United States, which was sustained by European investments in American shares up to 2000. During the current crisis, house price increases in the United States have also been maintained by international investments in American financial assets. Thus, European banks – notably German and Swiss banks – have bought a large share of the mortgage-backed securities issued in the U.S. market to finance house investments. In addition, the large balance-of-payments surpluses in the Asian economies – notably China and

Japan – have caused an accumulation of savings which have been ploughed back into the American economy mainly through investments in government bonds, causing a general reduction in the level of interest rates in the United States. The low interest rate is generally seen as one of the main causes behind the speculation, causing a ‘thirst for yield’ among investors.

Cross-border capital flows seem, however, to have played a smaller role during the current crisis than during several of the prior crises as speculation in house price increases has taken place in many countries at the same time, rather than being confined to just one or a few countries. Thus, as discussed above, house price increases have been confined not only to the United States but have also taken place in several European countries, including Denmark. In Denmark, the banks’ financing of real estate has been maintained through a large capital inflow which has been affected through finance raised by Danish banks in the international wholesale financial markets.

CROSS-BORDER EFFECTS FROM SUPPORT OF FINANCIAL INSTITUTIONS

I have described above how national authorities, with the aim of maintaining credit flows, have responded to the financial crisis through a series of measures in support of financial institutions. We next turn to the question of how these support measures give rise to cross-border effects. This question is important for two reasons. First, the cross-border effects of national policy measures imply that there is a divergence between policy behaviour which optimizes narrow national interests and optimal policy behaviour. Thus, there are advantages related to international coordination. We will return to this topic in the next section when I consider the actual policy behaviour of policy makers during the crisis. Secondly, and more broadly, the cross-border effects mean that the different kinds of national policy intervention will affect international relations, with implications for relations between national governments.

Effects on Policy Goals in Foreign Countries

An important cross-border effect arises because, due to financial companies’ cross-border activities, national intervention affects the welfare of non-resi-

dents as well as residents. A distinction can be made between three channels through which the welfare of non-residents is affected.

First, if, in order not to disrupt credit flows, national authorities choose to support a bank with cross-border activities, this means that access to credit is maintained not only for residents but also for non-resident businesses and households who borrow from the bank in question. Thus, measures which support credit by keeping financial companies afloat, also work to the benefit of foreign residents by maintaining their supply of credit too.

As a second channel, national guarantees on the debt obligations incurred by financial companies will prevent losses not only among domestic residents who are supplying finance to the company in question (in terms of deposits, direct loans, and/or by investing in bonds issued by the financial company) but also among the foreign investors who are contributing to the financing of the company. Thus, national guarantee schemes and other measures which make it possible for financial companies to honour debt obligations work also to the advantage of creditors who are resident in foreign countries.

Finally, as a third mechanism through which national intervention works to increase the welfare of foreign residents, the ownership of financial companies, especially large companies, is often dispersed among national and foreign owners. This means that national policy interventions that in some way support the survival of a financial company with its existing ownership structure, also work to the benefit of its foreign owners.

If policy-makers display self-oriented behaviour – that is, if they wish only to maximise the interests of their national constituencies – they will, in their choice of intervention, try to restrict the positive effects of the intervention which fall on foreign residents. One possibility is outright discrimination against foreigners, for example, by issuing guarantees only to domestic residents. An indirect discrimination can be achieved if guarantees are provided only for those types of funding that are typically supplied by residents. The authorities may, for example, guarantee only bank deposits which are often supplied by national residents while not guaranteeing those types of finance, such as bonds issued by banks or loans raised through the wholesale markets, that are raised through markets in which a large proportion of lenders are foreigners.

Self-oriented national authorities can further try to maintain the beneficial

effects within the domestic jurisdiction by imposing conditions on the recipient financial companies. One possibility is to require that, in return for support, financial companies should maintain lending in the national jurisdiction. The maintenance of such national credit flows will be achieved at the cost of lower lending in other countries.

In the case of foreign ownership, self-oriented national authorities would be particularly inclined to choose intervention that destroys value for the owners of the companies. Governments may, for example, nationalise a foreign-owned company, offering low or no compensation to the owners. One possibility is to write down the value of shares to zero.

Cross-border Effects on the Effectiveness of Instruments

A further cross-border effect arises because the effect of policy measures to attract finance depends on which measures are implemented in other countries. If, for example, public support is given to national financial companies to improve their capacity to attract funding, e.g. through public guarantees on funding, less funding will be available for financial companies from other countries. Similarly, the government's injection of capital into financial companies improves the capacity of the recipient companies to raise finance relative to companies which do not receive such support.

Thus, national policy measures which improve the capacity of firms to raise finance detract from the ability of other firms to attract finance, including firms from foreign jurisdictions. In the absence of international coordination, one possible outcome is competition among national governments to attract funding for their respective financial companies. The winners in such a competition would tend to be those governments that are able to offer the best protection, probably strong governments in countries with strong institutional frameworks.

Effects on National Competitiveness

Government intervention in support of distressed financial companies gives a competitive advantage to the national financial sector. Government intervention will make it possible for the country's financial sector to obtain funding at a lower cost than financial companies in countries that lack such public support. Furthermore, government intervention to support national financial

firms increases the confidence among financial clients that the company will continue to exist, and thus the confidence to engage in long-term customer relationships with the financial company concerned. These positive effects on the competitive position of national financial companies will be important especially for countries with large financial sectors relative to the size of the country, making a country particularly dependent on the jobs created through the financial sector.

Cross-border Effects of Insolvency Proceedings

Different national procedures exist for dealing with debtors who are experiencing difficulties in honouring debt obligations. In Denmark, for example, there is a procedure for borrowers to suspend debt payments for a brief period while attempts to restructure the company take place. Debtors, who are insolvent, undergo a procedure of bankruptcy which usually leads to the company's dissolution. In the United States, the Chapter 11 insolvency procedure can be used by firms which are likely to survive after a debt restructuring has taken place. While negotiating with its creditors, the firm can suspend debt payments but is otherwise free to continue operations.

The legal procedures for dealing with situations where borrowers are unable to fulfil debt obligations, affect the allocation of losses between borrowers and lenders. Thus, in the United States where businesses can apply for a Chapter 11 procedure, borrowers will be in a stronger position and will thus be better positioned to make the lender agree to a debt restructuring which reduces the burden of repayment, to the detriment of creditors. Under this procedure, it may be expected that a larger proportion of losses will fall on the creditors, while the debtors will get away with easier terms.

National authorities can reduce the burden on borrowers by changing insolvency proceedings. Such changes have cross-border consequences insofar as a proportion of lenders are foreign, e.g. where there is a large proportion of foreign banks in the banking sector. In this case, by changing the procedure for debt repayments, national authorities can shift the burden on to foreign lenders. In light of this possibility to shift the debt burden, one might expect self-oriented national authorities to alleviate the debt burden for debtors especially in countries with a large presence of foreign banks and in particular during a financial crisis in which the debt burden has grown to an unsustainable level.

Cross-border Effects of Schemes for Debt Relief

Through government schemes that provide support for debtors, debtors' ability to repay can be improved. In the United States, the Obama Administration has implemented a special program (Making Home Affordable) that gives public support to the repayment of residential mortgage debt when certain conditions are met. Self-oriented national governments would be less willing to use public debt relief schemes as a means to ease the debt burden of borrowers when a high proportion of lenders are foreign. Thus, when there are a large number of foreign lenders, government debt relief schemes may benefit them in particular.

INTERNATIONAL FACTORS BEHIND SUPPORT OF FINANCIAL INSTITUTIONS

The authorities' decision to intervene in the crisis should not be seen as trivial. At the onset of the crisis, governments in most countries – including the Bush administration in the United States – strongly adhered to liberal principles, holding the view that the state should not interfere in business. It was further argued that if financial companies experienced losses in their lending, they should be treated in the same way as other businesses, implying that they should be allowed to go bankrupt.³ Many economists argued that intervention to rescue companies which had taken too large risks would cause a major problem in relation to moral hazard, as this would induce financial companies to disregard risk. Rescue operations to support financial companies in trouble were seen as strengthening the incentive to engage in future risky activities.

Intervention to rescue financial companies was also seen as being against fundamental principles in monetary policy. Many countries had adopted inflation-targeting regimes, which meant that monetary policy should only pursue the goal of low inflation. The setting of interest rates should be guided only by the consideration to keep down inflation, while other goals – for example, to alleviate the financing situation of banks – should have a lower priority.

During the 1980s and the first half of the 1990s, a number of countries – including the Nordic countries and the United States – had experienced fi-

3 See e.g. Stern and Feldman (2004) who present a number of arguments against the rescue of troubled financial institutions.

nancial crises. Based on the experience gained from these crises, several countries had established guidelines for dealing with future financial crises. A basic principle in these crisis plans was that the government should refrain from intervention.⁴ In the EU countries, the competition rules were further seen as a factor which would prevent the authorities from intervention in support of national financial institutions.

In the light of these different factors, which would speak against government intervention in support of financial institutions, the decision by policymakers to intervene and the massive scale of the intervention are surprising. The question is to what extent international factors, especially the cross-border mobility of capital flows, have strengthened the inclination of national authorities to support financial institutions. The evidence from the crisis suggests that two international factors in particular have worked to increase the size of the intervention.

First, as discussed above, schemes in support of financial institutions have cross-border effects by making it more attractive to invest in those financial institutions that are supported by the government, thus attracting funds from other countries. In order to prevent the outflow of funds to countries with better protection, governments have to intervene by establishing their own protection schemes. The importance of this effect was demonstrated during the current crisis when the decision of the Irish government to guarantee deposits in Irish banks caused a big inflow of funds to those banks, which in turn played a role in the decisions of other governments to support their banks similarly. The Irish guarantee scheme was followed by a veritable race among other countries to introduce national guarantee schemes (see below).

Another international factor that has been behind government intervention in support of financial institutions is a stronger inclination for withdrawals among foreign investors. A range of studies show that foreign investors have less information about the conditions in a particular country than domestic investors.⁵ Thus, despite the easier access to cross-border information created

4 The Swedish central bank (Sveriges Riksbank) established in 2003 principles regarding the handling of financial crises. It was established as a principle that banks, which had suffered such large losses and were insolvent, should be dissolved. Denmark had also, as late as mid-2007, established a new procedure for the dissolution of distressed banks.

5 A large empirical literature studies international financial integration. See e.g. Levine and Schmukler (2005).

by the development of IT technology, information barriers are still present in financial markets. This lack of information may explain why foreign investors are inclined to pull out of a national market when there are signs of adverse conditions that could lead to losses. The difficulties in obtaining information about conditions in a foreign country also make it difficult for a country to regain a reputation for creditworthiness once international investors have experienced losses. Against this background, a case exists for national governments to intervene to prevent losses for foreign investors in particular.

The importance of this second factor was also demonstrated during the crisis. Thus, as justification for its intervention not to allow Roskilde Bank to file for bankruptcy, the Danish government stressed the risk of a possible stop on funding for Danish banks in the international markets if Roskilde Bank failed to meet its debt obligations. Thus, the collapse of one Danish bank was seen as having an impact on the creditworthiness of the entire Danish banking sector.

Thus, it seems that financial integration has strengthened the inclination of governments to intervene in support of financial institutions. However, a number of purely domestic factors, several of them political, have probably played a bigger role in the decision of policy-makers to intervene in support of financial institutions.

First, as discussed above, households in many countries have increased debt levels. The expansion in private consumption prior to the crisis had in large measure been driven by this expansion of debt. In the light of this increased dependence on loans, it might have caused a strong negative reaction from households if they had been cut off from credit and thus been forced to save. Thus, a change in economic priorities seems to have taken place. While previously the primary interest of households lay in maintaining the value of their savings, a situation now seems to have arisen where, in the old industrial economies, households, and thus voters, see access to credit as their main priority. The aim of the government intervention in support of financial institutions has been to maintain these credit flows.

Secondly, in many countries the rise of house prices to high levels had contributed to a feeling of well-being and thus added to the popularity of governments. A reduction in access to loans would have caused a decline in house prices, which might have had negative consequences for the re-election of incumbent governments. The political importance of high house prices has fur-

ther increased due to the ability to raise loans with collateral in residential real estate, implying that high house prices have become a means of achieving high levels of consumption.

Finally, as a further political reason behind the decision of policy-makers to intervene during the financial crisis, one might point to the short-term benefits which can be derived from such an intervention. By intervening in financial markets, governments can gain short-term political advantages by displaying a capacity to act, while the costs in terms of higher government debt and a less efficient economic system only show up in the longer term.

THE BEHAVIOUR OF POLICY MAKERS: THE INTERNATIONAL EXPERIENCE

As described above, national policy intervention in support of financial institutions has effects on residents in foreign countries. In their intervention to support financial institutions, the national authorities had a choice between four types of policy response in their relations with foreign countries: (i) they could, independently of each other, and without regard for foreign interests, establish arrangements to maintain funding opportunities for the country's residents; (ii) they could, independently of each other, establish schemes which also took into account foreign interests; (iii) they could, with a view to winning national advantages at the cost of foreign residents, engage in a policy of direct conflict with foreign countries; and (iv) they could use international coordination as a means of improving outcomes for their national constituency.

When we look at the policy reactions of countries to the crisis, we find that, in varying degrees and often at the same time, the national authorities have pursued all four types of policy response. Over time, however, solution (iv), i.e. international coordination, prevailed as the preferred policy option.

After the collapse of Lehman Brothers, industrial countries established various schemes with the aim of protecting national interests. The establishment of these national schemes occurred without international coordination and also to a large extent without regard to foreign interests. The earliest example was the scheme announced by the Irish government on 30 September 2008, which guaranteed only the debt obligations of the six largest Irish-owned banks. The Irish

scheme provoked a sharp reaction from the British government, which strongly criticised the intervention for distorting competition to the disadvantage of British banks operating in the Irish Republic. The Danish government also criticised the Irish intervention, which harmed the activities of Danske Bank in the Irish Republic. The Irish finance minister, Brian Lenihan, openly admitted that the Irish government had given priority to its national interests, saying: 'I accept it is a tendency towards economic nationalism but we're on our own here in Ireland and the government had to act in the best interests of the Irish people.'⁶

After the introduction of the Irish guarantee scheme, a veritable race opened up between European governments to implement guarantee schemes for bank deposits and other bank liabilities. International considerations seemed largely to have been abandoned as governments apparently turned to pure economic nationalism. Only two days after the Irish guarantee scheme, the Greek government issued a guarantee on deposits in Greek banks, while the governments of France and Italy assured investors that deposits in their respective national banking systems were safe. On 5 October 2008, the German government announced its willingness to guarantee all personal savings deposits which were held in domestic accounts. At a meeting of EU finance ministers on 7 October 2008, there was criticism of countries which had unilaterally established national schemes to guarantee bank deposits. Several countries branded the interventions as a lack of solidarity and stressed how the national guarantee schemes had distorted competition because bank customers were given an incentive to move their savings to banks in countries which offered better protection. The Swedish finance minister, Anders Borg, said: 'If all countries resolve the problems separately, one country's solution will be another country's problem.'⁷ The national guarantee schemes were introduced in obvious breach of the rules for state aid laid down by the EU. Subsequent investigations confirm that national intervention schemes did in fact make it harder for financial companies from other jurisdictions to attract funding.⁸

The unilateral pursuit of national interests is also evident when we look at the national schemes for the injection of capital into banks. On 29 September 2008,

6 Financial Times, 2 October 2008.

7 Jyllands-Posten, 2 October 2008.

8 See Panetta et al. (2009).

the Dutch, Belgian and Luxembourg governments undertook concerted action to inject new capital into Fortis Group, one of the largest financial companies in Europe. However, on 3 October 2008, the Dutch Government chose unilaterally to nationalise the Dutch parts of Fortis. The Dutch decision was taken without consultation with the other two governments. In many cases, governments imposed as a condition for the injection of capital that banks must maintain lending to domestic enterprises and households. The British government, for example, made it a condition that banks that received public capital injections, should maintain lending to domestic households and small businesses at the 2007 level. In an article published in the *Financial Times* on 26 November 2008, the Ukrainian Prime Minister Yulia Tymoshenko criticised the conditions posed by West European countries that taxpayer funds were not to be used abroad. The Ukrainian Prime Minister stressed that this policy had led to the withdrawal of capital from emerging economies, and especially from Eastern Europe. At the World Economic Forum in Davos in February 2009, the British Prime Minister, Gordon Brown, raised the risk of 'financial mercantilism.'

In some cases, national governments deliberately adopted a confrontational style that caused conflict with other countries. Cross-border conflicts arose in two areas especially.

First, after the collapse of Lehman Brothers, members of several European governments – including the French and German governments – strongly criticised the American administration for how it handled the crisis, especially its decision to let Lehman Brothers file for bankruptcy. European governments further announced the end of the Anglo-Saxon capitalist system and the role played by the United States as a financial superpower.⁹ In a speech to the Bundestag in October 2008, German finance minister Peer Steinbrück declared that the crisis was due to an irresponsible U.S. government that had failed to meet German demands for a tighter regulation of financial markets.¹⁰

As a second area of cross-border conflict, governments acted as the defenders of national residents who had transacted with collapsed banks in foreign countries. The most notable example is the dispute which arose over the collapse of the Icelandic banking system. Prior to the collapse of the Icelandic

9 For a discussion, see Wyplosz (2009).

10 *Financial Times*, September 26 2008.

bank Landsbanki, many British and Dutch customers had transferred savings to deposits with Landsbanki's internet-based arm Icesave through the internet. After the closure of Landsbanki, the British and Dutch customers were refunded by their respective governments, which in turn demanded compensation from the Icelandic government. In Britain, anti-terror legislation was used to freeze Landsbanki's assets.

Rather than seeking conflict, however, the main impulse of national governments was to strengthen international coordination. This was apparent already at an early stage. Thus, immediately after the collapse of Lehman Brothers, the French President, Nicolas Sarkozy, proposed the creation of an EU-wide fund to support distressed banks. This initiative, while being supported by Italy, was rejected categorically by the German government. As France and Italy are the two countries which seem to have encountered the fewest problems with their banking sectors during the crisis, the French and Italian support for a rescue fund at the EU level seems not to have been motivated by narrow national self-interest. The French President also made proposals for international action to change the rules for financial companies, including a change in accounting principles. After the Bush administration had presented a proposal for an American rescue plan in September 2008, the U.S. treasury secretary Hank Paulson called on other countries to implement similar plans. On many occasions, the British Prime Minister Gordon Brown stressed that the crisis required a global response. Gordon Brown tried to persuade both the U.S. administration and the governments in the euro zone to follow the example of the British rescue plan, based on the recapitalization of distressed banks.¹¹

A concrete example of concerted action came in September 2008, when the French President took the initiative for a combined French, Belgian and Luxembourg action to recapitalise the financial group Dexia, which played a major role as a lender especially to public authorities. Another example of international action occurred on 29 September 2008, when the Belgian, Dutch and Luxembourg governments acted together to inject capital into Fortis Group. As mentioned above, this cooperation was disrupted when the Dutch government unilaterally decided to nationalise the Dutch parts of the Fortis group a few days later.

11 A description of the British initiatives is given in Financial Times, October 14 2009.

The most important case of coordination was that which was undertaken by the central banks which cooperated closely during the crisis. On 8 October 2008, the major central banks – including the Federal Reserve System and the European Central Bank – undertook a coordinated cut in interest rates. This was the first time central banks had acted together in setting interest rates. In the months following the collapse of Lehman Brothers, the Federal Reserve System made U.S. dollars available to other central banks to overcome a serious shortage of dollars outside the United States.

After the initial confusion had subsided, national governments resolutely came down in support of international coordination. On 10 October 2008, at a meeting in Washington D.C., the G7 finance ministers adopted a declaration which stated, *inter alia*, that national governments will ‘take decisive action and use all available tools to support systemically important financial institutions and prevent their failure’. This statement was seen as endorsing the principle that national governments, if necessary, must support systemically important financial institutions and prevent a collapse similar to that of Lehman Brothers. The Bush administration subsequently took the initiative to call a summit among leaders in a newly formed G20 group, which, in addition to the G8 countries, included other old industrial countries (Australia, the Netherlands, and Spain) and some of the most important emerging economies (Argentina, Brazil, China, India, Indonesia, Mexico, Saudi Arabia, South Africa and South Korea).¹²

As explained above, since October 2008, comprehensive international collaboration has taken place to tighten financial regulation. This collaboration has occurred within the international forums which have been put in place in setting international rules for financial institutions, in particular the Basel Committee on Banking Supervision. As a result of the crisis, the role of the Financial Stability Forum was expanded and the membership was broadened to include all the countries that participate in the G20 meetings. At the same time, the Financial Stability Forum was re-named the Financial Stability Board. The most important change to emerge from this work is a tightening of capital requirements, which will affect banks from different national jurisdictions very differently. It is remarkable that it is possible to push through such changes

12 Besides these countries, the EU country which holds the presidency is represented.

with profound effects on the competitiveness of national financial institutions without major opposition from individual countries.

As a condition for lending from the IMF, it has been stipulated that recipient countries should act to prevent the collapse of domestic financial companies. In the case of Latvia, pressure has further been exerted to prevent the government from introducing new arrangements for debt restructuring which would alleviate the burden for debtors. This would have had the consequence of causing losses for the banks that had granted the loans, in the case of Latvia predominantly foreign-owned banks. In the case of Iceland, pressure has been exerted to make the country refund the expenditure incurred by the British and Dutch governments in connection with refunding their citizens' deposits with Icesave.

After the adoption of the national rescue packages, the European Commission worked to modify the original provisions to make them more compatible with the EU framework, for example, by requiring the restructuring of financial firms that have received state aid. This has led to the break-up of large financial groups such as the Dutch group ING and the British financial groups Royal Bank of Scotland and Lloyds Banking Group. The European Commission has also called for the modification of the guarantee scheme adopted by the Irish government so as to allow foreign subsidiaries operating in Ireland to be covered by the scheme too. It was later agreed to establish a European System of Financial Supervisors (see above).

Probably the most important extension of European cooperation took place in the spring of 2010 when the euro-zone governments decided to guarantee debt obligations incurred by each other (see above). It is probably too early to assess the behaviour of policy-makers in the bail-out of Greece in February-May 2010. Outwardly, as a reason for the support of Greece, the euro-zone leaders stressed their commitment to safeguarding the financial stability of the euro zone. Policy leaders also stated that a failure to intervene in support of Greece could lead to the break-up of the euro zone. The solidarity among euro-zone countries was also stressed as a motive for intervention. The French government wanted to avoid Greece having to turn to the IMF for support in order to avoid non-European interference in the affairs of a euro-zone country.

One may remain sceptical about some of the reasons stated officially for the support of Greece. It is, for example, difficult to see how financial turmoil can

bring about the collapse of the euro. The euro is a common currency and, unlike a fixed exchange rate arrangement, capital flows cannot force a government to withdraw from the currency area. The euro zone can only break up if governments take an explicit political decision about one or several countries leaving. In the absence of such political decisions, the euro zone is stable.

In their support of Greece, policy leaders may also have acted from purely national motives. A large proportion of the government bonds issued by Greece, Portugal and Spain is held by French and German banks. If Greece had decided to declare a suspension of its debt obligations, only a smaller proportion of these government bonds would have been covered, and it is likely that French and German banks would have needed further government support. For political reasons, French and German policy-makers may have seen it as more convenient to support their domestic financial institutions in aiding Greece rather than providing new support through domestic channels.

THE BEHAVIOUR OF POLICY MAKERS: THE DANISH EXPERIENCE

It follows from the description above that the Danish authorities have intervened strongly in support of the Danish banking sector, both by establishing a general guarantee scheme and by providing banks with access to capital from the government. The question is how these Danish rescue measures should be evaluated from an international perspective.

It is remarkable that outright discrimination of foreigners is absent from the provisions of the Danish rescue measures. Thus, the guarantee scheme includes all the debt obligations of banks, including those incurred to foreigners. Deposits in foreign branches of Danish banks are also covered by the guarantee. The Danish guarantee scheme also contains no discrimination against foreigners insofar as all banks registered in Denmark may join the scheme, including those banks which are foreign-owned, especially the banks which operate in Denmark as the subsidiaries of Swedish banks. The guarantee scheme is open also to branches of foreign banks operating in Denmark.

The Danish authorities' intervention, first in Roskilde Bank and since then by the establishment of the guarantee scheme, was motivated by a fear that for-

eign investors might otherwise lose confidence in the Danish banking sector and that this would make it difficult for Danish banks to meet its large financing need through the international wholesale markets. Thus, a prime motive for the Danish authorities' intervention was to reassure international investors. The large amount of foreign borrowing undertaken by banks thus seems to have created a situation in which government intervention to support ailing banks has become necessary.

The need to reassure foreign investors was made stronger by the Danish exchange rate policy, which is based on a fixed exchange rate parity against the euro. If foreign investors had stopped financing the Danish banks, a huge government borrowing abroad would have been necessary to make up for the shortfall in capital inflows. If it had not been possible at short notice to achieve such a massive government borrowing abroad, a currency crisis would have been the result, possibly making it necessary to abandon the fixed exchange rate against the euro.

The guarantee scheme for the debt obligations of the banks has affected foreign countries negatively because the scheme has attracted capital inflows to Denmark at the expense of capital flows to other countries. The Danish authorities were among the first to participate in the competition to attract funding. The Irish guarantee scheme was introduced on 30 September 2008. The Danish state guarantee scheme was proposed as early as 8 October 2008 and signed into law after an emergency procedure in the Danish Parliament on 10 October 2008. Denmark was thus among the first countries to introduce a guarantee scheme.

The Danish system of capital injections in banks can be seen as non-discriminatory in the sense that the scheme is open to all banks registered in Denmark, including foreign-owned banks. As the preferred shares can be converted into common equity, the scheme enhances the likelihood of a bank's survival and thus also involves a significant strengthening of the security behind the subordinated capital which had previously been invested in it. This subordinated capital had to a large extent been supplied by foreign investors. The scheme includes provisions that oblige a bank to use the public capital injection as far as possible to improve its solvency and which require the bank not to erode its capital base by making transfers to other companies in the group, e.g. to a foreign parent company. However, a bank may use the public capital injection

to increase the capital base of its subsidiaries. This means that a Danish bank can use the public capital injection to increase the capital base of, for example, subsidiaries in Finland and in Northern Ireland, thus keeping credit flows open in these countries too.

By establishing a system of capital injections in banks, the Danish authorities intended to maintain credit flows for resident households and non-financial enterprises. This aim might alternatively have been achieved if the government had established a scheme which directly supplied loans to Danish households and non-financial enterprises. It is remarkable that the Danish government chose not to use this option but instead chose capital injections which could also be used to bolster Danish banks' lending in foreign countries. It is also remarkable that the Danish scheme does not include any conditions that the recipient banks should maintain lending to Danish residents. The only condition posed by the authorities for the injection of public capital is that the banks should submit a report every six months to cover developments in the banks' lending practices; there is no requirement that banks must specifically report on lending practices or in the development of lending to Danish residents.

In summary, it seems that, in its implementation of the bank rescue operations, the Danish government – broadly supported by the other political parties – to a large extent downplayed the country's national interests. Thus, the rescue schemes have had the effect of promoting lending not only in Denmark but also in other countries where Danish banks have activities. If the Danish government had only wanted to encourage lending to Danish residents, other types of intervention could have been used. The government could, for example, have chosen to provide public loans directly to Danish non-financial enterprises and households. The authorities could also have made it a condition that, in return for receiving injections of public capital, the banks would maintain lending for Danish residents.

In February 2010, the Social Democratic opposition complained that the injection of public capital into the Danish banking sector could be used to sustain lending in countries other than Denmark. This was rejected by the minister of economics and business affairs, whose ministry will nonetheless now conduct an investigation into how the scheme of public capital injections has affected lending to Danish residents.

In the Greek rescue operation, the Danish government volunteered to guarantee some of the loans which were made available for euro-zone countries. The Danish decision to participate was made even though Denmark, not being in the euro zone, is not entitled to receive any of the loans which are made available through the facility. As the Danish contribution makes little difference to the overall size of the total package, the decision can be seen as another indication that European policy-makers increasingly act not only to optimise the interests of their national constituencies, but also with a view to optimising non-national interests.

WHY HAS INTERNATIONAL COORDINATION PREVAILED?

At the present stage, it thus seems that not only has the post-World War II system for the international coordination of economic policies survived but that the financial crisis has brought a further strengthening of the system.¹³ After a shorter period during which policy-makers defended their narrow national interests, national policy-makers have now chosen to extend and strengthen international coordination. The policy of international coordination has survived in spite of the obvious temptations that would follow from the pursuit of policies which might have brought national advantages at the cost of foreign interests. As described above, the Danish handling of the crisis presents a clear example of an intervention in which national considerations have largely been subordinated to international interests.

It may be asked why international coordination has prevailed during the crisis as the preferred policy option. One possibility is that there has been a genuine change in the behaviour of national policy makers, implying that they no longer take exclusively national interests into account, but also the interests

13 This is also the evaluation of key policy-makers. For example, in a speech at the G20 finance minister meeting in London on 5 September 2009 the British prime minister Gordon Brown said: 'That we are here today, that banks have been stabilised within most countries, no savings lost, and able to talk about the prospects for the return of growth is a tribute to your work and the work of governments everywhere so let no one tell us that when markets fail and banks collapse governments have no power to make a difference. And let no one tell us that governments are incapable of coming together, of acting together, in concert, recognising that each of our national interests can only be served if the common interests of all are served'. Online, HTTP [www.number10.gov.uk].

of other countries. It is thus possible that national policy making has become more benevolent and less focused on narrow national interests. National policy-makers may see themselves as being responsible not only to their domestic constituencies, but also to a broader international community.

Another possibility is that, by responding not only to national interests, but also to the interests of other countries, national decision-makers have sought to gain goodwill among foreign leaders. Such goodwill may be to the advantage of a national government at a later stage, possibly in the form of international backing for a particular policy it wishes to pursue.

Moreover, national policy-makers can enhance their prestige by presenting new ideas and plans for international coordination. The fact that national policy-makers are seen as acting as statesmen on the international scene also makes an impression on the domestic electorate.¹⁴ The financial crisis has seen many such examples of national leaders who have acted in the international arena by presenting new proposals for cooperation. The most important example has probably been the British Prime Minister Gordon Brown, whose work on the international scene helped momentarily to restore the popularity ratings of the Labour government.

As a further explanation, the fact that international capital movements exert a disciplinary effect has played a role for maintaining international coordination. Countries may fear being shut out from international capital markets and thus losing the future possibility of finance if they do not comply with international rules. This threat has become more important as larger proportions of national electorates have become dependent on loans.

It should also be emphasised that the system of international lending provides an incentive for national policy-makers to choose international cooperation. Through loans obtained through the IMF, debtor countries can obtain immediate relief in their economic situation in return for pledges to restore economic order over the longer term. Thus, obvious short-term advantages are

14 As an example, one may point to the remarks made by president Nicolas Sarkozy about Prime Minister Gordon Brown at a press conference given in Paris on 15 September 2009: 'Well, the importance of Gordon Brown and Britain, I think is essential. Had there not been the agreement that we had with Gordon and the organisation and the convening of the G20 so successfully in London we would not be where we stand today... Gordon has shown imagination, boldness and courage when it has come to making European choices.' Transcript of a press conference given by the Prime Minister and president Sarkozy in Paris, 15 September 2009. Online, HTTP: [www.number10.gov.uk].

associated with choosing international coordination rather than narrow national solutions that would imply reneging on foreign debt payments.

As a final explanation for national governments pursuing a policy of international coordination, we may point to the influence of the financial sectors. For example, a main motive behind the Danish rescue packages may have been a desire to win the support of the Danish banking sector, in particular the support of Danske Bank. Given the larger size of financial institutions, it is likely that the influence of financial firms in national policy-making has grown. Thus, it is possible that the seemingly benevolent attitude of national governments has also been motivated by the desire to win the backing of important national financial companies.

SYSTEMIC EFFECTS OF THE FINANCIAL CRISIS

In the following, we will briefly consider a number of issues related to the effects of the financial crisis on the international financial system. Some of these issues have been widely debated among policy-makers and in public.

End of American Supremacy?

As discussed above, several observers – including French and German political leaders – have commented on the crisis as signalling the end of U.S. supremacy, especially in the financial area. Observers have also pointed to the rise of China and other emerging economies as implying the beginning of a multi-faceted world order with several important players. Especially the large Chinese accumulation of U.S. financial assets, mostly government bonds, has been seen as weakening the position of the United States.

In the author's view, it is too early to predict an end to American supremacy. The U.S. economy seems to have recovered earlier from the crisis than the economies of many other countries. Even though China and other emerging economies have achieved high economic growth rates during the last year, the possibility that their economic growth will come to a stand-still later, for example, due to institutional weaknesses, cannot be ruled out. Similar to the predictions today of China becoming the next big super-power, there were in the 1980s many predictions of Japan becoming the next dominant world power. These

predictions failed to materialise when after 1990 Japan entered a prolonged period of economic recession. The Chinese accumulation of American financial assets should not be seen exclusively as evidence of U.S. weakness since it will also make China vulnerable to the threat that the U.S. may suspend payments on its debt or in other ways – for example, through inflation – reduce the real value of this debt. Historically, when we look at countries that have built up large creditor positions – e.g. Britain before World War I and the OPEC countries during the 1970s – we find that it has been difficult to translate such creditor positions into long-term economic and/or political advantages.

In the area of international relations, the crisis seems to have increased American supremacy rather than otherwise. Thus, it was at the request of the U.S. administration that G7 finance ministers met in Washington as early as October 2008 and set out guidelines for the handling of distressed financial institutions. It is also under American leadership that work is being undertaken to establish new international rules that can prevent future financial crises. The current situation resembles that which prevailed after the first oil crisis in 1973-74, when, in the area of energy policy, ambitious forms of international cooperation were established under U.S. leadership. It still remains to be seen whether the newly instituted forum of G20 leaders will come to play an important role. If this turns out to be the case, this may strengthen U.S. political influence relative to the European countries due to American influence in some of the emerging countries which form part of G20.

If we look at the winners and losers in the crisis, the latter may turn out to be the European countries. Prior to the crisis, European banks had undertaken large investments in American mortgage-backed securities. These investments lost value with the collapse of the U.S. real estate market. Nearly half of American mortgage-related securities were purchased by European investors. The losses on such securities were increased by the system which makes it possible for American home-owners to renege on their debt payments by moving out of their houses when house prices fall. It is therefore possible that the crisis will see not the demise of American financial supremacy, but rather a strengthening of the role played by American financial institutions. It is, at least, difficult to see any way in which the financial crisis has brought advantages to European financial industries.

End of the Open International System?

The question is whether the open international world order can survive, especially with regard to the free movement of capital. A related question is whether the prophecies regarding the breakdown of 'Anglo-Saxon Capitalism' will come true.¹⁵

The financial crisis has undoubtedly weakened the support of free capital flows, which have been a main element in the 'Washington Consensus' and thus of the world economic order since the beginning of the 1990s. As noted above, several countries have recently introduced capital controls. The conditions imposed by national governments on banks regarding domestic lending are also contrary to the principle of free capital flows. In a recent paper, the International Monetary Fund has relaxed its former opposition to capital controls.¹⁶ The French President, Nicolas Sarkozy, has on several occasions – most recently in his opening statement at the World Economic Forum that met in Davos in January 2010 – predicted the collapse of the open world economic order unless the effects of the free markets can be tempered by stricter rules and by arrangements which provided for greater stability, e.g. with respect to raw material prices and exchange rates. Sarkozy especially attacked the effects of free capital flows and spoke of the financial crisis as a 'crisis of globalisation'.¹⁷

Academic support for free capital flows has also been on the retreat. The financial crisis has shaken the belief in efficient markets guided by rationality which has been the cornerstone of economic theory since the 1970s.

In spite of this evidence of less support for international financial integration, however, it seems unlikely that the financial crisis will deal a blow to the Anglo-American financial system and even less to the open world economic order. As discussed above, the current crisis is not caused by international fac-

15 A recent discussion is found in Cable (2010).

16 Blanchard, Dell'Ariccia & Mauro (2010).

17 In Sarkozy's own words, 'Globalisation first took the form of globalisation of savings. I would like to say very clearly that the globalisation of savings gave rise to a world in which everything was given to financial capital and almost nothing to labour, in which the entrepreneur was displaced by the speculator, in which those who lived on unearned income left the workers far behind, in which the use of leverage – a term that was on everyone's lips – reached unreasonable proportions; and all this created a form of capitalism in which taking risks with other people's money became the norm, allowing quick and easy profits but all too often without creating either prosperity or jobs' (p. 2). Speech by M. Nicolas Sarkozy, 40th World Economic Forum, Davos, 27 January 2010. Online, HTTP: [www.elysee.fr].

tors, although cross-border capital flows may have increased its magnitude.

Writers who predict the collapse of international financial integration often base their predictions on the events that followed the 1929 collapse of the American stock market. After 1929, American investors withdrew their European investments because they needed the funds in the United States where banks had cut back on lending. This led to a series of crashes in European banks.

There are, however, important differences between the post-1929 situation and the situation which confronts the world today. One major difference between the post-1929 situation and the present economic situation is that, in the aftermath of 1929, countries tried to defend the fixed exchange rate parities which formed part of the gold standard. This caused countries to raise interest rates when confronted with outgoing capital flows, thus causing a reduction in production.¹⁸ In the current economic situation, the floating exchange rate regimes have worked to stabilise those economies which have been particularly hard hit by the crisis, such as Britain and the United States. The floating exchange rate regimes have further made it possible to lower interest rates without regard of the exchange rate development. Similarly, the floating exchange rate systems have also made it possible to supply national banking systems with the liquidity which is needed without regard of external constraints. Thus, floating exchange rates, rather than being part of the problem, have worked to stabilise production. The fixed exchange rate policy pursued by the Chinese government vis-à-vis the U.S. dollar is generally seen as being one of the most important problems in the international economy, since it maintains a high level of production and permits the build-up of a large balance-of-payments surplus in China.

A second major difference between the post-1929 situation and the current situation is to be found in the political situation. The current financial crisis has not led to widespread political dissatisfaction, inducing political leaders to undertake major reforms. In several countries, e.g. Germany, incumbent governments have been strengthened in recent elections. Right-wing political parties have increased their support in, for example, Hungary, the Netherlands and in the United Kingdom, but are nowhere near to posing a threat to the existing political establishments.

18 A description can be found in James (2002).

Voters have reacted strongly to the generous compensation schemes which have existed in banks. At the same time, however, they have also supported the rescue operations which have been undertaken by national governments. This is, after all, what one might expect. As mentioned above, many households depend on the credits which they receive through the financial system. It is therefore also to be expected that they will support actions which seek to uphold these credit flows. The continued access to credit also works to maintain the gains in house prices that have provided households with big wealth gains.

Nor do we find widespread support for radical economic reforms in the world of ideas. After 1929, economic planning and the imposition of controls seemed to constitute a realistic alternative to the capitalist system. This is no longer the case. Economic planning was discredited with the collapse of communism. Today, there is little belief in administrations being able to undertake planning.

In conclusion, on the basis of the experience of the current crisis, it is too early to predict the collapse of the open world economic order. However, a word of caution is needed. The crisis is far from over. Until now, policy-makers all over the world have tackled it through fiscal expansions and an aggressive lowering of interest rates. These policies, while audacious, have met with broad approval among electorates. The policy agenda in the coming years will be dominated by attempts to normalise economic policies through a reduction in budget deficits and by raising interest rates. These policies will put strains on national political leaderships, strains that will be further intensified if economies lapse back into depression when fiscal and monetary policies are normalised. Thus, it is possible that the real problems for international coordination and for the open world economic order lie in the future.

The Future of the Euro

As a result of the financial crisis, the euro has run into major problems. Many observers openly express doubt as to the system's long-term survival possibilities. One problem is whether euro-zone countries with high levels of debt can implement such drastic reductions in government expenditure and/or increases in taxation that these debt levels can be stabilised relative to gross domestic product. By May 2010 the four most exposed euro-zone countries – Greece, Ireland, Portugal and Spain – had undertaken comprehensive aus-

terity programs. However, widespread doubt exists as to whether these measures are enough to achieve stable debt levels relative to gross domestic product. Doubt also exists as to whether the deficit countries will be able politically to push through the drastic stability measures which are needed. Several deficit countries have high levels of unemployment. The restrictive fiscal policy measures will cause a further increase in unemployment, possibly causing strains on political systems. In order to reduce unemployment, the deficit countries will have to enhance competitiveness. This may lead to calls for wage cuts and reforms to achieve greater flexibility in labour markets. The economic difficulties could create pressures on governments in the deficit countries to leave the euro.

A second problem is how far other euro-zone governments are willing to go in order to prevent a bankruptcy in the deficit countries. The support accorded to the deficit countries in May 2010 caused widespread resentment, especially in Germany. In order to avoid a bankruptcy in the deficit countries, one may expect the surplus countries to push for further fiscal retrenchment in the deficit countries, for example through a tightening of the Stability and Growth Pact. This will heighten the political tensions within the euro.

A third problem facing the euro is a loss of credibility. Prior to the crisis, the euro was generally seen as an instrument to create stability. This was to be achieved through the pursuit of low inflation and through strict rules for fiscal policy. The recent difficulties in government bond markets have demonstrated that financial instability may also emerge in the euro zone. The recent change of policy undertaken by the European Central Bank with respect to purchases of government bonds has further created doubt as to whether the European Central Bank is truly independent of elected policy-makers. This will cause doubt as to whether the European Central Bank will be able in the future to commit credibly to a policy of low inflation. Finally, the decision of the euro-zone governments and of the European Central Bank to support the weak euro-zone countries represents a clear breach of the non-bail out clause in the EU Treaty (Article 125 in the Treaty on the Functioning of the European Union).

It remains to be seen whether these problems are so severe that they cause the collapse of the euro, with one or several countries leaving the currency sphere. As mentioned above, it requires a deliberate political decision to re-introduce a separate national currency. Past experience shows that policy-makers prefer the safety of fixed exchange rates to the uncertainty that is related to a floating ex-

change rate system. However, it augurs badly for the future of the euro that the possibility of a breakdown is being openly discussed by key decision-makers such as, for example, Chancellor Angela Merkel and President Sarkozy.

CONCLUSION

The article has provided an overview of the international and Danish financial crises. It has described how national authorities reacted to the crisis through large-scale interventions in support of financial institutions. The article has discussed the international implications of this intervention. It has been argued that free capital flows have been a main factor behind the intervention, although not the most important reason. It has further been argued that, in their choice of interventions, the national authorities have to a large extent re-neged on national interests, having taken into account also foreign interests. This has been the case in both Denmark and other countries. It is possible that national policy-making has become more benevolent and less focused on narrow national interests. It is, however, also possible that the lesser focus on national interests can be explained by other factors, including political motives such as a desire by national policy-makers to win the backing of foreign leaders to gain political advantages. Finally the article briefly considered the effects of the current financial crisis on the economic world order. It has been argued that the experience thus far does not support predictions concerning the end of American supremacy or the collapse of the open world economic system. The break-up of the euro would require deliberate political decisions, which will probably only be made under extreme economic tensions.

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The Runaway Summit: The Background Story of the Danish Presidency of COP15, the UN Climate Change Conference

Per Meilstrup¹

When the doors to the giant Bella Center in Copenhagen opened for the so-called COP15 on the morning of 7 December 2009, it was the culmination of more than three years of intense preparations by the Danish government. In an unprecedented political and diplomatic effort since 2006, Denmark had launched an international campaign that was expected not only to deliver a new global treaty on climate change, but also to position Denmark at the centre of international politics as a shining example of how a small nation can make big difference through outstanding diplomacy. And the cause had not been chosen at random: For decades environmental protection has been a hallmark of Denmark, one of the few countries in the world that has, in practical terms, proved that wealth and welfare can be created without at the same time increasing pressure on ecosystems, as demonstrated through ‘The Danish example’², a set of data showing how Denmark has seen 78 per cent economic growth since 1980, but no increase in energy consumption.

Expectations were high. Experts, the media, politicians and negotiators, though all professionally cynical, believed on the opening day that COP15 could succeed in bringing the world an important step further towards facing the overriding global challenge of global warming.

In the lead up to December 2009, for the first time ever, stakeholders from

1 Per Meilstrup is the Climate Director of the Danish independent think tank ‘Monday Morning’.

2 The Danish Energy Agency, 2009.

most corners of the global society were rallying for an ambitious agreement. Exactly what shape the agreement should take was, of course, still being debated, but it seemed that opposition to a fair, binding and effective deal was very limited, centered around a small, but very visible, group of climate-change sceptics and political figures who had no belief in the UN process. Industry leaders, civil society organisations and leading experts from both the natural and the political and economic sciences were behind the politicians. The best evidence of high expectations was that the largest gathering ever of heads of state outside the UN Headquarters – 122 – had declared that they would take part in the COP. Prime ministers and presidents don't usually attend meetings that risk failing.

That was, however, what happened. Copenhagen failed to live up to even the lowest expectations. What is more, the summit produced diplomatic chaos on a scale the world has seldom seen. When US President Barack Obama arrived at the Bella Center on the last day of the negotiations, Hilary Clinton welcomed him by saying, 'Mr. President, this is the worst meeting I've been to since the eighth-grade student council.'³ The outcome of the meeting, The Copenhagen Accord, was heavily criticised for being inadequate and only 'a letter of intent'. The conflicts between developed and developing nations were monumental. The US and China were not able to settle well-known, deep disputes, and the Danish Prime Minister was humiliated on the UN podium while the world was watching. The most significant effort ever by a Danish government to position itself as a global, political leader turned into the biggest international, diplomatic defeat for decades.⁴

WINNING THE PRESIDENCY

In early 2006, the Danish Minister for the Environment, Connie Hedegaard, suggested to former Prime Minister Anders Fogh Rasmussen that the govern-

3 Marc Landler & Helene Cooper, 'After a Bitter Campaign, Forging an Alliance.' *International Herald Tribune*, 18 March 2010.

4 Meilstrup, 2010. This article is based on the author's book, *Kampen om klimaet*, which includes in-depth interviews with key ministers, negotiators and civil servants in the Danish presidency in 2006-2010. Quotes without references in this text are from the authors interviews for the book.

ment should work to win the prestigious presidency for the UN climate change conference, specifically COP15 in 2009. The expectation was that the 15th session of the parties to the Climate Convention would deliver the next global climate-change treaty, the successor to the Kyoto Protocol. Hedegaard's idea was fostered during COP11 in Montreal, Canada, by the charismatic Danish lead negotiator, Thomas Becker, an experienced, international diplomat, who had worked in the field of environmental conventions for many years. He presented Hedegaard with the idea in a hotel lobby in Montreal, and the Danish minister immediately saw the political potential.

According to the UN tradition of rotating presidencies between continents, the presidency would be held by a Latin American country, most probably Brazil. But during 2006 the Danish government launched an initial campaign to convince parties to the convention that a small northern country with a history of consensus-building and a leading global role as an environmental champion – symbolized by the famous Danish wind turbines – would offer the world a legitimate and neutral platform for a new global treaty.

Anders Fogh Rasmussen, a liberal, was at this time not known to be a green champion – rather the opposite. When he took office in 2002, he cut down heavily on spending in the prominent and influential Ministry of the Environment, which, under the Social Democrats, had grown into a significant political power hub, both domestically and internationally. The former minister, Svend Auken, had developed the ministry into an internationally recognized leader in green politics and had branded Denmark as a global focus for advanced, green legislation, e.g. efficient green taxes, subsidies for renewable energy, a generous donor country for environmental projects in Eastern Europe and the developing world, and state of the art integrated energy systems. The new Prime Minister believed much more in the power of the free market and environmental stewardship through economic instruments. He was known as a strong supporter of the famous self-proclaimed 'sceptical environmentalist', the Danish author and statistician Bjørn Lomborg, who had huge success in arguing for, among other things, cost-benefit-analysis as a tool in directing political decisions on green politics. Since 2004, however, Rasmussen had seen the need to soften his profile, and appointing Connie Hedegaard was an important step in doing so.

Connie Hedegaard was a well known former MP for the Conservative Peo-

ple's Party who was known to appeal to 'the thinking electorate' across political parties, not the least women. She was a successful TV presenter, and was headhunted in 2004 as the new Minister for the Environment in order to green the liberal-conservative government. This she did, in many ways much more radically than expected. She worked with dedication to heighten green standards, driven by a conservative tradition for, yes, conservation. Her main focus was climate politics, which was steadily climbing up the global agenda, among other things very much based on involving Danish corporations who, over decades had built strongholds – and interests – in energy, energy efficiency, renewables, biofuels etc.

At the time of her attempt to persuade Rasmussen, Denmark was in the midst of the worst international political crisis since World War II. The cartoons of the Prophet Muhammed had overnight turned Denmark into the focus of hate in the Muslim world. The Cartoon Crisis therefore became a centrepiece of the strategy to win the presidency of COP15. Both Rasmussen and Hedegaard saw this as a unique opportunity to shift the worlds' focus and repair the Danish brand.

In Nairobi, Kenya, during COP12, Denmark announced its candidacy for COP15, and in March 2007 the UN officially granted the prestigious post to Denmark.

THE ORGANIZATION: AN UNDERLYING DISPUTE

During spring 2007, the permanent secretaries of the relevant ministries were asked to design the strongest possible ministerial organization, the governmental platform that would make the Danish presidency a success, combining the collective skills from the ministries of the environment, industry, finance, foreign affairs, agriculture and transport, all overseen by the Prime Minister's Office.

This started, from the very outset, a long internal dispute over ranks and responsibilities both internally in the civil service and among ministers, a dispute that was never, according to senior civil servants, in effect settled. This weakened the Danish presidency and its diplomatic efforts considerably all the way

from 2007-2009. ‘This lack of clarity means that the Prime Minister’s Office and the Ministry of the Environment from the beginning form two, separate mental tracks – and that is very unfortunate’, a senior public official says. Even during the COP itself, it played a major role.

A main disagreement was over the role as lead negotiating party on behalf of the government. The Ministry of Environment had traditionally held this position, demonstrating years of experience in COPs and other international conventions, but this time it was different. Global warming was an issue that heads of governments all over the world had begun to see as their field of interest. The issue had climbed the agenda to a degree that it was widely recognized as the main global risk not only to ecosystems, but also to the global economy and international relations.

At the same time, the Danish Prime Minister had invested large amounts of political capital in campaigning for and winning the presidency. Rasmussen was not inclined to sit on the sidelines.

The organization that was agreed upon in May 2007 meant the establishment of an untraditional cross-cutting ‘matrix’ secretariat in the Prime Minister’s Office, headed by permanent undersecretary Bo Lidegaard. Tasks were divided between the different ministries, but the overall decisions were to be taken in agreement in the secretariat. A ministerial task force chaired by the Prime Minister was created, with all the relevant ministers participating. This model proved to present major difficulties. The Ministry of the Environment was given the role of negotiating under the United Nations Framework Convention on Climate Change (UNFCCC) but the final decisions were, according to the logic of the organization, to be taken in the secretariat, led by the Prime Minister’s Office. Bo Lidegaard and Thomas Becker, both prominent people in the Danish civil service, began a series of tough discussions and open rows at meetings, an open conflict that steadily escalated over the following years.

LEADING VERSUS FACILITATING

Early on, Rasmussen and Hedegaard were both eager to draw up an ambitious strategy for the diplomatic efforts related to the incoming 2009 presidency. Setting targets, planning ahead, involving key stakeholders and developing a

strong case for action was how both politicians thought, but much to their dismay, they quickly learned that this is not the nature of a COP presidency.

According to UN procedure, the most important role of a presidency is to facilitate dialogue and create common ground between parties to the convention. A presidency represents the parties, all 193 of them. This does not, at least on the surface, imply a leading role, and most importantly it must not be confused with the national interests of the host country. A presidency does not put forward its own proposals, but loyally supports the formal process in the negotiating working groups.

This dilemma proved to be a challenge for the Danish government all the way through, especially for a politician like Rasmussen, known for his strong strategic focus and carefully scripted plans. Chairing the process but not actually leading it did not go down well with him.

Even though a presidency will normally only begin its work one year prior to the COP it presides over, Denmark chose to play a very visible role as early as 2007, and started what by any standards were the most ambitious and thorough preparatory efforts ever carried out by a COP presidency. At the 2007 general election, the new Ministry of Climate and Energy was created with the main purpose of preparing the COP. Connie Hedegaard was appointed the first Climate Minister in the world. The preparatory efforts included a very strong role during COP13 in Bali, Indonesia, including forming a 'trojka' with the Indonesian presidency and the Polish delegation (for COP14 in Poznan in 2008). In Bali, Denmark was eager to see the parties agree to a roadmap for negotiations in the next few years. This was achieved, though the negotiations were hard. Bali delivered the Bali Roadmap, which legally obliged all parties to work for a new global climate-change treaty, to be decided upon in 2009. This was a major victory for the Danish government, even though the decision included a two-track negotiating process, which many observers feared would lock both developed and developing nations into known positions.

In 2008 the Danish government launched what was dubbed 'climate diplomacy', in which it sought to consult all major countries and country groups during 2008 to sow the seeds for a successful outcome in Copenhagen. Furthermore, the government engaged civil society organizations like Globe International, the global parliamentary group, and Project Syndicate, a global group of journalistic editors, knowledge institutions through the University of Co-

penhagen and IARU, the International Alliance of Research Universities, and the global business community through collaborating with the Copenhagen Climate Council, founded by Monday Morning, a Danish independent think tank. All organizations convened major international events in Copenhagen prior to COP15 aimed at involving key stakeholders from all sectors.

Facilitating, not leading, remained a challenge for Denmark, and below the surface, during 2008 and later, parties were confronted with an incoming presidency that intended more than 'just' providing a platform for dialogue. 'Our decision to equate chairmanship with leadership was more groundbreaking than we knew', as one senior Danish diplomat put it.

Leadership meant that Hedegaard especially, but also Rasmussen, were in a political campaign to 'raise the political price of not acting to a level at which no one is prepared to pay it', as Hedegaard often said. The campaign was more successful than most expected. Steadily the level of ambition for COP15 grew. A growing number of developed world governments declared their support for an ambitious new deal, including the EU. But also more and more developing countries, including the largest emerging economies like China, India, Brazil, Indonesia, Mexico and South Africa, not only responded to demands for action by rich countries, but also indicated the political will to green their economic growth.

International media followed the preparations closely and reported how powerful business organizations like the World Business Council for Sustainable Development, the Climate Group, the World Economic Forum and Combat Climate Change 3C had formed a historic alliance together with Copenhagen Climate Council, representing hundreds of the world's biggest corporations and best-known brands, united in an unprecedented push to create 'a level playing field' for business globally, with strict regulations on emissions, the trading of pollution permits and energy standards.

The scientific community continued to fortify the knowledge platform for political action by describing and predicting the harmful, natural effects of global warming on the planet, as did the social, political and economic sciences, which argued that the global economy would suffer enormously from inaction, while acting in a determined way would offer positive perspectives for growth and prosperity.

'Climate change requires us to act quickly to contain potential risks from

global warming and adapt in ways that are consistent with economic growth and development goals. The problem is solvable – many of the technologies required are available today, the policies needed are relatively clear, and the costs of transition appear manageable, even in the current economic climate,⁵ one study stated⁵, echoing a number of other reports by leading international think tanks and universities.

The IPCC, the Intergovernmental Panel on Climate Change, had provided the basis for the negotiations through their reports, mainly the Fourth Assessment Report (2007), which created a consensus that a realistic political goal would be a maximum increase in average global temperature of 2 degrees Celsius over pre-industrial levels. This again would mean that developed countries would have to reduce emissions by 25-40 per cent by 2020 compared to 1990 levels, and global emissions should be at least halved by mid-century.

THE GREENLAND DIALOGUE

Hedegaard's primary strategy – to build trust with parties – was centred on the Greenland Dialogue, a series of Chatham House Rules roundtables with twenty to thirty environment and climate ministers from the most important countries, both developing and developed. The idea of such meetings had already surfaced in 2005, when, for the first meeting in Greenland, she chose the famous UNESCO Heritage Ilulissat Glacier, which is retreating due to global warming. The concept was aimed at ministers meeting informally, not held down by formal mandates, getting to know each other and discussing options in an open dialogue.

Ministers who participated were happy with this new way of building consensus, and the dialogues – six all in all from 2005-2009 – were very successful. Among other things, they brought about a much closer relationship between Hedegaard and China's lead negotiator, Minister Xie Zhenhua of the National Reform and Development Commission.

5 Climate Works & Copenhagen Climate Council, 2009.

HOPE – AND CRISIS

Two major external events impacted significantly on these preparations during 2008. The US election brought climate change to the top of the political agenda. Both presidential candidates, Republican John McCain and Democrat Barack Obama, campaigned to change the US position on climate change both domestically and globally. The years of the Bush administration had effectively put a hold on action on global warming on the federal level, and the US was only half-heartedly engaged in global discussions. The US, historically the world's biggest polluter, even chose not to show up at formal UN meetings as one of the few countries in the world. McCain and Obama promised to re-engage the US in negotiations, and with the election of Barack Obama the promise was turned into policy, with the US lead negotiator Todd Stern declaring in early 2009 that the US was 'powerfully, fervently engaged' in the negotiations.⁶

However, the newly elected president had to pass some domestic climate change legislation in the US before he could go to Copenhagen with a full mandate to sign a global agreement which would legally bind the US to lower emissions. No president would have dared repeat what Bill Clinton had done in 1997 when he signed the Kyoto protocol but failed to ratify it due to opposition in the House of Representatives. And passing such legislation in less than a year would be extremely difficult, experts agreed.

During 2008, the financial crisis – later to become a crisis of the general economy – also impacted on the negotiations. At first, expectations were that it would lower countries' appetites for action that was thought to be 'expensive' in the short term. Surprisingly, the concern among politicians over short-term and short-sighted recovery efforts made the case for sustainable action on climate change stronger. Through investments in low carbon energy, innovation and effectiveness, combating climate change was beginning to seem a sensible way of creating new jobs, new markets and new growth.

Environmental economic studies, most prominently Lord Nicholas Stern's 'economics of climate change',⁷ gained support for the conclusions that inac-

6 Stern, 2009.

7 HM Treasury, 2006.

tion would be far more expensive than action through political frameworks to improve market conditions for low carbon technologies.

TWO TRACKS

At the beginning of 2009, upon the conclusion of a more or less fruitless COP14 in Poznan, Poland, it became clearer still that the UNFCCC negotiations were progressing very slowly, with external expectations building up all the while. More and more countries were displaying a sincere interest in ambitious decisions, with developing economies like Mexico committing themselves for the first time ever to significant emissions reductions, abandoning long-held positions that the developing world would not act before developed nations had done so. At the same time, negotiators were not able to settle even basic disagreements over finance instruments, short-term and long-term targets, emissions verification and technology transfer.

The two-track process agreed upon in Bali meant that negotiators met in two so-called ad hoc working groups, the Ad Hoc Working Group on Long Term Cooperative Action under the Convention (AWG-LCA) and the Ad Hoc Working Group for Further Commitments for Annex 1 Countries under the Kyoto Protocol (AWG-KP). The LCA includes all parties to the Climate Convention, while the KP includes the parties that have ratified the Kyoto Protocol. For developing countries, maintaining this division was essential, as under the Kyoto Protocol developed countries (Annex 1 parties) are legally committed to reducing emissions, while for developing countries reductions are voluntary. A two-track process would therefore be expected to deliver a new climate treaty based on these principles and legal provisions. For a number of developed countries, especially the US, this was not acceptable. A new treaty should be a single treaty committing both developed and developing countries to common, but differentiated reductions, recognizing that the developed world must lead in reductions, but also that developing nations like China, India, Brazil, Indonesia, Mexico, South Africa and others are today among the world's largest emitters of CO₂ and should therefore not have the same levels of obligations as the poorest countries.

Behind the scenes, internal disagreements over the negotiating strategy be-

came stronger, led by Bo Lidegaard and Thomas Becker, with their respective staffs, very often not agreeing. In early 2009 the Prime Minister's Office decided that a new, more politically focused strategy was needed in order to deliver a successful result in December, if necessary, bypassing the UNFCCC process. The Prime Minister's Office, backed by the Ministry of Finance, had little trust in the UNFCCC process or the UNFCCC office in Bonn, Germany, headed by Executive Director Yvo de Boer.

Hedegaard's office, while agreeing that pressure through forums like the G8, the G20 and the Major Economies Forum could be important in pushing forward negotiators, remained focused on building trust with the parties involved in the UNFCCC process. The UNFCCC Secretariat, the Ministry for Climate and Energy and the Foreign Ministry all argued that, without trust between the most important parties from both developing and developed nations, a successful outcome would be extremely difficult. Even political commitments from heads of state, though important, would not by themselves lead to progress in the negotiations.

Rasmussen's strategy was to a large extent based on experiences drawn from the Danish EU presidency of 2002, during which he had enormous success in the negotiations over the enlargement of the EU. At the summit in December 2002, he was widely credited for having made the deal, famously announcing to the media, 'Ladies and gentlemen, we have an agreement.' Experts insisted that the logic of an EU negotiation process does not apply to the UN, since the latter has a much more varied group of member countries, a history of conflicts and complex geopolitical dynamics between rich and poor. In addition, UNFCCC decisions are based on the principle of unanimity.

A HECTIC AUTUMN

In April 2009, Rasmussen left office to become NATO Secretary General, and his logical successor, Lars Løkke Rasmussen, vice chairman of the Liberal Party, took over – the third Rasmussen in a row (Poul Nyrup Rasmussen of the Social Democrats had held office until 2002).

In the same weeks the disagreements over strategy and roles inside the government exploded. The Prime Minister's Office received an invitation by the

US to a first meeting in the important Major Economies Forum, and Bo Lidegaard was given the role of head of delegation – without sharing the invitation with Hedegaard's office, who first heard about it from US colleagues. Hedegaard saw this move as undermining her role in leading the negotiations, but the new Prime Minister refused to change decisions. Hedegaard threatened to resign, but decided against it after being promised that this was a one-off event.

The new Prime Minister, who throughout his career had focused on domestic politics, did not immediately take a strong interest in the negotiations, thus in practice continuing the strategy developed by his predecessor and led by 'Sherpa' Lidegaard.

During the summer of 2009 Lidegaard made a strong push to develop a Danish proposal for the outcome of COP15 on the basis of which the presidency could engage in bilateral negotiations at the level of heads of state. This move, logical in a western context, is controversial in an UN-anchored process. The presidency of the UNFCCC process, not the least if it is a 'rich' western country, run great risks if there is any sign of the formal negotiations being sidetracked, since it can then easily be accused of trying to overrule developing nations and to negotiate an 'illegitimate text' in an 'non-transparent' process between an 'undemocratic' group of primarily western countries.

Despite warnings from the UNFCCC office in Bonn and strong opposition from experts in the Ministry of Climate and Energy, this strategy was pursued. At the G8 summit in L'Aquila, Italy, in July 2009 the Danish Prime Minister was invited as COP president, and for the first time he personally experienced a strong interest in the negotiations on the part of his prominent colleagues. He realized that expectations were high and that heads of state were genuinely concerned that COP15 would fail. Like himself, his colleagues from the US, UK, Italy, Germany, Japan, Canada, France, Russia and the EU were frustrated with the UNFCCC process, and a common understanding emerged that a potential outcome, designed by the presidency, ought to be tested in bilateral meetings on the level of heads of state.

This was the beginning of a busy autumn. While Hedegaard continued to play a strong role in the UNFCCC process, the Prime Minister began testing a compromise proposal with a number of leaders from both developing and developed countries, backed by an informal mandate given to him in September by Ban Ki-moon and a group of leaders at a high-level UN meeting in New York.

Most of the meetings were held with close allies from the EU, the US and countries like Australia and Canada, but leaders from the Maldives, Africa, Mexico, Brazil, China, India and other leading developing nations were also consulted. The proposal, continuously revised on the basis of input from meetings, was for a long time shaped as a one text-agreement, thus replacing the two track process (LCA and the KP). This was not well received by the developing countries, who were working to see the Kyoto commitments being prolonged. For the Prime Minister's Office, getting Barack Obama on board was a high priority.

ONE AGREEMENT, TWO STEPS

In October, the Prime Minister demonstrated for the first time publicly that the Danish presidency would not 'just' facilitate COP15, but lead. At an international parliamentarians' conference, hosted by Globe International, he launched a new and to many surprising concept: 'One agreement, two steps.'⁸ He suggested that, though it remained the end goal, it would not be possible to reach a legally binding treaty with less than two months to go to the beginning of the COP. In many ways this was to draw attention to 'the elephant in the room' by stating what everybody was beginning to realize. Instead, he suggested, it would be better for parties to aim at a 'politically binding agreement' in Copenhagen (first step), which could immediately afterwards be turned into legal text (second step). It would be futile, he argued, to pursue an unrealistic goal in Copenhagen and thus risk a complete deadlock. The presidency would rather see the growing political will to commit to reducing emissions be captured in Copenhagen and the baton then be handed over to COP16.

The concept was strongly criticized by NGOs, who felt that the presidency had lowered the bar too early in the process, thereby exposing developing countries to harm from climate change today down and letting polluting nations 'off the hook'. Hedegaard and her staff were also sceptical, fearing that this would take pressure off, among others, the US, whom they felt should feel the heat until the last moment, since so far they had not been willing to reduce emissions to the same level as, for example, the EU countries and Japan.

8 Statsministeriet, 2009.

The concept was developed for two main reasons – apart from the overall goal of shaping a political success in Copenhagen. First of all, it gave the US an opportunity to actively back an agreement in Copenhagen before having put in place its domestic legislation. Secondly, it created a path to a political solution which meant that heads of state would be taking an active part in the negotiations in Copenhagen. A COP is not normally attended by heads of state, but it was a cornerstone of the Danish strategy to put pressure on the UNFCCC negotiations by engaging the biggest political muscles.

It was, though, a risky course. ‘The strategy, we ran during the autumn, was hazardous for two reasons’, a senior public official says, ‘First of all the fact that we chose a smaller group of countries, primarily developed countries, whom we discussed text with. Secondly, the fact that the text we showed was not closely coordinated with what was on the table in the negotiations. It is of course natural that there are discussions in different settings and on different levels, but the problem is that we did not discuss the same things. The gap between the UNFCCC texts and our compromise text was too big.’

OPEN CONFLICT

October became a dramatic month for the presidency. Thomas Becker and Connie Hedegaard increasingly felt that Denmark was confusing the parties by speaking with two tongues, and frequently they were asked whether it was ‘Denmark no. 1 or Denmark no. 2’ that was talking, as Yvo de Boer put it. The presidency appeared to have ‘two schools’, as de Boer wrote after the COP⁹. Becker, by now loosing just about every internal battle, was deeply frustrated – and also threatened from the outside. Anonymous sources in the spring suggested to journalists at DR1, the main public-service TV station in Denmark that they should apply for legal access to ministerial documents about Becker’s travel expenses, and at the beginning of October he resigned shortly before media reports emerged that he had breached ministerial procedures regarding expenses on food, drinks, travel etc.

Loosing Becker, by far the most experienced and most well-respected Dan-

9 Meilstrup, 2010 or [www.kampenomklimaet.blogspot.com].

ish negotiator, as lead negotiator in the final phases was a severe blow to the presidency. Becker was renowned as one of the few diplomats from any of the developed countries who had warm relations with colleagues from the developing countries, precisely the competences most needed in intense negotiations with the threat looming of conflicts between rich and poor countries. 'All of this is what Becker masters. We missed it...' as Connie Hedegaard put it afterwards.

Externally, however, the momentum for the COP was building, and the prospects of a successful deal looked more and more positive. One by one, countries announced the goals they would commit to in Copenhagen, including many of the new emerging economies like China, India and Brazil, who all announced 'carbon intensity goals,' meaning that their economic growth should become less polluting relative to BNP. At the last Greenland Dialogue in the US in September 2009, the general feeling among nations and ministers was that, although not all hurdles would be overcome, the political will to reach compromises was present.

By November, however, as Hedegaard herself noted during the pre-COP in Copenhagen, the last formal meeting before the COP itself, this had changed somewhat. The bilateral talks between Sherpas about the Danish compromise proposal and the new two-step strategy had left countries nervous, especially developing countries. This feeling grew in the final weeks leading up to December, despite the fact that the heads of state strategy was working, as more and more leaders announced that they would take part in the COP during the final high-level session in the last one or two days, signifying that a successful outcome was within reach. Few cabinets send their leaders to a summit with no prospect of success.

In the first weekend of December, the Prime Minister's Office organized a meeting of a small group of twenty to thirty countries in Copenhagen. The consultations on the Danish proposal had until now only been bilateral, but now was the time to discuss it openly. The US, Russia and China insisted, however, on having the document sent before the meeting, otherwise they refused to attend.

The Prime Minister's Office did so, thereby bypassing a government decision which Hedegaard heavily insisted on: not to let copies of the text 'float around'. Hedegaard and Foreign Minister Per Stig Møller warned that this would give potential spoilers dangerous advantages.

Lidegaard felt that the Sherpa meeting had gone well. Success was within reach. During the meeting, the US announced that Barack Obama would attend the high-level session of the COP, and not, as planned, just touch down in Copenhagen in the first week of the COP on his way to Oslo to accept the Nobel Peace Prize.

THE DANISH TEXT

The Bella Center, a huge conference facility in Copenhagen, opened its doors to delegates on 7 December for the beginning of one of the most unusual and dramatic international political meetings in history. More than a hundred heads of state would take part, the largest gathering of leaders ever outside the UN Headquarters in New York. More than 30,000 delegates – negotiators, NGOs, lobbyists – were expected, but the number grew to more than 40,000. Five thousand journalists from all regions covered the event. All in all, the oldest kingdom in the world was subject to the biggest international attention ever in its more than a thousand years of history.

On the second day of the COP, drama erupted. The British newspaper *The Guardian* published a ‘secret’ Danish text which had been leaked by the developing countries. It was dated November 27 and was a draft proposal for a treaty decision that developing countries saw as unfair and hugely in favour of the rich world. Among other things, it ignored the Kyoto Protocol.

Spokespersons for the developing countries, most prominently Stanislaw Lumumba Di-Aiping of Sudan, who held the chair of the G77 plus China, were outraged by the text, which they denounced as undemocratic, unfair and drafted with a lack of transparency, thereby breaking all the rules of the Convention.

The Danish delegation was taken aback by the reactions. The text was an older version of the Danish proposal, the one sent to Russia, US and China in late November, and indeed was only half the proposal (the LCA part, which was why it appeared that the Kyoto Protocol was being ignored), and many of the countries that were outraged, including Sudan, had seen the text at the Sherpa meeting two weeks previously. Even so, the reactions placed huge pressure on Denmark, which was now seen as supporting only the developed coun-

tries, even though developing countries like Mexico, China, Brazil, Ethiopia, the Maldives and others had been consulted also. The dangerous UN dynamics that experts, including Bonn, had warned about were now played out in Bella Center, and the Danish text traumatized negotiations throughout the COP.

After the COP, Yvo de Boer wrote in a confidential letter¹⁰ to his staff: 'The Danish letter presented at an informal meeting a week before the COP destroyed two years of effort in one fell swoop'. Connie Hedegaard used other words, but said more or less the same: 'It takes years to build confidence. It takes hours to destroy it'.

In the first week, very little progress was made in the working groups, with negotiators now polarized by the Danish text even more than they had been before the COP. Negotiators were expected to deliver a set of almost final recommendations to environment and climate ministers after the first week, so that they could overcome the final hurdles and present their leaders with a draft decision in the last few days. The plan did not work. Instead, Saturday and Sunday ministers were left with long texts with many crucial problems unsolved. The process during the first week slowed down to a level where the media starting speculating about a breakdown, and this grew even more evident on the Monday of the last week, when countries openly disagreed on the most basic issues, like the continuation of the Kyoto Protocol, the level of reductions from developed countries, financing, verification etc.

A fundamental opposition between developed and developing countries became evident, and proved to be one of the main reasons for the weak outcome of Copenhagen. Within the G77 plus China group, which includes both some of the worlds' biggest emitters like China and India and some of the worlds' most vulnerable and poor nations in Africa and the Pacific islands, there were varying views on a range of different elements of a potential outcome. Both subgroups had strong 'red lines' that they were not prepared to cross.

Most of the poorest nations were not prepared to support a weak outcome, but preferred Copenhagen to fail, if the rich countries would not legally commit to emissions reductions on the level recommended by science. The big, developing economies – the BASIC-group (Brazil, South Africa, India and China) – also wanted to see ambitious reductions from developed

10 Meilstrup, 2010 or [www.kampenomklimaet.blogspot.com].

countries, but were at the same time sensitive when it came to agreeing on ambitious, long term global reductions, which would logically lead to reductions on their own behalf in the long run. To them, their current dramatic economic growth was the most important political priority, and anything that was seen to threaten this would not be welcomed.

THE JEWEL IN THE CROWN

The presidency, though surprised by the deadlock, had prepared for a situation like this. The intention was to present the compromise proposal, now consisting of two texts largely reflecting the two tracks, during the second week, and at the same time let the Prime Minister take over Hedegaard's chair as president. The text was now, the delegation felt, 'quite good' and was seen as a realistic way out of the present crisis.¹¹ Hedegaard would be appointed a special representative and coordinate the two working groups.

After long discussions, including warnings from Hedegaard that the Prime Minister would not be welcomed by the parties because of the feeling that the Danish text was essentially his, Lars Løkke Rasmussen took over as COP president on Wednesday, 16 December. Hedegaard's last act as 'Madam President' was to announce that a proposal from the presidency would be presented later in the day to the parties.

This move derailed the talks further. Rasmussen was harassed during his first session by negotiators, who heavily criticized him for introducing 'text from the sky'. Rasmussen clearly wasn't prepared for this difficult situation and had little luck in chairing the meeting, not realizing the complexities of a UNFCCC session and clearly showing a lack of patience for 'procedure, procedure, procedure'.¹² He was attacked by negotiators from China, Brazil, Sudan and others, many of them among the parties whose leaders had shown him support pre-COP.

In a 'black day' for the presidency, the parties, both close allies like the UK and Australia and developing countries, insisted that the Danish proposal

11 Meilstrup, 2010.

12 All UNFCCC sessions are available via webcast. Online, HTTP: [www.cop15.com].

should not be introduced. The jewel in the crown of the Danish strategy, prepared during years of intense diplomatic efforts, was not to see the light of day. The presidency, largely losing the support of parties, was not even able to establish the traditional Friends of the Chair group whose role was to assist in overcoming difficulties. Failure loomed as heads of state had started to arrive, expecting a deal to be ready. Formal negotiations still took place in the working groups, which, under Hedegaard, showed little progress. ‘We were entering uncharted territory’, a Danish diplomat described the coming days.

SHOWDOWN IN ROOM 21

On Thursday nothing changed. More than a hundred of heads of state were now in Copenhagen, witnessing a chaotic process with no result in sight. The Danish Prime Minister, however, decided to use the presence of his peers to push through the best possible deal in order to avoid a complete failure at all costs. His team prepared a new three-page document on a deal covering most items of the negotiations, but only very briefly, and with a limited level of ambition. On Thursday night, during a formal dinner hosted by the Queen of Denmark, Margrethe II, he gathered support to establish an unorthodox Friends of the Chair consisting of national leaders, who would work through the night to carve out a deal.

During that night, they and their Sherpas gathered in a small, dark room in the Bella Center, the ‘Arne Jacobsen’, named after the famous Danish architect and tried to negotiate the text that was later to become known as the Copenhagen Accord. This proved extremely difficult, with deep divisions between the big emerging economies on the one hand and the US and Europe on the other.

By Friday morning there was still no agreement on core issues, and when Barack Obama arrived, a group of 26 leaders themselves started drafting the text in what Rasmussen later described as ‘the strangest political meeting in world history’.

A main obstacle was Chinese/US disputes over two issues: Emissions verification in China, and emissions reductions in the US. China saw demands from the US and others for a global system for measuring, reporting and verifying emissions as a ‘red line’ raising concerns over national sovereignty. The

US refused to reduce emissions beyond 17 per cent below 2005 levels by 2020, far less than the reductions recommended by the IPCC. China, which was represented in the talks by a senior diplomat, not by Wen Jiabao, even though he was present in Copenhagen, finally also resisted agreeing to specific figures for emissions reductions on a global scale – both scale and year – which meant that the Accord could not include standard wording that 2050 was the reference year for global emissions to be at least halved. Not even figures for developed countries' reductions were included, which infuriated German leader Angela Merkel to exclaim, 'Why can't we even say what we ourselves are prepared to do?'

Wen Jiabao's absence from negotiations was seen as a diplomatic snub towards Barack Obama, who had asked his staff to set up meetings with Wen during the day, but without luck. Late in the afternoon he lost patience and left the room saying, 'I want to see Wen.' In a curious diplomatic game of hide-and-seek during Friday, Obama's staff had tried to set up meetings with not only China, but also India, South Africa and Brazil, whose delegations were stalling things. Late on Friday night, breaking all protocol, Obama gate-crashed a meeting to see Wen, who turned out to be together with Lula, Zuma and Singh.

The meeting ended with Obama striking a deal with his four colleagues. Immediately afterwards he left the Bella Center, but managed to hold a brief press conference announcing that there was an agreement, much to the dismay of Lars Løkke Rasmussen. This was partly because there could, in fact, be no agreement, since the Accord first had to be discussed and adopted in the plenary hall, and partly because the Danish government naturally expected to be one of the parties making the announcement.

What followed were the initial hours of renewed negotiations with the group of 26 countries, which were now abandoning their previous positions, then a nightmarish plenary session with developing countries furiously refusing to adopt an 'illegal' document that had been negotiated in 'secret'. It took more than seven hours to reach a conclusion, which was merely a decision whereby the parties took note of the Accord and were invited, on a voluntary basis, to report national CO₂ targets to the UNFCCC – by any standards a low-key UNFCCC decision. Adoption of the document as a decision under the Convention proved impossible, as it was being blocked by countries such as Sudan, Bolivia, Cuba and Venezuela, which were apparently being allowed to upset

things by their more powerful but silent supporters in the G77. Again, the Danish Prime Minister was humiliated on the podium, angry, and a number of times very unclear about UN procedure, stating e.g. 'I am not familiar with your procedures'.¹³

On Saturday morning an agreement on the Copenhagen Accord¹⁴ was reached without Rasmussen even being present in the plenary hall, and on Saturday afternoon, 24 hours later than planned, COP15 came to an end.

BELOW OUR MODEST EXPECTATIONS

Disappointment with the outcome and sharp criticism of the Danish presidency dominated media reports upon the conclusion of COP15. What had been a venture aimed at placing Denmark at the very centre of the global green agenda had turned into a diplomatic failure of large proportions. The Copenhagen Accord was seen as a very weak outcome by most commentators. 'This is a very disappointing outcome that is even below our modest expectations', a carbon finance expert from Barclays Capital put it.¹⁵

Yvo de Boer called the Accord a 'letter of intent'; Connie Hedegaard said it was 'disappointing'. Even so, it was the first ever decision that brought together nations, rich and poor, in a political deal to halt global warming. At the same time, it contained pledges to support the most vulnerable nations with financing for adaptation and mitigation: Short-term financing of 30 billion USD in 2010-2012, growing to 100 billion USD annually by 2020. This was seen as a major breakthrough in international negotiations on climate change.

The most positive reports were those in US media, which celebrated Barack Obama as the person who had salvaged a deal. Reactions from industry leaders, however, were negative, while NGOs like WWF, Friends of the Earth and Greenpeace condemned the whole process as a crime against poor nations, who are already suffering from the impacts of climate change today.

The presidency was held responsible for the chaotic process in major inter-

13 UNFCCC webcast. Online, HTTP: [www.cop15.com].

14 UNFCCC, 2009.

15 Michael Szabo, 'Q&A: What Copenhagen Accord Means for Prices, Markets?', *Reuters*, 21 December 2009. Online, HTTP: [www.reuters.com].

national media outlets, and Lars Løkke Rasmussen in particular was criticized for being 'in too deep' and neither understanding nor even respecting the role of a UNFCCC president. 'The Bungler from Copenhagen' read one of many headlines in the media, above a picture of a very tired Prime Minister on the podium during the last plenary session. The behind-the-scenes story about internal fighting over strategy and process in the government, the clear divisions between Hedegaard's and Rasmussen's statements and the loss of lead negotiator Becker nourished news stories with a not so flattering picture of Denmark.

POST-COPENHAGEN

During the first few months of 2010, the Accord won more positive political plaudits, as countries began to associate themselves with it and report targets. To date, 122 nations have done so, representing 90 per cent of global emissions. The downside, though, is that these commitments are too low and too late. According to a study published in the science magazine *Nature* in April 2010,¹⁶ the Accord sets the world on course to a 3 degrees Celsius scenario, which experts say will have severe negative effects on both ecosystems and the economy.

At the UNFCCC negotiations in Bonn in June 2010, the first formal negotiations after Copenhagen, the limited success of the accord was underlined. Expectations – expressed by e.g. the EU Commissioner on Climate Action, Connie Hedegaard – were that a legally binding agreement would not be reached before 2012 (COP17 in South Africa). Yvo de Boer, in his final remarks as head of the UNFCCC, which he leaves for a new job this year, even said that it could take up to ten years for negotiations to deliver a robust and effective agreement.

Uncertainty around the future of UN climate talks prevails – and history will show whether this will be the legacy of Copenhagen 2009.

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Straitjacket or Sovereignty Shield? The Danish Opt-Out on Justice and Home Affairs and Prospects after the Treaty of Lisbon¹

Rebecca Adler-Nissen² & Thomas Gammeltoft-Hansen³

INTRODUCTION: BEYOND THE INTEGRATION DILEMMA

How are we to understand the perplexing and sometimes even counter-intuitive position of Denmark in relation to Justice and Home Affairs (JHA)? In this article, we attempt to go behind the many myths and misunderstandings involved and analyse the consequences of the Danish opt-out from EU cooperation in Justice and Home Affairs. Symbolically, the opt-out plays a major role for large parts of the Danish population as a sort of sovereignty guarantee in the face of European integration. While shifting Danish governments may point out the detrimental effects of opt-outs on Denmark's position in the EU, they still have to guarantee to the Danish public that they respect the protocols. In Denmark, the opt-outs are seen to constitute a bulwark against European integration; underpinning an image of the state with full political and legal authority over people, territory and money. This gives them an almost

- 1 This article builds on research conducted in connection with an investigation into the four Danish EU opt-outs commissioned by the Danish Parliament (DIIS, 2008) as well as research for a Ph.D. thesis (Adler-Nissen 2009a).
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sacred character. In addition to their dramatic origins, the extremely controversial nature of the opt-outs is displayed in how they are debated. The opt-outs from the basic treaties of the EU are highly politicised.⁴ Most recently, politicians have exaggerated or downplayed the importance of opt-outs. Eurosceptic politicians and media claim that protocols protect national sovereignty and may serve as an example to other member states, whereas British and Danish pro-European ministers argue that they lose political influence when they 'are sent outside'.⁵

The treaty exemption is indeed of crucial importance not only to Denmark's policy on Justice and Home Affairs, but also its position in the EU more generally. Yet, the actual implications of the opt-out remain largely under-researched. As a response to this unsatisfying situation, we provide an overview of the inbuilt tensions within the legal construction of the opt-out and discuss some of the major political questions and challenges raised by the particular Danish position and how these are likely to affect Denmark following the Treaty of Lisbon.

The Danish opt-out on Justice and Home Affairs is often seen as inherently complex and difficult to understand. Two factors in particular contribute to this image. First, EU cooperation in this area appears as a patchwork of policies, covering seemingly disparate policy areas such as asylum, police cooperation and international divorce law. The main commonality between these policy areas is that, since their introduction with the Maastricht Treaty in 1992, they have become some of the fastest growing policy areas in the EU. Border control, international crime, terrorism and immigration policy have all moved to the top of the political agenda in both the individual member states and the EU at large. A recent analysis suggests that on average ten new legislative proposals on Justice and Home Affairs are tabled every month.⁶

Secondly, the very design of the opt-out is somewhat tricky. When Denmark voted 'no' to the Maastricht Treaty in 1992, the 'no' was carefully interpreted as a rejection of 'the United States of Europe' idea, not as a rejection

4 Mullen and Buller, 2003.

5 Søren Gade, 'Forsvarsforbeholdet spænder ben', *Berlingske Tidende*, 3 December 2004 & Udenrigsministeriet, 2001.

6 Monar, 2007.

of EC membership or of European cooperation in these matters as such.⁷ The JHA opt-out was thus designed as an exemption to *supranational* cooperation, leaving Denmark free to participate as long as cooperation remained *intergovernmental*.⁸ In other words, the JHA opt-out is 'activated' by the particular *mode* of cooperation rather than the political *content*. The basic logic of the opt-out is that Denmark is 'out' where cooperation is supranational, but 'in' where it is intergovernmental.

In 1992, Denmark was certainly not alone in its concern about supranational cooperation in the newly established JHA policy area. Several member states were reluctant to surrender sovereignty on issues connected to politically sensitive areas such as border control, asylum policy and police cooperation. For many years, the political-administrative leaders in the respective member states were cautious not to allow EU institutions to influence their policies on asylum, immigration, border control, civil law or police and criminal law, which they regarded as closely interwoven with the security and sovereignty of the nation state.⁹ During the Maastricht negotiations in 1991-1992, the British and Danish governments, together with the governments of Ireland and Greece, were able to block German plans for the full communitarisation of immigration and asylum policy. This resulted in a messy compromise and led to the creation of the pillar structure.¹⁰ The third pillar of the Maastricht Treaty was strictly intergovernmental and dealt with Justice and Home Affairs. It was juxtaposed to the supranational first pillar covering the existing policies on agriculture, trade and the internal market (EC), while the second pillar covered security and foreign policy (CFSP). When the Danish JHA opt-out was introduced after a second referendum in 1993, it therefore did not have any practical significance. At the outset, Denmark participated fully in all aspects of

7 For details regarding the debate leading up to the Maastricht referendum, see Adler-Nissen (2008), Møller (2003), Petersen (2003).

8 Supranational cooperation implies among other things that EU legislation has a direct effect in member states and thus also a direct effect for EU citizens. The member states also engage in intergovernmental cooperation, which is the traditional form of treaty-based international cooperation between states. Basically, intergovernmental cooperation means that only states are bound by the treaties and that – to be effective – treaty law has to be transposed into national law via national parliaments.

9 Papagianni, 2001: 111.

10 Geddes, 2000: 89 & Givens, 2003: 305.

Justice and Home Affairs cooperation. The general interpretation in the early 1990s was that Danish sovereignty was safeguarded with the protocols and the ambitions to move this area forward would be limited.

Hence, the Danish JHA opt-out should perhaps mainly be understood as a signal to the rest of the Union that Denmark wished to maintain intergovernmentalism in cooperation over Justice and Home Affairs. However, if Denmark did indeed try to send such a signal in 1992, it is clear today that it was not received nor observed by the other member states. In 1997, member states took a drastic choice towards the integration of their asylum, immigration, border control and civil law policies upon agreeing to speed up the process with the Amsterdam Treaty. Substantial parts of the JHA portfolio were transferred to ordinary EC cooperation with the entry into force of the Amsterdam Treaty in 1999. The UK, Denmark and other reluctant member states attempted to resist the communitarisation of asylum, immigration and border control up until the last weeks before the Amsterdam summit, but they failed.¹¹

The supranational move 'triggered' the Danish opt-out for all matters concerning border control, civil law, and asylum and immigration policy (Title IV, TEC). Only criminal law and police cooperation remained intergovernmental, which is why Denmark could continue to participate in these policy areas on an equal footing with all other member states. From being completely outside EC competence, Justice and Home Affairs has become fully integrated in the EC and EU treaties and is among the top official political priorities of the European Commission.¹² While national control and authority may still be important concerns, cooperation in Justice and Home Affairs has shifted from taboo to totem in less than two decades.

In all the areas currently covered by the opt-out, Denmark appears to have exchanged influence for freedom. As Helen Wallace puts it, an opt-out may guarantee 'immunity from disliked European legislation',¹³ but the price for autonomy is a loss of influence in the policy-making process. On the one hand, Denmark is prevented from participating in new measures covered by the opt-out. Danish ministers and civil servants still sit around the negotiation table in

11 Moravcsik & Nicolaidis, 1998: 29.

12 Guiraudon & Jileva, 2006: 280.

13 Wallace, 1997: 682.

Brussels and may take the floor, but Denmark obviously has no voting right in the Council of Ministers, and Danish interests are seldom 'heard' in the negotiations.¹⁴ On the other hand, Denmark maintains national autonomy within these areas since no formal sovereignty has been handed over to the EU. As such, Denmark is not obliged to implement, for example, common legislation on civil law, asylum and immigration. Or, rather, this is how the situation looks at first sight!

In reality, a much more complex picture emerges once we examine the actual working of the protocols. In this sense, the opt-out becomes a prism for understanding how Denmark deals with a range of conflicting interests when it comes to its EU policy. As we will attempt to show in the following, managing the Danish opt-out from Justice and Home Affairs has increasingly become a question of dealing with unintended and largely unforeseen consequences of the peculiar legal position that Denmark assumed in 1992. We will demonstrate that, in this endeavour to manage the protocols, the posited trade-off between freedom and influence – the so-called integration dilemma – is far from being a zero-sum game.

This article is organised as follows. The next section starts by tracing the current anatomy of the JHA opt-out, including how it was legally designed and constituted and how it has come to operate in political terms. Building on this, future scenarios for Danish (non-)participation in EU cooperation on Justice and Home Affairs are sketched out, including some historical and comparative reflections for understanding the policy dilemmas that Danish decision-makers are likely to face in the years to come. With the entry into force of the Treaty of Lisbon in December 2009, the task of managing the JHA opt-out is set to change further. On the one hand, the Treaty triggers Denmark's exemption for the remaining parts of the JHA portfolio. On the other hand, it presents Denmark with a fresh opportunity to convert its current opt-out into a seemingly 'pick and choose' model. Due to the immense legal and political complexity of the policy area of Justice and Home Affairs, however, providing a systematic overview of the byzantine Danish protocols is no mean task. Hence, this article will not cover the entire development of Justice and Home Affairs, nor all its policies or legislation, but instead attempt to unravel the different implications of Danish opt-out more analytically.

14 DIIS, 2008.

AN EXEMPTION WITH EXEMPTIONS

As soon as one looks more closely at the Danish position on Justice and Home Affairs cooperation, things start to get complicated. The devil is in the detail. The first complicating aspect is that, despite its opt-out, Denmark remains bound by EU law due to special forms of association in several areas. These various agreements of association include first and foremost the common border policy – also known as the Schengen *acquis* – which was incorporated into the EU treaty system with the Amsterdam Treaty. Denmark was initially reluctant to share authority in this area with the other member states; the domestic debate centered around such notions as German police officers entering Danish territory and the EU influencing Danish criminal law. Yet Denmark accepted the surrender of its national border controls by signing the Schengen agreement in 1996. When the Schengen agreement was integrated in the Amsterdam Treaty in 1997, part of it was inserted into Title IV. A protocol was drafted to assure ensure that Denmark could accede to any future supranational EU rules that might be introduced on the basis of the original Schengen cooperation while continuing to respect the opt-out from ‘supranationality’ in the field of Justice and Home Affairs. The protocol states:

Denmark shall decide within a period of 6 months after the Council has decided on a proposal or initiative to build upon the Schengen *acquis* under the provisions of Title IV of the Treaty establishing the European Community, whether it will implement this decision in its national law.¹⁵

At first glance, it appears as though Danish autonomy has been formally secured. However, the protocol also states that, if Denmark decides *not* to implement such a Council initiative, the other member states will consider what ‘appropriate measures’ should be taken. While the meaning of this has never been made explicit, it is commonly understood that Denmark would thereby risk being excluded from the entire Schengen *acquis*.¹⁶ The Council has never had to consider such measures because Denmark has so far transposed all such

15 Art. 4 of the Schengen Protocol. This special procedure is criticised by legal scholars for being ‘complex [and] illogical’ (Tuytschaever, 1999: 101).

16 Vedsted-Hansen, 2008: 117.

initiatives into national law. Today, all EU policies on border control and large parts of illegal immigration are categorized as developments of the Schengen framework. A substantial part of police cooperation is equally considered a development of Schengen cooperation. But because this area has hitherto remained intergovernmental, this has not had any consequences for Danish participation so far.

The other set of special exceptions to the JHA opt-out concerns the so-called parallel agreements. As supranational cooperation on Justice and Home Affairs has developed, Denmark has increasingly experienced being left out of cooperation on matters it considers to be of vital interest to it and where it could not simply copy EU measures introducing similar Danish legislation. The Danish government has therefore applied to the European Commission for intergovernmental parallel agreements associating Denmark with legislative measures under Title IV TEC (asylum and civil law) where the Danish opt-out applies. Concretely, Denmark adjusts its domestic legislation via parallel agreements 'which are considered as being a vital interest to the country'.¹⁷ If Denmark is granted a parallel agreement, the government copies the EU measure in the form of Danish law, which is then subsequently passed by the Danish Parliament.¹⁸ Denmark agrees to implement the same rules as the other member states by practising its right as an international sovereign to enter into parallel agreements with other entities, but it has formally declined the opportunity to influence the design of the rules in the first place.¹⁹

So far, Denmark has applied for six parallel agreements, but the Commission has only granted three, two on civil law and one on asylum.²⁰ The most important of these is probably the latter, which concerns the Dublin system,

17 Vedsted-Hansen, 2004: 67.

18 This gives Parliament the possibility of a veto, which has, however, never been used, as a majority MPs have supported the parallel agreements. In order to ensure Parliament's approval, the Foreign Minister has held meetings with the European Affairs Committee to obtain a mandate prior to the negotiations of the parallel agreements. Furthermore, the Ministry has expended a great deal of energy in keeping them continuously informed (Interview, 28 February, 2006, Danish Ministry of Foreign Affairs).

19 In practice, the Commission authorizes the Council to negotiate the parallel agreements with Denmark, making the Commission the gatekeeper.

20 The Commission refused to grant Denmark parallel agreements with respect to the Regulation on insolvency proceedings and the Regulation on jurisdiction and the recognition and enforcement of judgments in matrimonial matters (Bruxelles II).

normally considered the cornerstone of EU cooperation on asylum. The Dublin Regulation lays down the principle that asylum-seekers can only launch an application in one member state and thereby prevents 'asylum shopping'. Denmark used to participate in this system when it was still an intergovernmental measure. The parallel agreement ensures that Denmark can continue to apply the Dublin rules as a matter of international treaty law, despite the new regulation being a supranational measure for all other member states. While this legal technicality is crucial in regard to the Danish opt-out, in practice little difference exists between the obligations that Denmark has to observe and those observed by other member states with respect to the Dublin system.

Both the Schengen *acquis* and the parallel agreements effectively constitute 'exemptions to exemptions' allowing Denmark to participate in certain measures despite its general opt-out. The parallel agreements have been created because Denmark itself has asked to participate. These agreements are essentially stopgap measures. Similarly, changing Danish governments have found that Denmark has a fundamental interest in remaining within Schengen. Danish participation in these areas does not, however, come with the same influence and decision-making rights, which normally follows from being bound by EU regulation. Denmark has no right to vote on new Schengen measures. In practice, Denmark is thus *de facto* forced to accede to all new Schengen measures, but formally retains no power to influence their content. Thus, when the Return Directive was adopted in 2008, Denmark was forced to accept a new eighteen-month detention limit for any foreigners in a return position.²¹

With regard to the parallel agreements, Denmark is similarly bound to accept any changes to the EU rules or else give up the agreement entirely. The consequence of this became clear when proposals to amend the Dublin Regulation were tabled in December 2008, including, among other things, a suspension clause temporarily halting asylum-seekers from being returned to member states experiencing a particularly high influx of asylum-seekers. The Danish government has so far been opposed to this clause, arguing that it might undermine the system itself. Denmark can obviously voice such concerns during negotiations, but it has no voting powers in the Council, which, all other

21 Directive 2008/115/EC, 16 December 2008.

things being equal, leave member states freer to ignore the Danish position.²² For the civil law measures covered by the parallel agreements, it is also the case that Denmark has ceded its right to negotiate on these matters in other international fora, such as the Council of Europe. The price for association – getting an exception to the exception – is thus considerable.

OPTING OUT VS. STANDING OUT

Contrary to the above situations, the JHA opt-out also forces Denmark to remain outside EU cooperation in a number of areas where the Danish government otherwise considers participation to be in Denmark's interest. As long as EU measures are simply concerned with establishing common rules and legislation, Denmark may of course unilaterally choose to introduce similar rules as a matter of Danish law. Thus, when it comes to different forms of legal harmonization – or common rules – the opt-out leaves Denmark with a freedom of choice that no other member states have – the Danish government and parliament (Folketinget) can copy the EU rules they wish to and simply ignore the rest.

Yet, as soon as EU measures involve the establishment of EU agencies, supranational funding structures or reciprocity mechanisms, simply copying the rules into Danish law will not do. The Dublin system, for instance, is based on a reciprocity principle that commits all member states to receive asylum-seekers referred under the Dublin criteria from another member state. Here, Denmark may copy parts of the regulation into Danish law and itself decide to receive asylum-seekers from other member states, but it would have no way of ensuring that, for example, Greece accepted asylum-seekers referred from Denmark. These more advanced forms of cooperation have substantially increased within the areas of Justice and Home Affairs over the last ten years. Today, reciprocity mechanisms are applied to everything ranging from divorces to court rulings regarding terrorism.²³

In such situations, if Denmark wants to participate, it needs a parallel agreement. Yet, the Commission and other member states have been highly reluctant

22 DIIS, 2008: 333.

23 Peers, 2006: 76.

to extend such agreements. The idea that the EU should enter into what is essentially an external treaty with one of its own member states has been met with great resistance on grounds of both practice and principle. Negotiations on the existing three agreements took several years. According to the Commission, the following conditions apply when Denmark is granted a parallel agreement:

- Parallel agreements could only be of an exceptional and transitional nature.
- Such an interim solution should also only be accepted if the participation of Denmark is fully in the interests of the Community and its citizens.
- The solution in the longer term is that Denmark gives up its protocol on Justice and Home Affairs.

On this basis, few commentators expect that Denmark will be granted additional parallel agreements over the next couple of years. The position of the Commission further underlines the fact that, while Denmark chooses when and on what to apply for parallel agreements, it is the rest of the EU that decides whether such agreements are granted or not.²⁴

THE FREEDOM OF OPTING OUT

Even though the Schengen *acquis* today constitutes a considerable part of Justice and Home Affairs cooperation, both this and the parallel agreements remain 'exceptions' from an opt-out perspective. For the remaining policy areas under JHA, the rule is that the opt-out leaves Denmark out of all supranational EU legislation. One of the paradoxes of the JHA protocol is the striking discrepancy between the original motivation behind the Danish reluctance toward community competence within the area of asylum and immigration policy and its current motivation to maintain its opt-outs. In the beginning of the 1990s, Denmark, together with the Netherlands, was among the most liberal countries and feared that community competence within asylum and immigration policy would threaten the high level of protection given to asylum seekers in Denmark.²⁵ As

24 Europaudvalget, alm. del, bilag 551. 31 January 2003.

25 Manners, 2000: 98.

of the late 1990s, however, and in particular since the election of the Liberal-Conservative government in 2001, Danish asylum and refugee policy has on some issues been more restrictive than that of the rest of the EU, in particular the rules on family reunification. Indeed, to the politicians currently in power and the parts of the Danish public supporting them, the strict Danish rules on asylum and immigration constitute important barriers to the perceived inflow of immigrants and asylum seekers. If the opt-outs are surrendered, these barriers will be removed. The opt-out arguably presents Denmark with the freedom to pursue different policies in these areas from that of all the other member states.

So far, Denmark has mainly exploited this freedom with regard to asylum and legal immigration. Until the entry into force of the Treaty of Lisbon, police and criminal law cooperation has remained intergovernmental, so here Denmark fully participates. EU cooperation on border control and large parts of illegal immigration is covered by Schengen, all of which Denmark has acceded to. For civil law cooperation, Denmark *can* choose to stand outside, but in practice it has done much to align its national legislation generally with EU measures and, as described above, in a number of areas it has applied for parallel agreements. Thus, it is mainly with regard to the harmonization of asylum legislation and legal immigration, in particular family reunification, that Denmark has gradually taken a different political course than the rest of the EU.

If Denmark were to abolish its opt-out tomorrow, this would imply substantial changes to the Danish asylum and immigration legislation (*Udlændingeloven*). The EU's directive on family reunification does not permit member states to maintain provisions like the Danish 24-year rule, the association requirement, the housing requirement and other special Danish requirements for obtaining family reunification. Under the EU directive, member states may – if special needs demand it – impose a 21-year rule, but the ordinary requirement under the directive for the family reunification of couples is 18 years. Incorporating the EU's current rules into Danish law would also imply that foreigners with permanent residence would be able to demand family reunification and a range of other rights on a par with Danish citizens earlier than is the case at present.²⁶

With regard to asylum, thus far member states have only been able to agree

26 Kjær, 2004.

on a set of directives setting out minimum standards on who qualifies for protection, asylum procedures and reception conditions. A number of commentators have criticized the rules for containing so many interpretative gaps and potential national exceptions that in practice they have not succeeded in bringing about a substantial harmonization.²⁷ Against this background, it is difficult to assess whether Danish asylum law is substantially more restrictive than asylum policies in other EU member states. Exactly because EU measures so far represent minimum standards, nothing prevents individual member states from applying more liberal standards. The many national exceptions and interpretative uncertainties in the current EU rules imply that Denmark hardly stands out, even though it might fall below the minimum standards in certain areas. The fact that the EU minimum standards do not go much beyond what is required by, for example, the 1951 Refugee Convention and the European Convention on Human Rights further reduces the significance of the Danish opt-out at present. Denmark remains bound by these instruments as a matter of international law. As such, Danish ministers and civil servants have long claimed that Denmark's asylum policy is fully in line with EU rules.

Today, however, this claim is debatable. In particular within refugee policy, it already now appears quite evident that Denmark applies a more restrictive approach than demanded by the EU's minimum standards. Under EU law a more comprehensive personal scope is maintained in terms of who qualifies for protection compared to the wordings of international law. The EU's Qualification Directive thus not only covers political refugees as defined by the 1951 Refugee Convention and persons fleeing torture, inhumane or degrading treatment as protected by Art. 3 of the European Convention on Human Rights, it also entitles persons fleeing 'random violence as a result of international or internal armed conflict' to subsidiary protection (Art. 15c). That this latter category, popularly termed 'conflict refugees', is wider than required by international conventions was made clear by the European Court of Justice in the *Elgafaji* case.²⁸ This group is not recognized as a separate category under Dan-

27 Refugee lawyers and NGOs have further pointed out that these minimum standards in many ways represent a black letter reading of international refugee and human rights instruments that in practice may easily result in member states falling below this threshold (Gammeltoft-Hansen, 2007 & Peers, 2006: 352).

28 *Elgafaji v. Staatssecretaris van Justitie*. European Court of Justice, C-465/07, 17 February 2009.

ish asylum law, so today many within it are likely to find themselves rejected if they apply for asylum in Denmark even though EU law requires that they be granted protection in all other member states.

Moreover, the current EU legislation on asylum is, as the term ‘minimum standards’ suggests, only the first phase of harmonization. Proposals for amendments to all the current directives have already been tabled. For the second phase of harmonization, the idea is that the EU will establish a ‘common European asylum system’, thus ensuring uniform rights and procedures across all member states based on high standards and an inclusive reading of international refugee and human rights commitments. While several member states are likely to work against an overly liberal approach and generally oppose harmonization in this sensitive area, the mandate to see this through was nonetheless confirmed in the recently adopted Stockholm Programme, which set the political course for JHA cooperation for the years 2010-14. The pressure to work towards a common asylum system is further related to the Dublin system, which demands a rather high degree of harmonization.²⁹ If or when the EU succeeds in adopting the new directives on asylum, the chances are thus that the current Danish asylum policy will appear more restrictive than that of the rest of the EU. Under such a scenario, the implication of the Danish opt-out will obviously increase for those wishing to maintain or further restrict the current Danish legislation on asylum.

THE BLURRED DISTINCTION BETWEEN AUTONOMY AND PARTICIPATION

Even though the JHA opt-out has become a guarantee for Denmark’s current and possibly future restrictive asylum and immigration policy, it is remarkable that it is exactly in these areas that Denmark occasionally finds it difficult to pursue a policy independent of and different from the EU. This paradoxical situation concerns first asylum policy, where Denmark falls between two stools. Although the material EU asylum legislation does not bind Denmark, it

29 This is hardly achieved with the current minimum standards, which many commentators have described as an ‘asylum lottery’ that leaves the same groups of asylum-seekers with a more than 80 per cent chance of receiving protection in some member states and nearly zero in others.

nonetheless maintains a parallel agreement in regard to the Dublin system. The possibility to return asylum-seekers to another member state so that each application is only processed in one member state is, as noted above, the cornerstone of the European asylum policy. In order to work, this system conversely demands a high degree of harmonization and a mutual trust that all participating member states apply fairly similar procedures and criteria for granting protection.

This is problematic for Denmark as the only member state to lead a significantly more restrictive asylum policy. Over the last couple of years, there have been a number of examples where national authorities and courts have stopped referrals of asylum cases to other member states under the Dublin rules because the member state in question did not live up to EU's minimum standards or international obligations. In the current situation there is not much chance that this would happen in Denmark: The minimum standards are not very demanding, and wide discrepancies persist in terms of their implementation. Yet, if the second phase of EU legislation is adopted or it becomes clear under the current rules that Denmark does not offer protection to certain categories of, for example, 'conflict refugees', Denmark may find itself in a position where other member states eventually find that they cannot return certain types of asylum-seekers to Denmark under the Dublin rules.³⁰

If such a situation arises, Denmark is likely to find itself under significant political pressure either to adjust in accordance with EU requirements or, ultimately, to leave the Dublin system. The latter could become costly for Denmark, which so far has been able to return more asylum-seekers back to other member states every year than Denmark itself has had to receive. Leaving the Dublin system would also require Denmark to negotiate individual readmissions agreements with all other member states or face a situation in which asylum-seekers rejected in all other EU member states could potentially launch a new application in Denmark.

A second limitation on Denmark's freedom to pursue an independent asylum and immigration policy concerns the much-debated right to family reunification that flows from the EU's general rules on the free movement of EU cit-

30 DIIS, 2008: 312-13.

izens.³¹ The European Court of Justice has established that, if free movement within the Union is to be effective, this must include the right for EU citizens to take their family and spouses along with them. It is important to stress that these rules do not pertain to EU cooperation on Justice and Home Affairs, even though in reality they also concern family reunification. The Danish opt-out thus does not cover the rules regarding free movement, and Denmark is obliged to process all family reunification cases for EU citizens exercising their right to free movement under the special EU procedure inscribed in the Danish Immigration Act.

Contrary to the normal Danish rules for family reunification, the special procedure for EU citizens provides a range of extended rights and contains none of the ordinary restrictions with regard to age, common association to Denmark etc. The more liberal rules have induced a number of Danes to exercise their right to free movement, and take up work in, for example, Sweden for a period, and then subsequently return to Denmark and claim family reunification under the EU procedure. Denmark has conversely sought to restrict access to the EU procedure by introducing a range of additional requirements about employment during and after the stay abroad and about prior legal stay for the person that EU citizens wish to be united with. However, the Danish requirements have come under increasing pressure, and the Danish authorities have had to revise repeatedly their administration as the European Court of Justice has ruled against similar requirements in cases involving other member states. The *Eind* case in December 2007 thus meant that it is no longer necessary to be employed following one's return from abroad, while the *Metock* case in July 2008 made it clear that Denmark had to abandon the requirement of prior legal stay.

The combination of Danes exercising their right to free movement and the series of judgments from the European Court of Justice means that more and more Danes are likely to claim the special right to family reunification under the EU procedure. The opt-out means that as a matter of EU law Denmark has every right to uphold the 24-year rule and other Danish restrictions with regard to the ordinary family reunification procedure. However, the question is whether so many will end up making use of the special EU procedure that it

31 Directive 2004/38/EC, 29 April 2004.

eventually becomes unsustainable to maintain a more liberal regime for those who take the route via Sweden and a substantially more restrictive regime for those who, for one reason or another, are barred from doing just that.³²

THE STRANGE AUTONOMY OF THE JHA OPT-OUT

More generally, we might ask to what extent Denmark has lost strategic control over its participation in the areas of Justice and Home Affairs? This question relates to the unique legal design and anatomy of the opt-out protocol. As more and more policy areas have moved from intergovernmental to supranational cooperation, the Danish opt-out now covers all parts of EU cooperation on Justice and Home Affairs. Denmark is thereby excluded from participating in a still growing part of EU cooperation. An important dynamic in this process, however, is that it has been the other member states, not Denmark, that have been setting the pace for this development. Denmark has had little control over the treaty amendments that have moved policy areas from the (now historical) third to the first pillar. During these treaty negotiations, Denmark has also paid a political price for its opt-out. Interviews indicate that Denmark has had to spend a lot of negotiation time ensuring that the opt-outs would be secured in a suitable manner under the new treaty, which has conversely reduced Denmark's ability to influence other questions under the treaties.³³ Furthermore, the opt-out entails a political commitment by Denmark not to hinder or oppose the rest of the EU in moving cooperation forward. This was inserted in the Danish opt-out protocol in 1993 by the other member states to ensure that Denmark would not attempt to block or sabotage political developments. When a new policy has gone over to supranational first pillar cooperation, Denmark has therefore been prevented from voicing opposition or go against it in other ways.

When the Amsterdam Treaty entered into force in 1999, Denmark suddenly experienced being excluded from all EU cooperation on civil law, an area in which Denmark had been an active participant and driving force for inter-

32 Gammeltoft-Hansen, 2009.

33 DIIS, 2008: 371-376.

national cooperation since the 1960s. With the Treaty of Lisbon now effective, this case of abrupt exclusion is set to repeat itself. The treaty abolishes the last remaining parts of the old third pillar, thus 'normalizing' police and criminal law cooperation within the supranational EU framework. As new measures are now being adopted, Denmark is prevented from participating. Moreover, Denmark's participation in the current range of intergovernmental measures will gradually be abolished as new supranational legislation is set to replace the existing third pillar instruments over the next five years. Denmark will then be barred from participating in EU cooperation on issues such as human trafficking, international crime and the fight against terrorism, issues where Denmark has so far been a full and active participant.

This will have important effects on Denmark's cooperation in the areas police cooperation and criminal law. Hitherto Denmark has been able to participate in Europol, the European Law Enforcement Agency which aims at improving the effectiveness and cooperation of the competent authorities in the member states in preventing and combating terrorism, unlawful drug trafficking and other serious forms of organised crime. Moreover, Denmark participates actively in building up Eurojust, a special unit composed of national prosecutors, magistrates and police officers that help the member states coordinate difficult cases and prosecutions across borders. Both institutions, located in the Hague, are vital tools in the fight against international crime. Europol and Eurojust are playing an increasingly important role in facilitating interaction between the respective national law enforcement and judicial authorities. Joint Investigation Teams set up by Europol are used to reduce obstacles to cross-border operational cooperation through non-legislative measures such as training, identifying best practice, and operational and technical support. Mutual recognition of judicial decisions, the European Arrest Warrant, the execution of orders freezing property or evidence and rules on the confiscation of crime-related proceeds has fundamentally changed the way police officers cooperate in the EU today, in effect extending the 'reach' of national internal security measures to the territories of other EU member states. If the opt-out is not changed, Denmark will be forced to leave both Europol and Eurojust when these are eventually amended or replaced by new supranational legislation.

It is uncertain whether Denmark will manage to secure some sort of special association agreement in regard to some of the more important police and

criminal law measures. Unless the opt-out is abandoned or changed before new legislation is adopted, this would be a likely strategy to pursue with regard to, for example, the EU's police agency, Europol, where maintaining a Danish presence would no doubt be considered of the utmost importance. On the one hand, the other member states may well be interested in securing Denmark's continued participation in order to 'avoid a white spot on the map' when it comes to coordinating measures to combat international crime. On the other hand, there is a continued reluctance to extend any further special association agreements among both the Commission and those member states that wish to see Denmark eventually abandoning its opt-out. Furthermore, hoping for special parallel agreements is not going to be an effective strategy to secure continued Danish participation in police and criminal law cooperation more generally. Even if Denmark is granted such arrangements on par with Norway, an agreement of this sort does not amount to full participation when it comes to ensuring influence on the legislative proposals and management of Europol or other EU agencies.

Moreover, from a Danish perspective, parallel agreements are not necessarily attractive if we look at the experience of managing them over the past years. As we have shown, it is immensely difficult to predict the long-term impact of an EU opt-out. When a new policy area is established or made supranational, it is tricky to foresee what content it will be given and how fast new measures will be adopted. Until recently, few had probably imagined that the EU would have a common border agency that coordinates border operations in the Mediterranean. It is characteristic of large parts of Justice and Home Affairs cooperation that, despite widespread concerns and political sensitivities, policies have tended to develop a lot faster than most people had expected. As Justice and Home Affairs cooperation has been growing, so has the Danish opt-out. Precisely because the legal anatomy of the opt-out relates to the mode and not the content of the cooperation, Denmark has had few possibilities to influence this process. To the extent that new measures are believed to go against Danish interests, the opt-out is obviously a guarantee that Denmark is not bound against its will. But the opt-out also works the other way around: Denmark cannot accede to new measures even though there is a Danish political majority in Parliament that wishes to do so. In these cases, the Danish government can only watch as Denmark is gradually excluded from parts of EU cooperation that it hitherto participated in.

If the introduction of the Danish opt-out on Justice and Home Affairs in 1993 was meant as a signal to other member states that they should support Denmark in keeping this policy area intergovernmental, the opt-out today seems instead to prevent Denmark from following the course that the rest of Europe has set for this area of cooperation.

Today the opt-out on Justice and Home Affairs plays a completely different and opposite role than when it was formulated back in 1992. Undeniably, the opt-out provides Denmark with the freedom to pursue a different policy on certain issues. This freedom has been used above all in the area of asylum and immigration, where in principle the opt-out guarantees the relatively strict Danish policies regarding asylum and family reunification. As this article has tried to demonstrate, however, this freedom has its price. This is mainly because the opt-out in Justice and Home Affairs has turned out to be highly inflexible when it comes to securing Denmark's interests in other areas of cooperation. The consequence of the opt-out's particular legal design is that at least four areas have arisen where the opt-out actually limits Denmark's room for manoeuvre rather than increasing it, as shown in Table 1.

Table 1: **The Current Danish JHA Opt-out Position: Limited Room for Manoeuvre**

<i>Limited room for manoeuvre:</i>	If Denmark wishes to participate in parts of EU cooperation in an area covered by the opt-out, it is not always possible --- difficult to get parallel agreements.
<i>Limited control of scope and content of exclusion:</i>	Denmark has only limited control over the scope and content of its opt-out from Justice and Home Affairs because the opt-out relates to the cooperation <i>mode</i> (supranational vs. intergovernmental) and not the <i>content</i> of the policy (e.g. police cooperation) --- participation depends on general treaty changes related to Justice and Home Affairs.
<i>Lack of legal immunity:</i>	In those policy areas where Denmark wishes to conduct a different policy than the rest of the EU, in some areas it remains legally constrained regardless of the opt-out --- Denmark is bound by parallel agreements and EU legislation in other areas, which spills into opt-out related areas.
<i>Loss of rights and influence:</i>	In the policy areas where Denmark is inevitably bound by the EU rules, because of its special association agreements it does not have the same influence and rights as the other member states do --- loss of voting right under association model.

CONCLUSION AND THE FUTURE: OPTING IN TO JUSTICE AND HOME AFFAIRS?

It is hard to predict how the Danish opt-out in Justice and Home Affairs will be handled in the future. It largely depends on political developments in both Denmark and the EU. What is more certain is that cooperation in Justice and Home Affairs is likely to continue to evolve, resulting in ever more important implications of opting out. Denmark can, of course, choose to abolish the opt-out with a referendum if it is no longer considered to be in Denmark's interests to maintain it. But the Treaty of Lisbon also gives Denmark the possibility to transform the opt-out into a so-called opt-in. Conscious of the perspective of complete exclusion from JHA, including cooperation on police matters and criminal law, the Danish government used much of its goodwill during the negotiations on the Constitutional Treaty to secure this opt-in possibility similar to the supposedly more advantageous British and Irish protocols. Importantly, this opt-in possibility can only enter into force following a Danish referendum. Winning a referendum will be difficult for any Danish government. Not only is the opt-in possibility complicated to explain. Broader trends in European politics visible in the last few years also provide a difficult backdrop for holding a referendum. In light of the French and Dutch rejections of the Constitutional Treaty in 2005 and the subsequent negative Irish vote on the Treaty of Lisbon in 2008, domestic objections to the EU are likely to become more prominent in the years to come. Moreover, the political reaction and guarantees to the Greek government following the global economic crisis in Spring 2010 proved to many Danes, right or wrong, that the opt-outs (in this case the euro opt-out) protect Danish interests. The growth of euroscepticism in many European states, apparent during the last European Parliament elections in June 2009, appear indirectly to legitimize the Danish opt-out position, regardless or not of whether it actually protects Danish independence.

Meanwhile, the rest of Europe anticipates that Denmark *will* make use of the opt-in possibility. Attached to the modified Danish protocol is a declaration of particular importance. It states that Denmark *will* make use of the opt-in possibility, that opting out should not be permanent, and that the Commission expects Denmark to participate fully in all parts of JHA cooperation with

time. The preamble to the protocol on the Danish opt-in position attached to the Treaty of Lisbon reads as follows:

Conscious of the fact that a continuation under the Treaties of the legal regime originating in the Edinburgh decision *will significantly limit Denmark's* participation in important areas of cooperation of the Union, and that it would be in the best interest of the Union to ensure the integrity of the *acquis* in the area of freedom, security and justice;

Wishing therefore to establish a legal framework that will provide an option for Denmark to participate in the adoption of measures proposed on the basis of Title IV of Part Three of the Treaty on the Functioning of the European Union and welcoming the intention of Denmark to avail itself of this option when possible in accordance with its constitutional requirements;

Noting that Denmark will not prevent the other member states from further *developing their cooperation* with respect to measures not binding on Denmark.³⁴

As should be clear from the above, two purposes are invoked for granting Denmark the possibility to adopt the opt-in possibility: Denmark's participation is significantly limited, and it is in 'the best interests of the Union'.

Contrary to the situation today, an opt-in will provide Denmark with the ability to choose on a case-by-case basis whether it wishes to participate in new EU proposals or not. The opt-in possibility guarantees Denmark three months to decide whether or not to participate in discussions once a proposal for legislation is formally presented to the Council; if Denmark decides to participate, negotiations will continue with its full participation. As another option, Denmark can choose to await the results of the negotiations and only opt in to adopted legislation later on if it changes its mind, provided this meets with the approval of the European Commission.

On paper, the opt-in possibility should thus provide Denmark with much more flexibility, giving it the power to decide when to participate and when to remain outside new EU legislation. Moreover, if Denmark chooses to opt in early in the process (before the three-month deadline), it will have the same in-

34 Protocol on the Position of Denmark, preamble [authors' emphasis].

fluence as the other member states and will be able to leave Danish fingerprints on new EU legislation. Last but not least, Denmark will regain control of the scope and content of the opt-out, as it can choose on a case-by-case basis, irrespective of whether measures are supranational or intergovernmental. Hence, Denmark arguably gets the best of both worlds: Freedom to remain outside, as well as freedom to participate.

Notwithstanding these possibilities, if we examine the British and Irish experiences in closer detail, it becomes evident that the opt-in possibility is not without its challenges. Thus, a number of potential issues might make the otherwise attractive model somewhat difficult to handle.³⁵ Firstly, the national decision-making procedures in the Danish government, parliament and administration will be put under pressure to construct a national position more rapidly. Under the opt-in system, Denmark must consider whether to opt in or out each time a new proposal is put on the table. There is here a question of time constraint. When asked about the most difficult part of managing the opt-in possibility, British representatives answered unanimously that the time constraint of three months is stressful.³⁶

Secondly, Danish decision-makers will have to calculate risk. Under the qualified majority voting system, a member state needs to form a blocking minority in order to prevent the legislation from being adopted. This is now the normal practice in nearly all fields of European cooperation. With an opt-in possibility, this means that if Denmark opts in to discussions in which qualified majority voting applies and all of a sudden does not approve of the proposal, it might not be able to construct a blocking minority. In short, this means that exploiting the opt-in possibility is risky. Just as in 'normal' areas of European cooperation, Danish government may not be able to influence the proposal 'enough', will have to accept being outvoted and will, in principle, be forced to accept legislation they dislike.³⁷ In addition, an important part of the opt-in possibility is that, once Denmark's opts in, it will be obliged to opt into

35 For a more detailed comparison of the UK and Denmark in this respect see Adler-Nissen 2009b.

36 Adler-Nissen, 2009a: 199.

37 Steve Peers notes that the UK has already been outvoted twice in relation to the Refugee Fund and the Return Fund. However, the UK only voted against the legislation because the House of Commons had a scrutiny reserve, not because of any objections to the two measures as such (Peers, 2007: 5).

all future changes of the given piece of legislation, as well as related proposals which are directly affected by it.

Last but not least, the decision to opt in or not is not merely a question about the concrete proposal, but also about how Denmark will use the opt-in possibility in Justice and Home Affairs in practice. Where will Denmark position itself? If Denmark chooses to opt in to the great majority of all new measures, it will most likely be perceived to be more or less an 'ordinary' member state within Justice and Home Affairs despite its special position. In contrast, Denmark may well be met with disapproval by the rest of the Union if it chooses to remain outside large parts of Justice and Home Affairs. If Denmark systematically pulls out when it comes to cooperation that involves a large degree of political and/or financial concessions, this will also be seen as a sign of lack of solidarity. Several member states already have difficulties understanding the need for a special Danish position in the area of asylum and immigration. Whereas the current opt-out simply prevents Denmark from participating today, it may be more difficult to explain to the other member states why Denmark should still wish to remain outside specific areas of cooperation with an opt-in possibility.

The current opt-out situation appears deeply perplexing as Denmark is set to be excluded from most JHA cooperation, from immigration to cooperation on police matters and criminal law with the entry into force of the Treaty of Lisbon. This situation explains the invention of the opt-in possibility. The opt-in possibility, however, is unlikely to solve all problems. For those politicians who would like Denmark to influence the European agenda within Justice and Home Affairs, the option of completely abolishing the opt-out remains a more attractive, albeit domestically unrealistic alternative. Opt-outs such as Denmark's have hitherto enabled a deepening of the integration process through increasingly demanding treaties, even though not all governments (or populations) were fully on board. For the member state in question, however, the consequences of an opt-out are often hard to foresee and politically challenging to manage. Myths continue to dominate the political debate, while the unintended consequences of the opt-out lead to a murky picture with very few clear winners. Originally constructed as a quick-fix solution, the Danish opt-out has today become just as much a straitjacket as a guarantee of national sovereignty.

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SECURITY ISSUES IN AFRICA

Address by the Danish Minister for Foreign Affairs Per Stig Møller to the African Union Executive Council, Addis Abeba, 30 January 2009

Honourable Ministers, Excellencies, delegates, ladies and gentlemen,

Africa is a very important part of Danish foreign policy. Denmark is in a dynamic process of broadening our relationship with Africa to include not only development cooperation, but also trade, investments, security policy, climate and regular political dialogue.

Africa has made great progress in the area of conflict prevention and conflict resolution. The African Union and Africa's regional organisations have reached impressive results in recent years. But many challenges remain, as was clearly stated in the three outstanding opening speeches yesterday.

I have had the pleasure of visiting South Africa and Mozambique this week and have met with African leaders and intellectuals. We have discussed the concept of broad security.

By 'broad security' I refer to the notion, that in the modern globalized world we need to tackle new types of security issues besides the traditional military approach. Two of the most important new challenges have to do with threats from non-state actors in fragile states, and from climate change.

Fragile states may present the most difficult development and security concerns of our era. These states carry serious risks of spill-over effects both on neighbouring countries and on the world community at large. The new factor is trans-national extremist organisations, which try to undermine and de-stabilize states in order to take them over and create regional conflicts.

Many African countries have long suffered from the actions of non-state actors, affecting not just their internal security situations, but also that of their neighbours. And that underlines the importance of regional cooperation. As I mentioned, Africa is already making efforts to create stability and growth through regional cooperation and integration. From our experience in the Eu-

ropean Union, this is the right path to take, and the EU and Denmark are ready to continue our support in this area.

Regarding the second challenge I mentioned – climate change – there is increased recognition, that this phenomenon has a huge impact on our planet. And we realize more and more clearly that climate change is a challenge to international peace and security, not least in Africa. Climate change can reinforce pre-existing security threats. For instance, there is a real risk that problems related to water-resources may become interwoven with deep-seated political, economic and even religious conflicts.

Denmark is taking the whole spectrum of climate issues very seriously in our preparations for the UN climate summit, COP 15, which will take place in Copenhagen in December this year. We are making efforts to address Africa's special needs, and will discuss this issue at the Nordic-Africa foreign ministers' meeting, which I will host in Denmark in March. As the President noted yesterday morning: You are the victim of climate change and the ones who are the most seriously affected. Therefore, we must come up with a solution, which supports Africa in the best possible way.

However, there are other problems on your plate. In Somalia the security situation is – as we all know – extremely serious. The vacuum left by the Ethiopian forces must be filled. I want to commend the AU for extending AMISOM's mandate and generating more troops. The international community must lend its whole-hearted support. Security Council resolution 1863 is therefore most welcome and must be implemented without delay. If and when Somalia gets a national unity government, it must be helped and supported right away. And we stand ready to help with reconstruction and humanitarian assistance.

Piracy off the coast of Somalia is a very serious problem for the international community as well as for the region. The major source of the piracy problem is of course the general fragility of Somalia. Therefore all efforts must be made to bring about a comprehensive and sustainable solution to the conflicts in Somalia. Piracy must be prosecuted. We need to establish a regional and international prosecution framework. The International Contact Group, which was established recently, is an important step towards finding solutions to the problem of piracy. Denmark is a major sea-faring nation, and we take an active part

in the fight against piracy, and in the Contact Group. I hope and trust that the region will also engage itself strongly in this issue through the AU and IGAD.

Finally, I would like to mention two specific country-situations with broad security implications, namely Sudan and Zimbabwe. The situation in Sudan, in particular in Darfur, is of great concern. It is of vital importance, that all initiatives underpin the efforts by the UN/AU mediator Mr. Bassolé. The EU and my own country are definitely ready to give our full support to all efforts that can help to solve the complex and difficult challenges of Sudan.

Also in Zimbabwe, conditions have for a long time been deplorable, and the humanitarian situation keeps getting worse. This has devastating consequences for the entire region. This week I have had the opportunity to discuss the situation with leaders in Southern Africa, including Mr. Tsvangirai, and I strongly hope that the AU Summit in the next coming days will solve the problem successfully. The sufferings of the Zimbabwean people must be brought to an end.

The tasks in bringing about security are enormous, and Africa's own capacity is limited. There will be a need for international involvement on the continent for many years to come. We are in this together. The international community has an interest in – but also an obligation to – support the African institutions.

Denmark is already a committed partner for the AU when it comes to strengthening security, and I can assure you that we want to remain engaged with the AU in the future. Our ultimate objective is to enable Africa to manage and take full responsibility for African security.

Africa is increasingly an important and necessary player on the international stage. There will be no satisfactory WTO agreement without Africa, nor any sustainable solution to the global climate challenge without Africa. I look forward to cooperating more strongly with Africa on these and other pressing international issues.

Thank you.

DANISH DOMESTIC AND FOREIGN POLICY

Speech by the Danish Prime Minister Anders Fogh Rasmussen at his annual meeting with ambassadors in Denmark, Copenhagen, 23 January 2009

Ambassadors, Your Excellencies,

It is a great pleasure to see all of you today.

This annual meeting – which rapidly approaches a tradition – provides me with an excellent opportunity to give you an overview of current Danish foreign and domestic policy. And for you, subsequently, to ask me any question you might have. Let me begin with a few remarks on our domestic policy where the financial crisis – not surprisingly – is the current overriding challenge.

As a result of the crisis enterprises are finding it increasingly difficult to obtain loans. The housing market has cooled rapidly and continues to do so. And we are expecting an increase in unemployment in the medium term. That said, I would like to emphasise that compared to many other countries, Denmark is in a relatively favourable position. Unemployment is at a historically low level – still just under two per cent. We have a balance-of-payments surplus. And in recent years, we have experienced huge public sector budget surpluses, which prudently have been used to repay our debt. All in all, this provides us with more manoeuvre space and opportunities than many other countries. And we intend to use that in 2009 to give the Danish economy a boost.

We have decided to encourage banks to grant loans for sound projects. To that end we have just presented a new bill to the Danish Parliament, which will inject extra capital into well-managed banks. Condition based, of course. The money must be put to work sensibly.

Taxes have been lowered as of the 1st of January. And we are prepared to do more in the longer term. The Danish Government has a tax reform in the pipeline for 2010 and the coming years. A reform, which proposes to lower taxes on

personal income in order to increase our available workforce and to raise taxes on what we want less of – pollution.

The tax reform will be fully financed, and in order to give economic incentives we might consider offering people more money to spend during the first years.

We have also planned massive public investments over the years to come. This includes investments in new and modern hospitals. In better schools, child-care facilities and housing for the elderly and in efficient transportation.

It is well-known that the Danish government has a very ambitious green agenda. An agenda which intends to boost the economy, create tens of thousands of green jobs and promote a green, sustainable growth. We have drawn up a 5 point green action plan containing:

- A massive expansion of renewable energy.
- A further increase in energy savings.
- A further promotion of sustainable housing and construction.
- A major investment in public transport and improved infrastructure.
- And a better protection of our environment.

Our green agenda is also crucial and indeed interlinked with the urgent foreign policy challenge of climate change.

2009 must be the year where world leaders come together and take decisive and collective steps in response to global climate change. The Copenhagen Climate Conference provides leaders with a unique opportunity to do so. The conference will probably take place against a background of a continued financial crisis. But the crisis is more than a challenge. It also provides us with opportunities. To think of new roads to take. To foster new ideas. To launch new initiatives.

We should seize this opportunity and create new sustainable economic growth. And we should limit our dependency on fossil fuels. Green growth paves the way for the creation of tomorrow's low carbon society. And as such there is a clear link between economic recovery and combating climate change.

This is true in Denmark. It is true in the European Union and the United

States. And it is true in the major emerging economies. Reaching an ambitious and comprehensive global climate change agreement at COP15 here in Copenhagen will be the main foreign policy objective for Denmark in 2009.

For this to happen we need the industrialised countries to take lead when it comes to emission reductions. Without a strong leadership and commitment by the industrialised world we will not reach a new global climate change agreement. We need to have the United States on board. In this respect, I was encouraged by the clear signal from President Obama that priority will be given to climate and energy in the future domestic policy agenda.

Major emerging economies need to be firmly engaged as well. The bottom line is that it makes good economic sense to act. It is not about burden sharing. It is about taking part in a new economic era.

The European Union has taken a major and crucial step. The agreement on EU's Climate and Energy Package in December was pivotal in securing EU leadership. But to those who might say that the EU has done its part and that the UN process will now have to take the lead, I will say: The EU must remain in the driving seat. And the next stop is the European Council in March. Here the objective is to reach an ambitious agreement on the remaining Bali building blocks: Financing, technology, and adaptation.

The industrialised countries must also assist the developing countries in their adaptation and mitigation efforts. They are the countries that often suffer the most from the negative consequences of climate change.

We have an intense and challenging process ahead of us. Active involvement of the highest political level is necessary if we are to succeed in Copenhagen. Heads of State and Government must engage in the UN negotiations.

As COP15 host Denmark will do its utmost to facilitate and broker a solution to combat climate change. We intend to engage actively in all the processes that can contribute to a new global climate change deal.

The European Union is also very high on our agenda. During the last six months the EU has managed to achieve a number of important results – not least due to the excellent leadership by the French Presidency.

We have reached an agreement on the climate and energy package. We have agreed on a number of practical measures to tackle the ongoing financial crisis and the economic slowdown. And the EU played a decisive role in handling

the crisis between Georgia and Russia. This demonstrates the EU's inherent ability to reach important decisions even in a time otherwise marked by economic difficulties.

Nevertheless, it is beyond doubt that institutional reforms are necessary to further enhance the EU's ability to make timely, workable decisions. The EU needs a modern, efficient, and stable institutional framework. A framework which enables Europe to handle present as well as future challenges.

The Lisbon Treaty is that future institutional framework for the EU. It is therefore encouraging that a way forward for the Lisbon Treaty was found at the European Council in December.

I am currently optimistic that the necessary, technical and legal details will be properly dealt with. And that Ireland, hopefully, will be able to ratify the Lisbon Treaty in the second half of this year. If all Member States complete ratification of the Lisbon Treaty by the end of this year, it will add new impetus to my government's plans to abolish the Danish EU opt-outs. We remain firmly committed to abolishing the opt-outs in the course of this electoral term.

However, it is crucial that institutional EU matters do not distract our attention from the challenges ahead. The EU must continue to address the financial crisis in a coordinated manner. We need to prudently strengthen the financial regulation to improve transparency, supervision and accountability on the financial markets. Whilst at the same time maintaining our commitment to a global economic and financial system. A system based on free markets and multilateral rules – both within the EU and globally.

A major challenge for the EU is energy security. Europe must reduce its dependence on imported oil and gas. We must accelerate the development of renewable energy and energy efficiency. And we must improve and develop our energy infrastructure both within Europe and beyond. There is no doubt that the EU faces a full agenda in 2009. I am fully confident that the Czech presidency – and the coming Swedish presidency – are up for the task.

Membership of NATO remains a key stone in our security policy. As the Alliance celebrates its 60th anniversary in April this year, it also embarks on an ambitious and demanding adaptive process to better meet the range of challenges of the 21st century.

I look forward to welcoming Albania and Croatia as the two newest members of the Alliance at the Jubilee summit in Strasbourg-Kehl. And I look forward to the return of France into the integrated military structures. This will significantly strengthen NATO. Moreover, it bodes well for the future of EU-NATO cooperation. We need a strong complementary cooperation between these two institutions which are uniquely placed to promote peace and security in Europe and in the world.

As part of our security and defence policy the government has set up a Defence Commission. The Commission is in the final phase with recommendations as to how we can uphold and further develop our ability to engage in international crisis management. This will be followed up by a five year political agreement.

For NATO a lot is at stake in Afghanistan. We must prevail. Afghanistan is a top priority for Denmark. We are committed and we will stay committed. A major challenge in 2009 is the upcoming presidential election. It is vital that the international community supports the Afghan government in preparing for and conducting the elections.

We have some 700 troops in Afghanistan. Relatively speaking, this makes Denmark one of the largest contributors to ISAF. Most of our troops are based in Helmand – the province that has seen some of the most intense fighting over the last couple of years and is the centre of the drug trade.

This commitment reflects our belief that the defense of Danish security starts in Afghanistan – not at our own borders. We cannot tolerate that Afghanistan again becomes a safe haven and staging ground for terrorists and thereby a threat to all of us.

In spite of progress, the situation in Afghanistan remains highly unstable. Full integration of civilian, military and political efforts are crucial to success. We will only achieve stability if the military operations are followed by development creating actual improvement in the everyday lives of the Afghan people. This was emphasized when my Government launched a new 5-year strategy for our engagement in Afghanistan last summer.

The Strategy includes a doubling of our development assistance to 80 million USD per year from 2009-2012 and an increase in the number of troops. I am of course happy that our strategy enjoys solid and broad political backing from a majority of the political parties in the Danish Parliament.

It has become increasingly clear that the security situation in Afghanistan depends on its neighbors – especially Pakistan. And that it has huge regional implications. We need to address cross-boundary and regional issues to improve the security of the people of Afghanistan and combating terrorism.

During the past years, many African countries have experienced economic growth, more trade and investments. And not least fewer wars and more democracy than before. This is a very positive development but still more needs to be done. We must therefore address the areas which hinder Africa from reaping the full benefits of progress. Full participation in the processes of globalization will add new momentum to Africa's efforts to reach the Millennium Development Goals.

This is the reason why my government established an Africa Commission. In April last year the first meeting of the Africa Commission took place in Copenhagen. The aim of the Commission is very ambitious: We want Africa to be higher on the international political agenda. We want to develop new and creative initiatives which will create jobs for the growing number of young African men and women. The challenge is to change our focus from creating one job for one individual into creating small entrepreneurs who themselves can generate 5, 10, 20 or more jobs.

The Commission will present its recommendations at its final meeting here in Copenhagen on 7 May 2009. The Commission is committed to promote international implementation. And recommendations will be reflected in Danish development cooperation from 2009 onwards.

Having shared my thoughts on the key priorities of Danish domestic and foreign policy, I would like to end by making a few remarks on piracy and on the situation in the Middle East.

Piracy off the coast of Somalia is a problem, which has a negative impact on the stability of the region and it remains a clear threat to shipping. As you know, the Danish warship Absalon is currently deployed to the area. We see piracy as a international challenge where we need to find international solutions – rather sooner than later. It is of crucial importance that pirates can be prosecuted. We must therefore establish a regional and international framework for the prosecution of pirates.

Denmark has taken several initiatives to forward this process both in the UN and the International Maritime Organisation (IMO). But the region and its organizations, including the African Union and the East African Intergovernmental Authority on Development, need to take active part in these efforts.

I am very concerned about the situation in Somalia. We are right now intensifying our efforts to contribute to a peaceful, moderate and stable development in Somalia. This is the only way to ensure a sustainable and long-term solution to the problem of piracy.

The Middle East has dominated the foreign political agenda at the beginning of the New Year. The conflict has once again showed the enormous challenge of bringing the peace process forward. Denmark is pleased that a ceasefire has been announced. We support a permanent and viable ceasefire that provides for adequate security for both Israel and the Palestinians. We commend all international efforts to this effect, especially the Egyptian-led effort. Now everything possible must be done to improve the situation for the civilian population in Gaza and to ensure that aid comes into Gaza and is distributed.

Denmark has been actively engaged in the international diplomacy to bring about a solution to the conflict. This includes a Danish and Dutch proposal to send police to monitor and control borders. We have also contributed with 20 mio. DKK to the UN Agency for Palestine Refugees flash appeal and 10 mio. DKK to our NGO's working in Gaza. Our general development assistance to the Palestinian people remains high, and we are ready to contribute to the rebuilding of Gaza when that time comes.

The conflict underlines the need for an even bigger effort to solve the Israeli-Palestinian conflict as part of a comprehensive peace. It also underlines the need to fight radicalism and extremism in the region.

As I have outlined the key Danish priorities, it is clear that 2009 will be a very challenging year. Reaching a new, ambitious climate change agreement in Copenhagen in December 2009 will be particularly high on my foreign political agenda. Keeping within the near tradition of our annual meeting, I always look forward to discussing political issues with you. I will therefore conclude by saying that I am ready to answer any question you might have.

Thank you.

HUMAN RIGHTS

Statement by the Danish Minister for Foreign Affairs
Per Stig Møller at the tenth session of the United Nations
Human Rights Council, Geneva, 3 March 2009

Mr. President,
Distinguished members of the Human Rights Council,
Madame High Commissioner,
Excellencies,
Ladies and Gentlemen,

At the outset I wish to endorse fully the statement by Minister Schwarzenberg on behalf of the European Union.

Mr. President,

Last December we celebrated the milestone adoption 60 years ago of the Universal Declaration of Human Rights. We stressed its fundamental importance then as well as now, and we celebrated the achievements within the field of human rights seen over the last sixty years.

For many people around the world, the rights enshrined in the Universal Declaration are only a dream – not a reality in their daily life. The 60th anniversary of the universal Declaration therefore does not leave room for complacency. Its celebration must not be allowed to overshadow the regrettable fact that the human rights situation in many parts of the world is still precarious. Executions of minors, use of torture, restrictions on the freedom of expression, persecution of persons because of their religion or race are only but a few of the grave violations faced by many.

Let us use the 60th anniversary to confirm our commitment to the promotion and protection of human rights and fundamental freedoms for all. Let us make it our common goal that the universal rights be enjoyed by all human beings in all corners of the world irrespective of origin, race, color or religious belief.

Mr. President,

It is the responsibility of all states to promote and protect the human rights and to ensure that the universality of human rights becomes a reality throughout the world. We – the member states of the United Nations – must therefore work together to secure that the Human Rights Council serve as the intended central platform for the promotion and protection of human rights and fundamental freedoms. Last year I pointed to two important yardsticks to this end: The Universal Periodic Review and the review of Special Procedures mandates.

Measuring the past year's work against these two yardsticks, I am pleased to welcome the completion of the first rounds of Universal Periodic Review – the UPR. Around one third of the member states of the United Nations have now been reviewed. The reviews have demonstrated the value and potential value of this instrument as a unique tool in the promotion and protection of human rights through monitoring and dialogue. I welcome active involvement in the process of NGOs and National Human Rights Institutions as foreseen.

One of the more important challenges to the instrument is the overwhelming interest to participate in the dialogues. This must be addressed. So must the question of making the recommendations more operational and securing thorough follow up to the recommendations.

Mr. President,

The UPR clearly underlines the pivotal role for independent international monitoring in holding states responsible for the implementation of human rights. All states must cooperate fully and in good faith with the international monitoring mechanisms.

I encourage all states to issue a standing invitation to all Special Procedures established by the Human Rights Council and to honor such invitations in practice. The criticism such visits may result in should be seen as part of a constructive dialogue leading to an improvement of the human rights situation in all countries.

Mr. President,

I am also pleased to welcome the extension during the course of the last year of mandates of Special Procedures. This includes the mandate of the Special Rapporteur on Torture. I also welcome the extension of the mandate of the Special Rapporteur on freedom of expression.

We need to strengthen – not weaken – the Special Procedures and their mandates in the service of promotion and protection of human rights. I therefore regret the adoption last March of an amendment to the mandate of the Special Rapporteur on freedom of expression that risks shifting focus from the protection of freedom of expression to restrictions in the freedom of expression. This undermines our ambition of making the Council the central – and credible – human rights platform.

I find it difficult to defend the Human Rights Council against the criticism expressed against it. We too are critical and share some of those concerns. To our frustration, we find ourselves spending time on defending what has already been achieved, rather than moving the human rights agenda forward, which should be expected of us.

Mr. President,

Next month the Durban review conference against racism takes place here in Geneva. The conference shall review the progress made in the fight against racism on the basis of the Durban Declaration and Plan of Action adopted at the Durban conference in 2001. Racism shows its ugly face in all parts of the world and must be addressed also through international cooperation. The review conference should and must be an important event to this end. Denmark is committed to making the conference a success, and has from the outset been actively engaged in the negotiations of a draft outcome document.

However, the preparations of the conference so far give rise to serious concerns, and a consensus based on the draft outcome document after the first reading seems unlikely. Attempts are being made to divert the focus of the conference away from the real problems of racism.

Denmark is committed to working for the promotion and protection of human rights. We cannot accept that the conference is being diverted from combating racism and racial discrimination to restricting freedom of expression or any other human right or fundamental freedom.

The stakes are high. If we lose focus, we risk that the consensus in Durban in 2001 will unravel to the detriment of our common endeavor to fight racism. It is a high price to be paid by those men, women, and children for whom racial discrimination is reality and who rely on us to further the international work to end their suffering. They are the focus of the Durban Review Conference. Let us keep that focus.

Mr. President,

Expectations to the new High Commissioner appointed last year are high from states and people alike – also when it comes to fighting racism and racial discrimination. Let me pledge Denmark's continued support for the work and independence of the High Commissioner and her Office. Rest assured that Denmark will continue to be among those states that will rebuff attempts to dispute the independence of or impose micromanagement on her office.

Mr. President,

Denmark sees it as a key foreign policy ambition to improve the human rights protection of all human beings. Implementation of existing commitments and obligations are at the core of our ambition. My Government will tomorrow – as part of our commitment to the Universal Declaration – launch a strategy for Denmark's international human rights work.

The strategy will be the key policy instrument carrying forward the Government's targeted, consistent and high-principled human rights policy. We will do so in conjunction with a new strategy to foster democracy and human rights in developing countries.

We commit ourselves – as part of the strategy – to counter attacks on the universality of human rights and fundamental freedoms as well as attempts to undermine these rights. And where human rights violations occur, we stand ready to consider how the situation is best and most efficiently addressed with dialogue and cooperation as our preferred tools.

Among our priorities will be human rights defenders, freedom of expression, rule of law, gender equality, Corporate Social Responsibility, torture and

the death penalty, freedom of religion and belief, respect for human rights in the fight against terrorism, indigenous peoples, and children.

We will continue our long standing commitment to the international fight against torture. We shall table a draft resolution at this session focused on the role and responsibility of medical and health personnel. We count on your support for the resolution.

Mr. President,

Let me conclude by renewing my call from last year for dialogue, cooperation and cultural understanding. Dialogue is at the core of any democratic process. Without dialogue there would be no democracy. Dialogue is also the prime confidence building measure among states.

Denmark firmly believes in and supports dialogue initiatives at all levels as a means to overcome prejudice, misconceptions, misperceptions and polarization.

States may not always agree and consensus may not always be achievable. The votes and explanation of votes in the Human Rights Council clearly testify to this effect. But as members of the United Nations, we have a duty to work for compromise, but the compromises must not undermine human rights and fundamental freedoms and their universality. I sincerely hope that this session will yield constructive results to the benefit of all people.

Thank you.

THE ARCTIC

Speech by the Danish Minister for Foreign Affairs Per Stig Møller
at the sixth ministerial meeting of The Arctic Council, Tromsø,
29 April 2009

Ministers,
Ladies and gentlemen,

It is a great privilege to be in Tromsø today and to formally accept the torch from Norway of the Arctic Council chairmanship. Norway has led the Council through a period of great changes in the Arctic and has done so with forward-looking thinking and energy. The Kingdom of Denmark – Denmark, Greenland and the Faroe Islands – will approach the task with the same vigor and devotion. We remain committed to dealing with the enormous challenges facing the Arctic region today. Some of these challenges were discussed in Ilulissat in May last year. However, the task of carrying the issues forward and developing common solutions lies to a large extent with the Arctic Council. Allow me to outline our ideas for the work in the Arctic Council for the next two years.

A primary objective of our chairmanship is to secure a strong platform for the Arctic Council. In the present dynamics of a changing Arctic we must safeguard continued sustainable development in this region. A forward-looking approach in the Arctic will have to rest upon the political framework of the Arctic Council.

Not least as a result of climate change the world's attention is directed to the Arctic region, and the possibilities it presents. In this new setting it will be of major importance for the Arctic Council to safeguard the inherent cultural, economic and political rights of the peoples and the Nations in the Arctic. The human dimension remains at the core of Arctic Council work. Developments in the Arctic – for good or for bad – directly influence life and living conditions for the Arctic populations. During our chairmanship we will continue to work together to develop tools for a better future for the peoples of the Arctic. Human health will be a priority issue in this respect.

The international polar year has produced major and important results.

During our chairmanship we will continue work to secure the legacy of the international Polar Year for the benefit of science and thereby for the Arctic residents.

Statements at yesterday's meeting, presided over by minister Støre and Vice-President Gore, once again clearly demonstrated that climate change is a global challenge with severe regional impacts. In the Arctic we already suffer disproportionately the consequences of climate change and we must adapt to the changes. Thus, climate change presents itself as the present overarching issue for work within the Arctic Council for the years to come. Looking towards COP15 and beyond, Denmark will carry the climate change agenda forward not least in terms of the Arctic challenge.

Scientific results again and again demonstrate that Arctic climate change is happening faster than we thought yesterday. As Arctic nations, we have a common responsibility to make sure that the international community is made aware of the effects of climate change in the Arctic. And we are determined to act decisively on the evidence at hand. NOT to act upon this knowledge is not an option. Therefore the Arctic Council must continue to address all the aspects of global warming – its regional consequences as well as its global impacts.

Adaptation to climate change is a core issue for this forum. But we should also use the Arctic Council to discuss what we as Arctic nations can do to enhance global climate policies and mitigate global warming. Concrete policy responses are urgently needed in the international negotiations as well as in our own countries. We are well placed within the Arctic Council to exchange experience and to help each other finding a way forward.

The Arctic states are responsible for a large share of the global emissions of greenhouse gases. We have a special responsibility to respond to the findings of the Arctic Climate Impact Assessment and other reports on man-made climate change. The Arctic is already striving to cope with the effects of climate change and we know for a fact that we have only seen the early signs of global warming. We need effective policy responses and we need them now.

Climate changes and the increase in activities in the Arctic have resulted in new challenges to the Arctic biodiversity and the sustainable use of the Arctic's living resources. During our chairmanship we will continue to support cooperation on these matters. By recognizing that the United Nations have declared

2010 the International Year of Biodiversity, the Arctic Council becomes an important player in helping to increase awareness on all levels of the importance of Arctic biodiversity. Working groups are actively contributing to these efforts making extensive use of traditional indigenous knowledge.

Exploitation of renewable and non-renewable resources is crucial to the development of the Arctic. This development must however take place on a sustainable basis. The results produced by Arctic Council Working groups will help secure the standards and guidelines necessary in this respect.

Increased access to the Arctic waters poses challenges and opportunities. We will seek to support co-operation in relation to search and rescue just to mention one thing. Another matter to explore might be guidelines in fields such as tourism. Finally we will have to stimulate the work in the International Maritime Organization on the issue of mandatory guidelines for shipping in Arctic waters.

Also, allow me to touch upon the role of observers in the Arctic Council. Denmark welcomes the input from observers in Council work, and sees great potential for observer participation and contribution not least in the working groups. We are confident that this is a common view. As the challenges in the Arctic mount, so does the need for more in-depth analysis and reporting on Arctic developments. We will facilitate discussions between Arctic Council member states on the role of observers, and will strive to find a solution acceptable to all.

We look forward to a productive chairmanship with your kind assistance in furthering the common goals. To do the hard work I have appointed Ambassador Lars Møller as chair of the Senior Arctic Officials.

Let my final words be a thank to Norway and the Norwegian minister for foreign affairs, his able chairman of the Senior Arctic Officials, Ambassador Klepsvik, all the hardworking chairs of the Working groups and all those people having worked so hard to make this meeting a success.

Thank you for your attention.

AFGHANISTAN AND PAKISTAN

Presentation by the Danish Minister for Foreign Affairs
Per Stig Møller at the G8 Outreach Meeting on Afghanistan and
Regional Dimension, L'Aquila, 27 June 2009

Mr. Chairman, Excellencies, ladies and gentlemen,

As a proven friend of Afghanistan and Pakistan, I wish today to send a strong signal of Denmark's continued support and commitment. If we are to help these two countries overcome the challenges they face, we must view the challenges in a broader regional context.

The region of South Asia is without doubt a significant global security challenge as well as a regional one. An approach focused only on Afghanistan or Pakistan without a comprehensive strategy to, and understanding of, the entire region, would be like attempting to build a house without a foundation.

We have several times witnessed that when the Afghan house catches fire, other houses in the region risk bursting into flames too. We therefore need to address cross-boundary and regional challenges in order to improve the security and livelihood of the peoples of Afghanistan and Pakistan. As a fundamental basis for such an approach, I warmly welcome this attempt to develop a constructive dialogue with all countries across the region.

Excellencies, friends and colleagues,

It is this precarious security situation in the region that has led to the displacement of millions of people – Afghans, Pakistanis, and others. The consequence is local misery and global terror. It is our job to alleviate the terrible human suffering and to ensure that the displaced can return home to a better life in safe and secure surroundings. This way the refugees can be turned into potential positive resources that can and will contribute to making Afghanistan and Pakistan secure and prosperous nations.

A comprehensive solution to the displacements in the region depends not only on progress in reconstruction and state-building, but also on overall improvements in regional security. In the long term, repatriation requires regional

agreements and coordination as an integral part of our joint efforts to ensure that the displaced one day will be able to return to better and safer lives. Allow me to recognize the work of UNHCR both in this region, as well as universally.

Excellencies,

How can we – the international community and neighboring countries – best assist Afghanistan and Pakistan in bringing their refugees and displaced back home? Fortunately, we do have some mechanisms at hand: The democratic Government of Pakistan has created a valuable tool for us in helping Pakistan help itself: The Friends of Democratic Pakistan. The Friends Group has great potential to serve as a strategic framework for coordinating the international community's support. But our support must be based on a Pakistani strategy that has evolved from Pakistani leadership and ownership. We look forward to working with the Pakistani Government on this basis in preparation for the Friends' meetings in September.

In Afghanistan we can use existing tools for assistance and coordination. Many of us provide security assistance, and most of us provide development aid. UNAMA is a central mechanism for coordinating these efforts to build the Afghan society. But at the same time, we must ensure the Afghanisation of the whole process – in order to make sure that the Afghans take over the responsibility for their own destiny. Coordination and Afghanisation will be the focus on our combined efforts in the years to come.

Excellencies,

My final point would be this:

In the past our inaction and inefficiency led to deep suffering for millions of people. It allowed radicalism to grow and made the civilian population vulnerable to recruitment from extremist groups. Today, it is important that we act with determination.

We must not allow the creation of tomorrow's Taliban today. Instead we must seize the opportunity to turn refugees into citizens. Pakistan and Afghanistan need and deserve their resourcefulness and their resilience.

Thank you.

THE FINANCIAL CRISIS

Speech by the Danish Minister for Foreign Affairs Per Stig Møller at the Danish Institute for International Studies in connection with the opening of a G20 conference and the launch of a prize paper competition, Copenhagen, 16 September 2009

First of all, let me thank the organizers of today's conference, the Danish Institute for International Studies and its chairman, Professor Georg Sørensen, for inviting me to give a few opening remarks. It is a privilege to come here to the institute and participate in a debate with world class academics about the hottest topic of the day, which is dominating the news media. I am also happy to see so many young researchers from across the world brought together and three very distinguished keynote speakers.

Next week on the 24th and 25th September political leaders from the world's major economies will meet at the G20 summit in Pittsburgh. On their agenda will be the same topic we discuss at this conference: How to reform the Bretton Woods institutions.

This question is as complex as it is important. Personally, to me as Danish foreign minister, the most interesting question to be answered is how to construct a more stable, resilient and fair global financial system that also responds more effectively to the needs of the poorest countries. I will be looking forward to learn more about your conclusions after the conference.

I also have some views on how to reform the Bretton Woods institutions which I would like to share with you. But before I do this, I need to say a few words about the financial crisis and the development since September last year.

A year ago, yesterday, on the 15th of September 2008, Lehman Brothers – one of the world's largest investment banks – collapsed. I think it is fair to say that it came as a total shock to the financial markets. Almost everybody had thought that Lehman Brothers was an institution 'too big to fall', and now, instead, everybody was asking – who is next?

The collapse of Lehman Brothers very nearly led to a global financial meltdown. The vital circulation of money and credit stopped overnight. Mistrust

and fear reigned in the world of international finance. 'Cash was King' and nobody dared to extend credit to anybody. At that moment in late September 2008 the world economy was at the brink of a total crash.

Fortunately, the response from central bankers in September 2008 was fast and furious. In a coordinated move, led by the ECB and the Federal Reserve in the US, many central banks in Europe and elsewhere reduced interest rates and expanded liquidity in new and creative ways to the starving markets.

This was followed in November 2008 by the G20 summit in Washington, where the leaders of the Group of Twenty declared their commitment to combat the crisis. They agreed to implement expansionary fiscal policies, secure the financial market, reject protectionism, protect free trade, and advance a reform of the Bretton Woods Institutions.

At the G20 summit in London in April this year, the leaders of the Group of Twenty took further steps to calm the markets, which were still reeling. Their conclusions exceeded the expectations of most observers. Especially the agreement to increase the resources of the IMF through the additional \$1.1 trillion programme of support to restore credit, growth and jobs in the world economy.

In London the leaders of the Group of Twenty also pledged to strengthen the International Financial Institutions in order to help manage the crisis and prevent future crises. They declared their determination to reform and modernize the mandates of IMF and the World Bank and their scope and governance in order to reflect changes in the world economy and the new challenges of globalization. They also expressed that the emerging and developing economies, including the poorest, must have greater voice and representation.

In a speech I delivered in the US Congress in 2003, I appealed to the US to start the reform of the Bretton Woods institutions, so that they would correspond to the world of today and not to the world of 1945. It was obviously too early. But now at any rate, it is time, because next week in Pittsburgh these subjects will be discussed in detail. The discussions will take place on the basis of a report from the British Prime Minister, Gordon Brown. As the current chairman of G20, he was asked in London to present proposals for further reforms to improve the responsiveness and adaptability of the International Financial Institutions.

The Pittsburgh summit takes place under less gloomy circumstances than

the meeting in London in April. Recent economic data show some positive signs of relief in the second quarter of 2009. That is good, but most observers also agree that we are not yet out of the woods, and that it is very uncertain whether the economic progress of recent months is sustainable.

I think the need for reform of the international financial architecture is just as urgent now as it was in September last year or in April this year when we feared the world economy was tilting towards a recession. At that time, we witnessed animal spirits in full swing! I hope the experience of an economic 'near death' has created a window of opportunity for reform. As President Obama's Chief of Staff has said: 'You should never let a serious crisis go to waste.' He is right. We need to act on it, and act decisively in order to build a better financial architecture for the future!

Now, much energy and justified indignation has gone into the systems of compensation to the lords of finance. Of course, these systems must be changed. They are wrong on moral grounds. They encourage extreme risk-taking and short sightedness, and it can never be right to privatise the profits and socialise the losses. Therefore, I strongly support the view – as recently presented by Brown, Sarkozy, and Merkel in a letter to the Swedish Prime Minister – that the bonuses to banking officers must be reduced. But stronger action against compensation policies and bonuses in the financial sector is not enough. More is needed in order to improve the global financial architecture.

The financial crisis has revealed strengths and weaknesses within the current international system. On the positive side, we can count flexibility and the ability to act quickly within informal groupings. However, the financial crisis has also shown that the formal international institutions – that is the UN, the IMF and the World Bank – have not been able to respond efficiently to the crisis.

The Group of Twenty has been the single most important forum with regard to crisis management and future guidance. And it has served the world economy well in this time of crisis. But it is not founded on any international treaty. It has no administrative body, and it has no formal powers. In the long run, the international society should not depend on such informal ad hoc groupings. The world needs formal – but still flexible – multilateral institutions, which are considered as relevant, effective and legitimate. Not only by

some countries, but by all countries, including the emerging economies and the poorest countries.

On global governance in general, and reform of the Bretton Woods in particular, two principles therefore seem to be at odds: Legitimacy and efficiency. But perhaps they can be aligned, because all countries share a common interest in a stable world economy and a financial system, which is guided by general rules applicable to all.

This common interest should make it acceptable for the major economies to give room to the emerging economies and developing countries, just as it should make it acceptable to the emerging economies and developing countries not to insist on unrealistic increases in decision making powers. Such a compromise would enable us to create an international legitimate body which can issue general rules and help stabilize the global economy.

Obviously, this implies reform of the mandates, scope, responsibilities and governance within IMF and the World Bank as stated by the Group of Twenty in London.

How the interests should be balanced is, of course, the big question. Some will undoubtedly lose status and influence, others will gain. Many would like to look at it as a zero-sum game, but that would be a narrow and superficial way of looking at it. Because the alternative is not the current status quo. The alternative is a proliferation of informal groupings – like the G8 or G20 or simply the G2 – which excludes most nations in the world!

At this moment, I don't know how the new balance should be attained. I hope you have some great ideas on this. It was Groucho Marx from the famous Marx Brothers, who said that 'Politics is the art of looking for trouble, finding it everywhere, diagnosing it incorrectly and applying the wrong remedies.' To prove Groucho wrong is one of the reasons to organise an informed discussion like the one we have today. To help politicians avoid making the wrong decisions!

Seriously, I think some of the parameters of the new balance should include not only the size of the economy and population, but also the financial contributions and responsibilities to the institution in question. The new balance could potentially reduce the influence of some European countries, but that

might be compensated by a stronger role for the European Union as a representative for all European countries.

The important thing to realize is that the European countries stand to lose a lot more influence and status if no action is taken. If we had taken action before the crisis, the US and the EU would have had more influence upon the reform of the global system than the case is now! If we don't come up with proposals for the future, I think important discussions and decisions will drift away from the existing international financial institutions to informal ad hoc groupings like the Group of Twenty, the G2 and probably new regionally based groupings in Asia, Africa and America. And we will drift away from the future.

I don't necessarily think we have lots of time to act. We must rather quickly propose significant changes to ensure a more stable, resilient and fair global financial system for the future that also responds more effectively to the needs of the poorest countries. We must change the system in order to maintain it, because we cannot do without it!

These questions concerning the financial crisis and reforming of Bretton Woods Institutions are important for everyone, but perhaps especially for young people and the new generation. Therefore – and before I give the floor to the chairman of this institute, professor Georg Sørensen – I would like to launch a new initiative of the Danish Ministry of Foreign Affairs.

For the first time my ministry organizes a prize paper aimed directly at young Danish students under 30 years to submit a paper and participate in the competition. The subject is 'The financial crisis and its consequences for the economic world order'. We look forward to receiving the ideas of the younger generations on this highly important issue. The competition will be organized in cooperation with DIIS and more information about this initiative is available on the Ministry of Foreign Affairs' website, which I presume you all follow on a daily basis.

I wish you all good luck and thank you for listening.

CLIMATE CHANGE AND FINANCING

Speech by the Danish Minister for the Climate and Energy
Connie Hedegaard at the opening of the United Nations Frame-
work Convention on Climate Change negotiations, Bangkok,
28 September 2009

Prime Minister, excellencies!

We have a tremendous task before us! You and I face the greatest expectations. Citizens across the world call for action on climate change! We must heed that call! If we fail, we will all face dire consequences.

My clear sense is that a new momentum appeared in the last two weeks. During The MEF-meeting in Washington, the Greenland Dialogue and the Climate Week in New York, Major players proved very constructive. For instance Japan came setting a bolder, more ambitious reduction target, and expressed will to build a strong technology platform. China's Hu Jintao talked concrete ambitious mitigation action in China, and specified concrete steps that China will take. And India engaged very actively in discussions on how it could deliver mitigation action with measurable mitigation outcomes. As Yvo de Boer just put it: Real turning point!

Further, a common sense of the needed vehicles to communicate and register NAMAs is emerging: Improved National Communications should include unsupported actions, a registry for NAMAs – whatever we call it – that matches action with support. The puzzle begins to show a clear picture of the instruments needed.

The key components of a technology mechanism also seem to unfold, as does the elements of an adaptation framework or programme – I want to stress that I see a strong and comprehensive adaptation framework and a technology mechanism as of paramount importance to an outcome in CPH. Your job now – the next two weeks – is to engage in 'full negotiation mode', building on this political progress – AND – to transform the political will into text. The best way to do this is by generating a substantially shorter negotiating text – as a key achievement here in Bangkok. This is imperative. We must have a text that is

operational, understandable, and suitable for further work. A text that spells out clear political options. This is currently not the case.

By the time we reach Copenhagen, we need a negotiating text that maps out the key political choices to decide on across the Bali building blocks. Ministers in all capitals will look at THIS meeting in Bangkok – and expect it to provide such a text. I urge you to approach these two weeks with a positive ‘can-do attitude’ and to narrow down the text to a set of key remaining issues! I know it is difficult. But I also do know that it is necessary. And it is doable!

Steady progress has been made over the summer. Despite the economic crisis, climate change is still high on the political international agenda. In that sense the Copenhagen deadline has already produced results. However with the pledges presently on the table from developed countries, we are not there yet – pledges are only equal to a 15 per cent reduction compared to 1990. Further, developed countries must urgently commit to deliver fast-track finance. And they must remember that such finance in the short term will only be a small part of the overall financial and technical support that must be delivered over time.

Honestly; I am disappointed with the G20 meeting last week. It did not deliver on climate finance as hoped. The next chance for the G20 will then be November. Fast-track finance is necessary to respond to the urgent adaptation needs identified already, to kick start mitigation actions and capacity building activities. Delivering on these needs is not impossible. On the contrary, it is wise and it can build trust. Developed countries must prove that they are serious. Action is needed. Developing countries need improved access to adequate, predictable, sustainable and additional finance.

Here in Bangkok we need to come closer to the delivery mechanisms and systems that we want for mitigation and adaptation action. And we need to be more precise on what kind of actions that should be financed. We need to build the post2012 financial architecture. I know it is technical. It is tiring. But I also know that it is necessary! And doable!

With these words, let me close by reminding you: Ministers can provide guidance at this stage, but you are the ones who will have to steer through the trou-

bled waters of negotiations: You are the ones who must deliver a clear foundation for ministers to take political decisions in Copenhagen.

Let me also give you a warning: We need a deal on all Bali building blocks. And we need to strike that deal now. The reasons are simple:

1. We have talked long enough. The world expects action – people all over the world want us to change tracks.
2. It won't be easier to wait: we have a window of opportunity now, who knows when that window will be shut.
3. The Bali building blocks go hand in hand: An example: With no ambitious mitigation commitments, we'll have no new and additional finance of scale for adaptation and mitigation, no incentives to develop technology for a green future economy.

And I could go on.

So all elements are integral parts of an outcome. We should respect that all 192 countries committed in Bali to include these elements. Bearing this in mind; my message to you is still: keep it simple! Keep it political! Keep it short! Make the choices clear. Don't cling to old patterns of disagreement. Heads of state are needed here. And if you think it's hard to make ministers of environment understand our issue at stake, I tell you, it won't be easier to make it clear to Heads of State. In Bali we agreed to the Bali Roadmap having Copenhagen as our common, final destination. Let's live up to our promises and deliver in Copenhagen. Politically I do not expect us to solve all details – but we have to agree on all key parameters in Copenhagen. That's exactly what's needed in a global deal.

Now let us move along – so we can reach an ambitious, agreed outcome by Copenhagen. It is wise! It is necessary! And it is doable!

GENDERED GOVERNANCE

Speech by the Danish Minister for Development Cooperation
Ulla Tørnæs at the Conference for Gendered Governance,
Copenhagen, 1 October 2009

Dear friends, Dear Gender Experts,

It is a great honor to stand here today before such a distinguished audience and present some remarks about the topic of gender equality, good governance and sustainable development. These three issues go hand in hand and are fundamental in my vision for the future. But let me first of all thank the organizers of today's conference and Mrs. Elsebeth Gravggaard in particular for being able to bring so many renowned gender experts together. It is really impressive!

Let me say right away that to me, good governance is gendered governance in the sense of governance performing on gender equality and women's rights.

As Minister of Development Cooperation, I am fully aware of my responsibility of ensuring that gender equality and the empowerment of women continues to be a top priority in Denmark's development cooperation. Internationally and globally. I can assure you that it will remain so, and that this priority will be promoted even further in our future efforts.

Gender equality is not only a Government priority, but a personal obligation close to my heart. Not only because I am a woman and a mother to three daughters, but because I know that without gender equality at the centre, there will be no democratic development and no sustainable development.

I have travelled extensively and had the opportunity to listen to many women. I have seen women be efficient agents of change, when they are given access to resources. I have seen women waiting in line for hours to cast their vote, and women eagerly learning about their rights and grabbing any opportunity to training and education. I have also seen how economic empowerment of women has improved the lives of families, because with this empowerment, children have been able to attend school and the food served at the dinner table got more nourishing.

What I have witnessed on the ground in developing countries led me to launch the 'MDG3 Global Call to Action' campaign, which has been a resounding success so far. The logic behind this campaign is simple. Women are an untapped potential for development. To truly combat poverty, women should be turned into equal development partners. It has been said quite often that the MDG3 is not only a goal in itself, but a means to achieve all the other Millennium Development Goals. This is true! Actually very true. And it deserves to be repeated, because if we do not make substantial progress on MDG3, we can never hope to reduce poverty significantly and obtain sustainable development.

The mid-term state of play with the implementation of campaign demonstrates in the mid-term status report that the MDG3 torch bearers, who have committed themselves to 'do something extra' for gender equality and women's empowerment, have indeed taken action.

The campaign was launched in March 2008, and the response has been tremendous. In September that year, 100 governments, international organizations, actors from the private sector and civil society as well as prominent individuals had given commitments. Ban Ki-moon, the UN Secretary General, received torch no 100.

And let me here take the opportunity to express my thanks to Gendernet, who has also received a torch and to all 29 member organizations for their commitments. Fantastic! Your contribution to the campaign is much appreciated and I see this conference as part of the implementation of the overall commitment to 'do something extra'.

The original intention was to let the campaign run for a year, but torches were in demand, and I was asked to extend the initiative to ensure that it will have an impact on the UN Millennium Development Goal-high level meeting planned for September 2010 in New York. Even the UN Secretary General Ban Ki-moon personally asked me to continue, which I think indicates the success of the campaign.

To ensure that gender equality and women's empowerment is high on the international agenda is one of the overall objectives of the campaign. Another is to work for increased resources to gender equality and women's empowerment.

I cannot claim that financial resources have increased substantially thanks only to the campaign, but I can say that the World Bank has provided an ad-

ditional 48 million dollars in credit lines for women entrepreneurs and that The Netherlands have increased their MDG3 Fund to 70 million Euro. These are significant amounts.

And let me also add that the campaign has generated rapid disbursements and many new activities. As we have no time to waste, the dynamic spill-over effect of the campaign is essential. Very, very essential.

Hillary Clinton recently received a torch, and I am looking forward to cooperate with the American administration as well as with the new President of IFAD, President Nwanze. President Nwanze will strengthen women's leadership and decision-making influence in agriculture as well as plead for increased investment in rural women.

Within the area of good governance, the guiding principles for Danish development support include promoting gender equality and special interventions aimed at supporting women's equal access to resources, influence and rights. And with a 'Gender Equality Toolbox' and an upcoming mandatory e-learning course on gender equality for all our staff, we translate policy papers into praxis. Implementation at country level is very important.

In Denmark's new overall strategy for international human rights, the strategic priorities for Denmark's support to good governance is indicated. The strategy emphasizes that the participation and the voice of all people in society, including the poor and marginalized groups, lies at the heart of democratization. To be efficient, such support needs to link consistently to the mechanisms that strengthen the accountability of state actors at both the national and the local level.

The strategy also recognizes the vital importance of women as a driving force in achieving sustainable and democratic development and underlines women's active participation in politics as essential. Furthermore, ensuring equal rights for both men and women, especially in the areas of property rights and family law, equal access to resources and equal opportunity to achieve political and economic influence is underlined.

Denmark has – as most UN members states – committed itself, internationally and nationally to promote women's status and gender equality by ratifying the UN conventions on human rights and the Convention on the Elimination of all Forms of Discrimination against Women from 1979 (CEDAW).

The political commitments are also a consequence of our accession to the UN Action Programme for the Population Conference in Cairo in 1994, which recognized the sexual and reproductive rights of women and girls as well as the Beijing Platform for Action from the Fourth World Conference of Women in 1995. This platform drew attention to mainstreaming as a central strategy for achieving increased gender equality. It also identified 12 critical areas of concern for promoting the status of women.

Despite the fact that clear progress has been made, women and girls still suffer extensive, systematic gender discrimination in a majority of countries. The nature and extent of this discrimination varies, but there is hardly any developing country, where women have equal status to men with respect to legal, social and economic rights. Progress on MDG3 is slow, not least in sub-Saharan Africa.

I was very happy when I learnt that the UN General Assembly had unanimously accepted to establish a new gender entity. Denmark has been in the forefront working for the Gender Entity, and we intend to continue pressure for the actual establishment of the entity as well as for the appointment of an Under-Secretary General to head it.

In my mind there is no doubt that we have to move faster on MDG3. In our bilateral development cooperation, good governance for sure includes gendered governance. The empowerment of women is also central in our discussions with the multilateral organizations receiving Danish support.

In July this year, Denmark was examined by the Committee on the Elimination of All Forms of Discrimination against Women and commended for mainstreaming gender equality and the empowerment of women in our development cooperation. We also received praise for allocating substantial financial resources to this purpose. We do our best. Bilaterally and internationally. And we will continue to do so in the future. Don't worry.

Thank you for listening and thanks to Gendernet for inviting me.

VISIONS FOR COPI5

Statement by the Danish Prime Minister Lars Løkke Rasmussen
at the GLOBE Copenhagen Legislators Forum, Copenhagen,
24 October 2009

Dear Colleagues,

Allow me to use the opportunity of your presence here at this critical juncture to share with you my vision of the Copenhagen Climate Conference. To share my aspirations, my perspective and my strategy.

THE ASPIRATIONS

Let me start out by stating the obvious: We cannot compromise on our ambitions to limit man made global warming to a maximum of two degrees centigrade. Science is very clear on this point: If we continue to increase the concentrations of greenhouse gases in the atmosphere, we are bound to pass a number of critical tipping points that may lead to dire consequences. And it is also clear that we can halt or change the trend. It is doable and indeed profitable compared to the cost of inaction, the cost of doing nothing.

The figures are well known. They will have to guide our efforts: Man made emissions should be halved by mid century. This implies that industrialized countries reduce with at least 80 percent from 1990 levels. This implies that emerging economies take rapid action to limit the growth of their emissions.

To me this is the starting point. And my aspiration for Copenhagen is simple: We must conclude a binding agreement that will set the world on the path to limit global warming to a maximum of two degrees. I know that many ask whether this is possible. And whether we are on track to reaching global consensus on such an agreement? My answer is clear. Yes, it is possible. The transition of the world economy into a low carbon development path is already under way. And political determination and investment is developing momentum at unprecedented scale.

THE NEGOTIATIONS

Are we on track for an ambitious agreement? Well, here the answer is less clear. Negotiations have been ongoing for almost two years and progress has been painfully slow. Clearly, at current speed, we will not make it in the remaining weeks.

On the other hand: One should not underestimate the progress made: Over the span of these two years, virtually all countries with major emissions have adopted ambitious climate legislation. And others are mounting new plans and political momentum to get them approved. Developed and developing countries alike are already committed to adopting both the targets and the policies that will help to curb emissions.

The world is changing and part of our task in Copenhagen is to capture this wave of change and turn it into an even stronger global commitment to meet the challenge of global warming. In doing so, we shall build on our commitments to agreed legal instruments, from the 1992 United Nations Framework Convention to the Bali Road Map from 2007.

Within the negotiations good progress has been made on a number of subjects, such as adaptation, technology and forests. We now need to resolve a number of key political questions remaining as yet unresolved: Questions linked to the commitment of developed countries to ambitious midterm reduction targets. Questions linked to the commitment of developing countries to pursue national actions to reduce growth in their emissions. Critical issues in relation to finance and the system of transparency.

The sense of urgency is setting in as we approach the deadline. It is time to give full speed to the negotiations. And we will act to make it happen. Therefore, in less than a week in Barcelona, The Danish Minister for Climate and Energy will convene a group of fellow ministers from all parts of the world to kick start the last remaining negotiation week with a strong and clear political commitment.

Moreover, ten days after the conclusion of the Barcelona meeting, the minister will again convene a ministerial meeting at the Pre-COP to be organized by mid-November in Copenhagen. With the mobilization of the necessary political will we can ensure that the negotiations progress to a point where we by Copenhagen can outline the elements that will form the core of a new, ambitious climate agreement.

IMMEDIATE IMPLEMENTATION

As the incoming presidency of the Conference, I have engaged over the last weeks and months in intensive consultations with leaders from around the world. Their message is clear: Let's do it! And let's do it in Copenhagen.

I sense an unprecedented political commitment to seize the moment. I sense that the scope of the problem is well understood. And I sense that the advantages of early action are generally shared: We must move beyond the past and quick-start the future. I hear the same message from populations and from business around the world. We need to act. And we need to act now. We need to lower the cost and seize the opportunities inherent in the transition.

On this basis, I suggest that we lock in the determination to act already by Copenhagen and seek political commitments for immediate implementation. I believe that all the key components of the deal can be achieved in Copenhagen.

In order to achieve this, the Copenhagen Agreement should be ambitious; it should be binding and it should be concrete. It should build on the principles established by the existing legal framework, most notably the principle of a common but differentiated responsibility. It should capture and encourage the contributions individual countries are willing to undertake within all areas of the Bali Road Map, including specific and binding commitments on mitigation and finance. In the context of immediate action, significant up front finance for both early mitigation and adaptation efforts of the poorest and most vulnerable countries will be of particular importance. In order to ensure transparency and that the individual countries are standing behind their commitments and deliver on their promises, we shall also need a system of measurement, reporting and verification.

This is the agreement we must reach. It will both provide guidance for our lawyers to finalize the details of the internationally legal binding agreement and for world leaders to commit to specific immediate action, starting January 2010. In this way, Copenhagen could provide for immediate action based on a comprehensive set of binding, political commitments from world leaders. The Copenhagen Agreement would thus serve two purposes:

1. To direct further negotiations towards concluding outstanding details in a new legal climate regime
2. To capture and encourage political commitment in order to provide for immediate action to combat global warming.

Political commitment to immediate action will also serve to focus and strengthen the negotiations on the legal agreement. It is important that these two purposes will merge in one decision at COP15.

PROCESS

In the coming weeks, I will systematically seek to engage a growing number of leaders. Let us call it 'The Copenhagen Commitment Circle'. Our joined goal should be to keep the momentum high in order to reach agreement on a binding, global agreement in Copenhagen and make sure we can start implementing it immediately. I call on every one of you present here today as well as every leader around the world to engage to make this vision reality. With the expected progress in the coming weeks, we shall pave the way for leaders to meet in Copenhagen in order to seal the deal.

Dear fellow parliamentarians,

Your contribution is essential. And I'm impressed by the magnitude of this gathering across nations, continents and chambers. You have a particularly critical role – in terms of shaping and passing domestic legislation. You are the ones whom can make or break the negotiations in December, according to the mandates to adopt for your governments. And after COP15, you can hold governments accountable on both national and international commitments. Therefore, I fully support your initiatives in Globe International. I'm looking forward to your report, and hope to see you all again here in Copenhagen in December.

Thank you.

CLIMATE CHANGE AND COP15

Speech by the Danish Prime Minister Lars Løkke Rasmussen at the Opening of COP15, Copenhagen, 7 December 2009

Ladies and gentlemen, excellences, engaged people of the world,

Welcome to Denmark. Welcome to Copenhagen. Welcome to two weeks where we are to perform, what is most difficult in politics: To make difficult – but necessary – decisions now, in order to address mounting problems of the future.

Global Warming knows no border. It does not discriminate. It affects us all. And we are here today, because we are all committed to take action. That is our common point of departure. The magnitude of challenge before us is to translate this political will into a strong common approach: To forge an agreement that will provide for effective global solutions.

Climate change is higher on the agenda than ever. And so it should be: The grim projections from science grow more alarming each day. And already many face the dire consequences of global warming. It is our mission to come to the aid of those, who already suffer and to deliver a long term solution to the mounting problem of global warming. This is our task. This is why we need a strong and ambitious climate change agreement here in Copenhagen.

The sheer magnitude of our task is matched only by our determination. For more than a year, we have been conducting intensive consultations in preparation for this conference. In that context I have had the pleasure of engaging with leaders from around the world. Your leaders. Without exception, they have been supporting an ambitious agreement to halt global warming. I am painfully aware, that you have different perspectives on the framing and precise content of such an agreement. And I am sure that no one in this hall underestimates the difficulty we are facing in finding a common approach in the coming two weeks.

But the political resolve to forge a global agreement is manifest. And differences can be overcome, if the political will is present. I believe it is. As we move ahead over the next days, we will rely critically on you to help to develop an

agreement that is both acceptable to all parties and at the same time strong and ambitious. An agreement that is just and equitable. An agreement that is effective and operational.

To achieve that, we shall need all the technical skills and diplomatic entrepreneurship you command. The world relies on you to successfully conclude the country-driven process that you launched in Bali. It relies on us to support you in achieving that success in an inclusive and transparent manner.

As I speak to you this morning, 110 heads of state and government have announced that they will be coming to Copenhagen next week to participate in the concluding days of this Conference. Their presence reflects an unprecedented mobilization of political determination to combat climate change. It represents a huge opportunity. An opportunity the world cannot afford to miss. Your leaders do not come just to talk. They come to act. And they come – not to agree to just anything – but to agree to an effective deal based on our fundamental principles, on our common resolve and on the political, social and economic reality in our countries throughout the world.

The agreement, world leaders should adopt next Friday must be founded on the legal principles inscribed in the Framework Convention and it must respond to all aspects of the mandates agreed upon in Bali two years ago. It must seek to capture progress achieved within the negotiations, both under the Convention and under the Kyoto Protocol, providing a powerful response. Importantly, it must launch immediate action.

The deal, that we invite leaders to sign up on, will be one that affects all aspects of society – just as the changing climate does. Therefore, the involvement of civil society is of paramount importance. Just like negotiators cannot do this alone, nor can politicians. The ultimate responsibility rests with the citizens of the world, who will ultimately bear the fatal consequences, if we fail to act.

As decision makers, it is our obligation to provide the framework for change. And we must unlock the potential for low carbon prosperity. But in order to realize the full potential, our citizens must eventually make it happen. Throughout 2009, some of the most important civil society stakeholders have gathered here in Copenhagen. At conferences, symposia, roundtables and manifestations most different branches of civil society have voiced their concern and made their recommendations.

Scientists have assessed the latest facts; business leaders the opportunities;

NGO's, parliamentarians, local politicians, youths and many others the political aspects. We owe them our gratitude for their help in preparing the ground work for our effort and for having contributed to our negotiations. We need to listen to their advice. We are their representatives.

The climate agenda has created global communities across all barriers. We need this global momentum. And we need to build on it. Let us not focus on what divides us, but let us keep focused on what brings us together.

While you are here in Copenhagen in search of new ways to handle climate change, I hope you will also find inspiration around you. We can change, and we have to change. Therefore, we have tried to make a new and different conference in Copenhagen. We have no bottled water, only pure, clean drinking water from the tap. Two thirds of all food here at the conference is organic. We have tried as hard as possible to limit the carbon footprint of the conference. If you have time, please attain some inspiration outside the conference centre. In Copenhagen you will find a large variety of cultural and green tech events.

Looking in your conference kit, you were perhaps disappointed – or perhaps relieved – not to find a figurine of the little mermaid or other conference souvenirs. We have chosen to cut back on gifts and instead invest in eleven scholarships for students from around the world who are attending a fully financed two year MA programme in Denmark. The eleven climate scholars will return to their home countries with knowledge and results that can provide a better future. So should we.

Leaders, grass roots and citizens all over the world have sent a strong message of hope for our planet. 4 million people have spoken their mind on the YouTube COP15 channel. And without hope for a better world there is no basis for a sustainable agreement in Copenhagen. Hope is the starting point of all major efforts.

Ladies and gentlemen, the world is depositing hope with you for a short while in the history of mankind. For the next two weeks Copenhagen will be Hopenhagen. By the end, we must be able to deliver back to the world, what was granted us here today: hope for a better future. I call on all of you to make your contribution. To be constructive, flexible and realistic. To be vigilant in your efforts to reach agreement and to show regard to the constraints of other

negotiating partners. You must do all this and still be ambitious, courageous and visionary.

A deal is within our reach. Together we can accomplish what must be accomplished.

Thank you very much.

COPI5

Opening speech by the Danish Minister for the Climate and Energy Connie Hedegaard at the high-level segment of COPI5, Copenhagen, 15 December 2009

Your Royal Highnesses, Ministers, Excellencies, ladies and gentlemen!

In these hours, success is still within reach. But as COP President, I must also warn you: We can fail. Probably without anyone really wanting it so. But because we spent too much time on posturing, on repeating positions, on formalities. If we are going to make it – and we are! – well, then we must change gears. We can't risk failure. No one here can carry that responsibility. That means that the key word for the next two days must be compromise.

In the past year, people from all parts of the world, all walks of life, have raised their voice demanding action. From the poor farmers in Mali suffering droughts and sudden showers; to Pacific Islanders already forced into exile. From Bengali women in cyclone shelters to Inuit who can no longer trust the wisdom of their ancestors. From union leaders to CEOs; from grassroots to heads of state; from scientists to leaders of faith, the call has been the same:

Act! Now! Please!

Hundreds of thousands have taken to the streets. Millions have signed petitions. Billions are out there worrying – expecting their leaders to agree on the answers to the challenge.

This is my 6th COP. At each one I have listened to the talks, heard the many fine words and basically never understood that the steps forward had to be that small. Much has changed over these five years. And the fact that more than 100 Heads of State and Government are joining us here in Copenhagen is the best sign of the change. Now climate has moved to the top of the international agenda. That is a fantastic and important achievement.

But now it is time to take big steps. That is the only way to overcome the seem-

ing discrepancy between the call for action outside – and the pace of progress here, inside. Big steps. To make our work inside correspond with the expectations outside is what the next few days are all about. And in the next two days we must make the decisions that we have been preparing for the last two years. Small steps must be followed by big steps.

Denmark has taken on the presidency, in confidence of your cooperation. In the next days, we will do what is necessary to live up to the responsibility we have been given. We will do everything to live up to the trust you have shown us.

But we can't do anything without you, the parties. You must compromise. You must commit. You must deliver – now! Not only because of the climate. There is even more at stake. This is also about the world's confidence in their global leaders' will and ability to cope with the challenges of our time.

So: Excellencies! Let's get it done! For years, disagreement has held us back. Now, we must turn division into decision. And remember: We are all accountable. Not only for what we do. Also for what we fail to do. In the next three days we have a unique chance. We can choose between fame and shame. We can favour action over stalemate.

So: Let's walk those last steps! Let's get it done!

Chapter 3

Danish Foreign Policy in Figures

Danish Official Development Assistance · 208

Danish ODA

Danish ODA (by category, net disbursement)

Danish Bilateral ODA (by country category)

Assistance under the Neighbourhood Programme · 209

*Danish Official Development Assistance under the Neighbourhood Programme
(by country)*

Defence · 210

Defence Expenditures to International Missions

The EU · 211

Financing of the EU budget

DANISH OFFICIAL DEVELOPMENT ASSISTANCE

Danish Official Development Assistance (ODA) 2006-2009

(Current prices – million DKK)	2006	2007	2008	2009
ODA net disbursement	13,289.30	13,945.22	14,489.95	15,021.90

Danish ODA – by category (net disbursement) 2009

	Million DKK	Percentage
Bilateral assistance	10,187.50	67.8%
Multilateral assistance	4,834.40	32.2%
Total	15,021.90	100.0%

Danish Bilateral ODA (by country category) 2006-2009

		2006	2007	2008	2009
Least developed countries	Million DKK	3,508.2	3,898.3	3,863.1	4,255.8
	Per cent	40.3%	43.4%	40.9%	41.8%
Low income countries	Million DKK	2,970.1	2,868.4	2,883.8	2,671.3
	Per cent	34.1%	31.9%	30.5%	26.2%
Other developing countries	Million DKK	211.4	30.2	225.4	173.0
	Per cent	2.4%	0.3%	2.4%	1.7%
Other	Million DKK	2,010.3	2,186.2	2,475.6	3,087.4
	Per cent	23.2%	24.4%	26.2%	30.3%
Total	Million DKK	8,700.0	8,983.1	9,447.9	10,187.5
	Per cent	100.0%	100.0%	100.0%	100.0%

Source: Danish Ministry of Foreign Affairs.

ASSISTANCE UNDER THE NEIGHBOURHOOD PROGRAMME

Danish Official Development Assistance under
the Neighbourhood Programme

(by country)

Disbursements 2009

Recipient Country	DKK	Percentage
Albania	3,400,000	1.9
Belarus	8,100,000	4.5
Bosnia-Herzegovina	17,400,000	9.7
Caucasus, the (Armenia, Azerbaidian, Georgia)	20,000,000	11.1
Cental Asia	6,400,000	3.6
Croatia	6,300,000	3.5
Kosovo	29,000,000	16.1
Moldova	700,000	0.4
Montenegro	1,500,000	0.8
Neighbourhood countries, regional contributions	17,900,000	9.9
Russia	34,000,000	18.9
Serbia	20,900,000	11.6
Turkey	7,500,000	4.2
Ukraine	7,100,000	3.9
Total	180,200,000	100

Source: Danish Ministry of Foreign Affairs

DEFENCE

Defence Expenditures to International Missions

(This years prices – million DKK)	2006	2007	2008	2009	2010
Participation in UN, OSCE, NATO and other multilateral missions ¹	914.3	977.5	979.4	1,362.1	1,030.0
NATO ²	658.4	666.2	635.4	659.0	740.3
International Security Cooperation	80.1	54.4	62.5	92.9	65.0
International expenditures in total	1,652.8	1,698.1	1,677.3	2,114.0	1,835.3

Notes:

- ¹ Only additional expenditures are included in the figures, excluding notably basic salaries.
From 2010 all expenditures concerning participation in multilateral missions are included in Defence Command Denmark budget.
- ² Includes 'special expenditures regarding NATO' plus expenditures for NATO staff (net).
For 2006-2009, account numbers have been used.
For 2010, budget numbers have been used.

Source: *Danish Ministry of Defence.*

THE EU

Financing of the EU Budget 2010 (official exchange rate)

	Billion Euro	Percentage
Austria	2.487	2.32
Belgium	3.324	3.10
Bulgaria	0.342	0.32
Cyprus	0.176	0.16
Czech Republic	1.280	1.19
Denmark	2.352	2.19
Estonia	0.133	0.12
Finland	1.768	1.65
France	19.318	18.00
Germany	21.016	19.59
Greece	2.423	2.26
Hungary	0.830	0.77
Ireland	1.350	1.26
Italy	14.884	13.87
Latvia	0.174	0.16
Lithuania	0.263	0.25
Luxembourg	0.286	0.27
Malta	0.058	0.05
Netherlands	4.310	4.02
Poland	2.867	2.67
Portugal	1.551	1.45
Romania	1.254	1.17
Slovakia	0.675	0.63
Slovenia	0.362	0.34
Spain	10.298	9.60
Sweden	2.337	2.18
United Kingdom	11.173	10.41
Total	107.303	100.00

Source: EU-Tidende

Chapter 4

Opinion Polls

Afghanistan · 214

The Danish EU Opt-Outs · 215

Gaza · 220

The Financial Crisis and the Euro · 221

Anders Fogh as Secretary General of NATO · 222

Climate Change and COP15 · 223

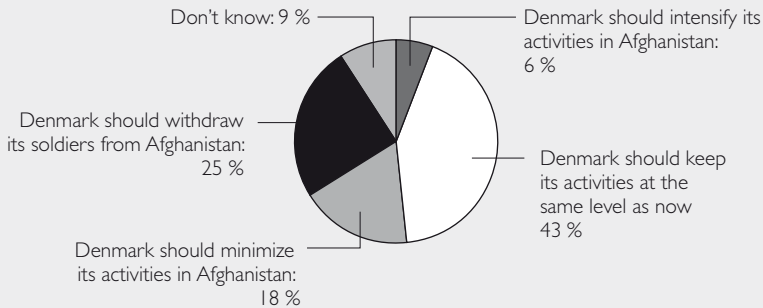
AFGHANISTAN

In April 2009, TNS Gallup in cooperation with the Danish newspaper *Berlingske Tidende* polled a representative sample of the Danish population (1.011 people aged 18 or older) concerning their attitudes towards Afghanistan.

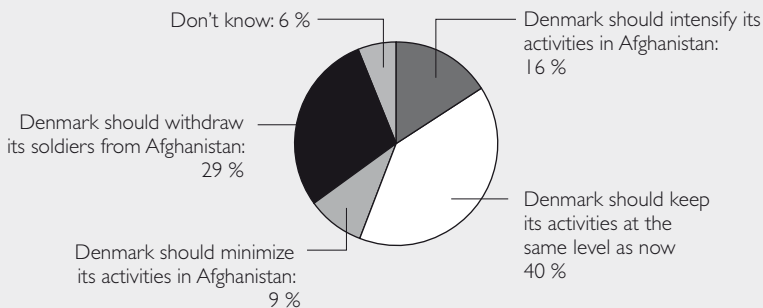
Question 1:

Do you think that Denmark should intensify, minimize or keep its activities at the same level as now in Afghanistan?

April 2009



April 2008



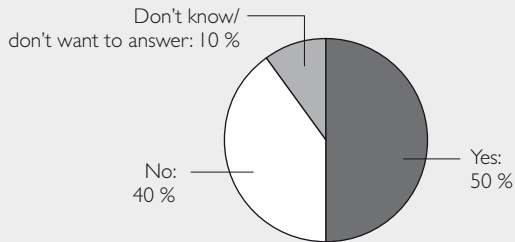
THE DANISH EU OPT-OUTS

In December 2009 the research institute, Greens Analyseinstitut, in cooperation with the Danish newspaper *Børsen* polled a representative sample of the Danish population (1.001 people aged 18 or older) concerning their attitudes towards the Danish EU opt-outs.

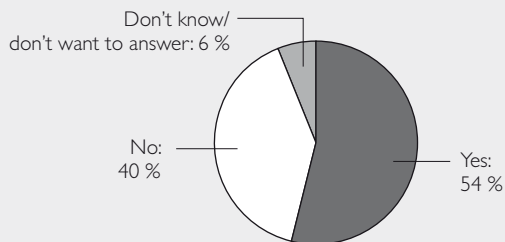
Question 1:

How would you vote in a referendum on Danish participation in the Single European Currency?

December 2009

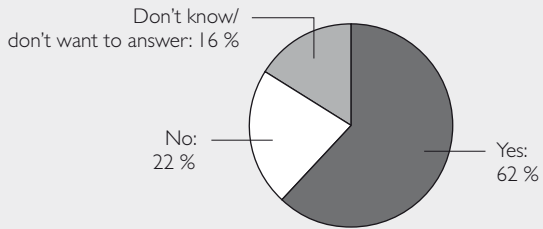
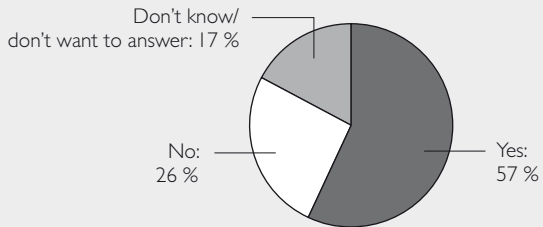


December 2008



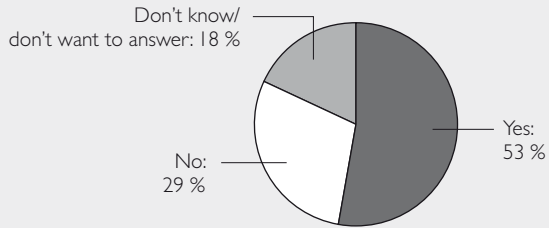
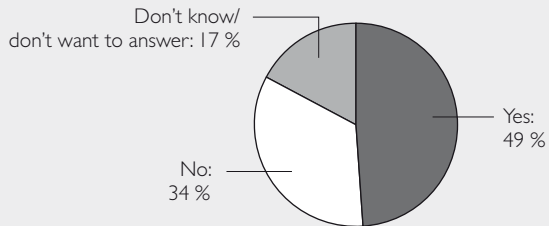
Question 2:

How would you vote in a referendum on Danish participation in the Common Defence?

December 2009**December 2008**

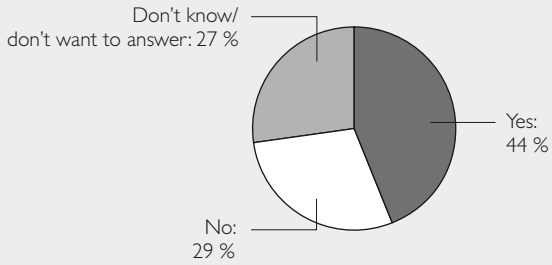
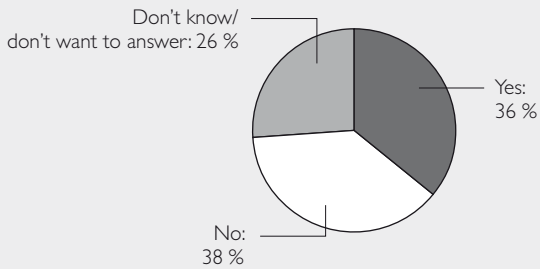
Question 3:

How would you vote in a referendum on Danish participation in the area of Justice and Home Affairs?

December 2009**December 2008**

Question 4:

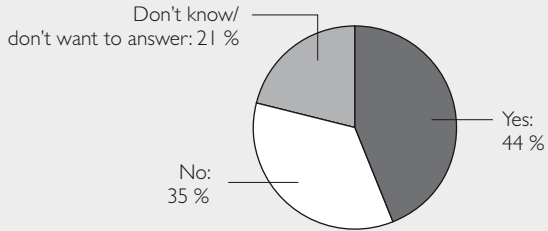
How would you vote in a referendum on Danish participation in the Union Citizenship?

December 2009**December 2008**

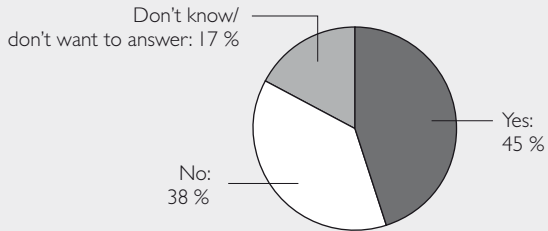
Question 5:

How would you vote in a referendum on all four opt-outs together so that yes would mean that all four opt-outs would be abolished and no would mean that all four opt-outs would be maintained?

December 2009



December 2008

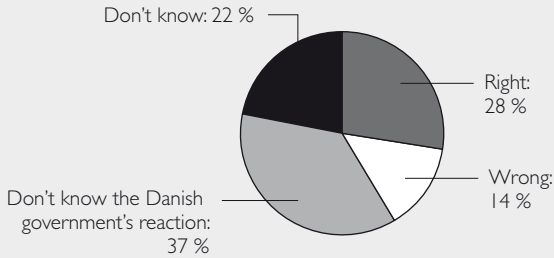


GAZA

In January 2009, TNS Gallup in cooperation with the Danish newspaper *Berlingske Tidende* polled a representative sample of the Danish population (1.105 people aged 18 or older) concerning their attitudes towards the conflict in Gaza.

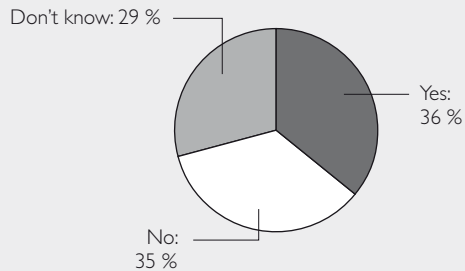
Question 1:

Do you think that the Danish government's reaction to the conflict in Gaza is right or wrong?



Question 2:

Do you think that Israel's use of force should have consequences, for example by the European Union freezing its negotiations on a political and economic partnership agreement with Israel?

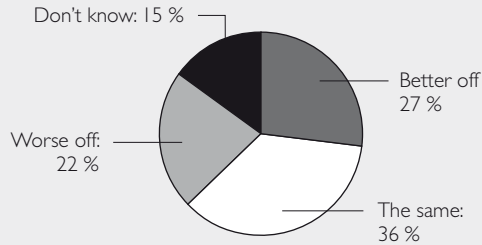


THE FINANCIAL CRISIS AND THE EURO

In January 2009, TNS Gallup in cooperation with the Danish newspaper *Berlingske Tidende* polled a representative sample of the Danish population (1,005 people aged 18 or older) concerning their attitudes towards the financial crisis and a possible future Danish participation in the Single European Currency.

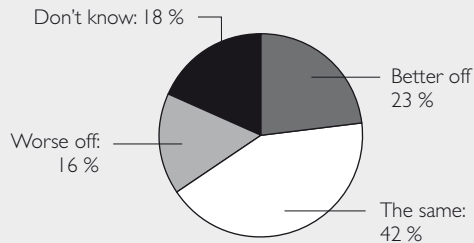
Question 1:

Do you think that Denmark would generally be better or worse off financially if we joined the Single European Currency (the euro)?



Question 2:

Do you think that Denmark would be better or worse off during financial crises – like the current one – if we joined the Single European Currency (the euro)?

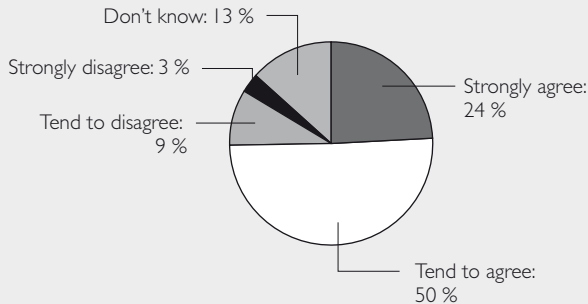


ANDERS FOGH AS SECRETARY GENERAL OF NATO

In April 2009, TNS Gallup in cooperation with the Danish newspaper *Berlingske Tidende* polled a representative sample of the Danish population (1.177 people aged 18 or older) concerning their attitudes towards former Prime Minister Anders Fogh Rasmussen probably becoming Secretary General of NATO.

Question 1:

Do you mostly agree or disagree with the following statement: The fact that Anders Fogh Rasmussen will probably become Secretary General of NATO strengthens Denmark's reputation in the world.



CLIMATE CHANGE AND COPI5

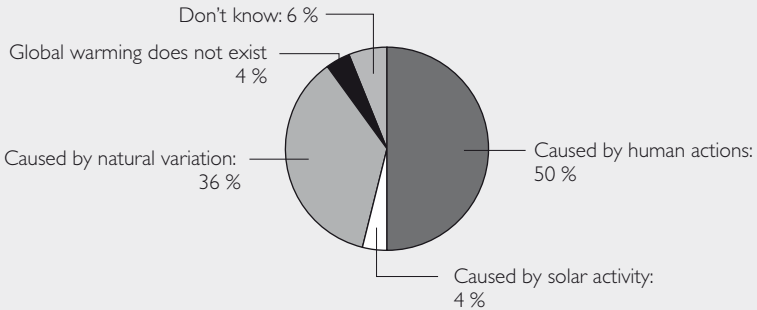
CLIMATE CHANGE

In February 2010, TNS Gallup in cooperation with the Danish newspaper *Berlingske Tidende* polled a representative sample of the Danish population (1.186 people aged 18 or older) concerning their attitude towards climate change.

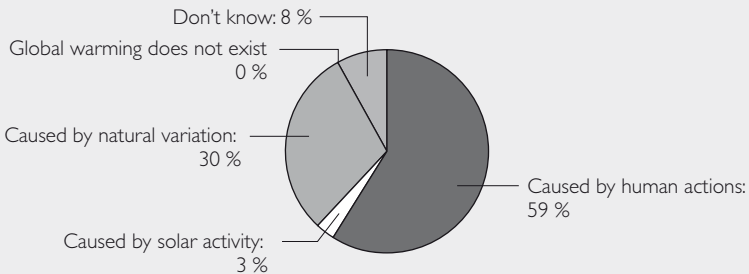
Question 1:

Do you believe that global warming is...

February 2010

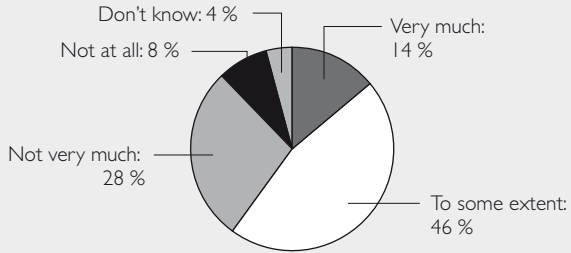
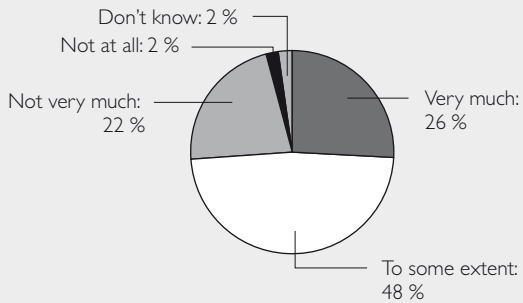


April 2008



Question 2:

To what extent do you, as a citizen of the world, fear the consequences of global warming towards 2100?

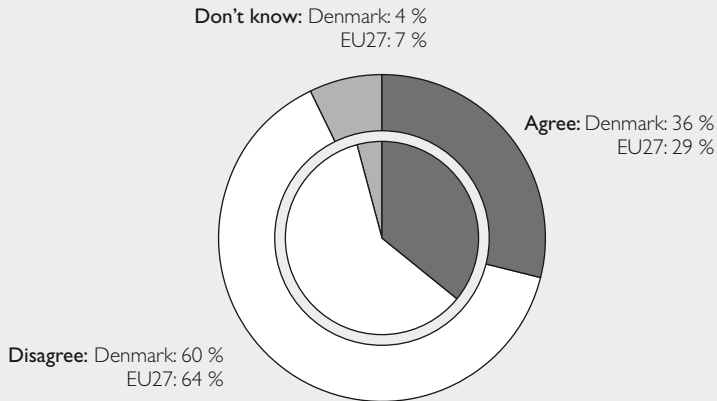
February 2010**April 2008**

CLIMATE CHANGE – DANES VS. EU27

In August and September 2009, Eurobarometer polled a representative sample of the Danish population (1.020 people aged 18 or older) and a representative sample of the EU27 population (26.719 people aged 18 or older) concerning their attitude towards climate change.

Question 1:

For the following statement, please tell me whether you agree or disagree: The seriousness of climate change has been exaggerated.



Denmark: Inner pie.

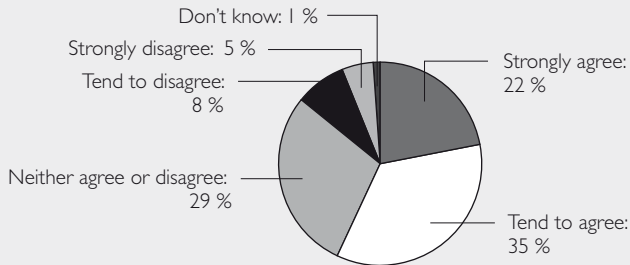
EU27: Outer pie

COP15

In December 2009, Capacent in cooperation with 'Wonderful Copenhagen' polled a representative sample of the Danish population (603 people aged 18 or older) concerning their attitude towards COP15 taking place in Denmark.

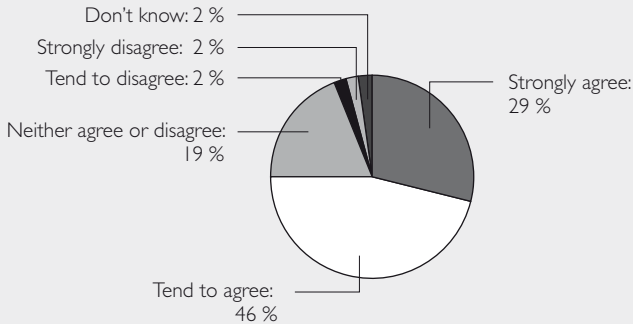
Question 1:

I am proud that an event such as the UN Climate Change Conference (COP15) is taking place in Copenhagen.



Question 2:

It benefits Denmark's international reputation when Denmark hosts big political summits, sport events or cultural events.



Chapter 5

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