

DANISH  
FOREIGN POLICY  
YEARBOOK  
2013

EDITED BY NANNA HVIDT AND HANS MOURITZEN

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DIIS · DANISH INSTITUTE FOR INTERNATIONAL STUDIES

# DANISH FOREIGN POLICY YEARBOOK 2013

Edited by Nanna Hvidt and Hans Mouritzen



DIIS

Danish Institute for International Studies 2013

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# Contents

Preface · 7

## Chapter 1: Articles · 9

The International Situation and Danish Foreign Policy 2012 · 15

*Claus Grube*

In the Shadow of Kim Davy:

India–Denmark Relations in the Early 21<sup>st</sup> Century · 53

*Ravinder Kaur*

The BRICS and Denmark – Economics & High Politics · 78

*Mette Skak*

The Fiscal Compact, Euro-Reforms and the Challenge  
for the Euro-Outs · 113

*Derek Beach*

Denmark Between Venus and Mars: How Great a Change  
in Danish Foreign Policy? · 134

*Hans Branner*

## Chapter 2: Selected Documents · 167

## Chapter 3: Danish Foreign Policy in Figures · 238

## Chapter 4: Opinion Polls · 243

## Chapter 5: Selected Bibliography · 253



# Danish Foreign Policy Yearbook

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# Preface

*Danish Foreign Policy Yearbook* is about Danish foreign policy, including Denmark's role in a regional as well as a global context. This particular volume presents the official outline of Denmark's 2012 foreign policy by Claus Grube, the Permanent Secretary of State for Foreign Affairs. In addition, it includes articles by four scholars representing only their academic expertise (for authors' titles and affiliations, see each article).

Ravinder Kaur's contribution constitutes the first academic inquiry into the causes of the Danish-Indian diplomatic deadlock in the extradition case concerning Niels Holck (the prime accused in the Purulia arms-drop case). Broadening the view, Mette Skak addresses the role of the emerging BRICS powers (Brazil, Russia, India, China, and South Africa) in Danish foreign policy and offers her policy recommendations. Zooming in on the scene of the European economic crisis, Derek Beach analyses and interprets the Fiscal Compact agreed during the Danish EU Presidency. Finally, shifting to a diachronic perspective, Hans Branner's article about Denmark 'between Venus and Mars' stresses elements of continuity in our foreign policy history: activism is not solely a post-Cold War phenomenon.

English and Danish abstracts of the articles appear at the start of Chapter one. The articles are followed by a selection of official documents that are considered to be characteristic of Danish foreign policy during 2012. This is supplemented by essential statistics as well as some of the most relevant polls on the attitudes of the Danes to key foreign policy questions. Finally, a bibliography offers a limited selection of scholarly books, articles, and chapters published in English in 2012 within the field covered by the *Yearbook*.

The editors of *Danish Foreign Policy Yearbook* are director Nanna Hvidt and Dr Hans Mouritzen. Jakob Dreyer, bachelor student in political science, has served as the assistant editor.

*The editors*  
*DIIS, Copenhagen*  
*May 2013*





# Chapter I

## Articles

### Abstracts in English and Danish

#### The International Situation and Danish Foreign Policy 2012

*Claus Grube*

Danish foreign policy and the activities of the Ministry of Foreign Affairs in 2012 were naturally marked by the continuing international economic crisis, the repercussions of the Arab spring, and the Danish EU Presidency in the first half of 2012. The Permanent Secretary of State for Foreign Affairs describes the Danish Presidency and its results – not least in terms of strengthening the Economic and Monetary Union and enhancing growth and employment – and analyses the most important Danish foreign policy priorities of 2012. The article emphasizes Arctic, Nordic, and Baltic cooperation, developments in the field of international security, the continued high level of development assistance, the constant need to further the democratic and human rights agenda, and our shared interest in strengthening sustainable, green growth. The implications of current developments in the international and European frameworks of Danish foreign policy are also analyzed.

*Dansk udenrigspolitik og Udenrigsministeriets aktiviteter var i 2012 naturligt præget af den internationale økonomiske krise, implikationerne af det arabiske forår og det danske EU-formandskab i første halvdel af 2012. Udenrigsministeriets departementschef gør rede for det danske formandskab og dets resultater – ikke mindst i forhold til ØMU'en og fremme af vækst og beskæftigelse – samt analyserer de vigtigste prioriteter i dansk udenrigspolitik i 2012. Artiklen lægger*

*herudover vægt på den arktiske dimension, det nordisk-baltiske samarbejde, udviklingen på det sikkerhedspolitiske område, opretholdelsen af det høje bistandsniveau, det konstante behov for at fremme demokrati og menneskerettigheder samt den fælles interesse i at styrke bæredygtig, grøn vækst. Udviklingen i de internationale og europæiske rammer for dansk udenrigspolitik analyseres ligeledes.*

## In the Shadow of Kim Davy: India-Denmark Relations in the Early 21st Century

*Ravinder Kaur*

The ongoing diplomatic crisis over the Indian bid to extradite Niels Holck, the prime accused in the Purulia arms-drop case, has disclosed the discrepancies upon which Indo-Danish bilateral relations are based. This article contends that the diplomatic deadlock is not an outcome of judicial procedures alone: political and cultural misgivings about India have played an equally significant though less understood role in creating the deadlock. India has long been seen either as *Indica Exotica* – beautiful, different and chaotic, far outside the familiar West – or as an aid-dependent society peripheral to the West. This view has been complicated in the past decade, as India has become categorized as an ‘emerging market’ within the BRIC assemblage. However, it is still seen as a dangerous and unfamiliar political and cultural territory. It is upon this dissonant fault line that the extradition case has unfolded within the Danish public domain. In order to understand India’s subtle signals, intentions and strategy, the article suggests that a more useful approach would be to locate the extradition bid within the broader context of India’s foreign policy history rather than outdated cultural generalizations.

*Den fortløbende dansk-indiske diplomatiske krise i tilknytning til det indiske krav om udlevering af Niels Holck, den hovedmistankte i Perulia våbenedkastnings sagen, har afsløret modsigelserne, som det bilaterale forhold bygger på. Artiklen hævder, at det diplomatiske dødvande ikke er resultatet af jura alene. Politisk-kulturelle fordomme om Indien har spillet en ligeså vigtig, men mindre forstået rolle. Indien er længe blevet set enten som ‘Indica Exotica’ – smukt, anderledes og kaotisk, langt borte fra det velkendte Vesten – eller som et samfund afhængigt af hjælp langt ude i periferien. Dette billede er blevet nuanceret i det seneste årti, hvor Indien er blevet kategoriseret som et ‘vækstmarked’ blandt BRIC-landene. Det ses imidlertid stadig som en farlig og ukendt politisk kultur. Det er på denne disharmoniske baggrund, som udleveringssagen har udfoldet sig i den danske offentlighed. For at forstå de subtile indiske signaler og hensigter samt dets strategi bør man fra dansk side se sagen i sammenhæng med Indiens udenrigspolitiske historie snarere end med forældede kulturbriller.*

## The BRICS and Denmark: Economics and High Politics

*Mette Skak*

Denmark's strategic opening towards the BRICS countries and other emerging markets is analysed in the context of a changing world order implying additional strain upon universalist liberal values. The remedies proposed are a more whole-hearted embrace of *raison de système* dynamics, even in the shape of great power concerts (e.g. the BRICS club), as well as pursuing high politics regarding the BRICS in an indirect manner. Regarding the BRICS' individual strategic cultures, there is uncertainty surrounding China, while Russia is semi-revisionist; these challenges are only partly counterbalanced by the moderate, liberal impulses of notably Brazil and India. Denmark's BRICS policy, following the launch of the visionary 'Kurs mod 2020', is marred by a neglect of the dimension of high politics, including a flawed approach to the G20. Among the concluding policy recommendations are to experiment with a *Stille Diplomatie* on sensitive areas of concern regarding the BRICS countries.

*Danmarks strategiske åbning over for BRIKS-landene og andre vækstmarkeder sættes i relation til den ændrede verdensorden med øget pres mod universalistiske liberale værdier. Som modforanstaltninger foreslås en mere helhjertet dansk satsning på 'systemræson', selv når denne udmøntes i stormagtskoncerter som BRIKS, og endvidere at føre BRIKS storpolitik ad indirekte kanaler. Det springende punkt er den strategiske kultur i hver enkelt BRIKS-land; der hersker uvished i Kinas tilfælde, hvorimod Rusland fremstår tydeligere som en semi-revisionistisk aktør. Disse udfordringer opvejes kun til dels af de moderate, liberale impulser hos navnlig Brasilien og Indien. Trods lanceringen af den visionære 'Kurs mod 2020' er Danmarks BRIKS-politik ikke ledsaget af en holistisk storpolitik; derfor halter G20-politikken. Konklusionen rummer policy-anbefalinger, bl.a. at Danmark over for BRIKS-landene skal eksperimentere med et bilateralt 'Stille Diplomatie' på følsomme områder.*

## The Fiscal Compact, Euro-Reforms and the Challenge for the Euro-Outs

*Derek Beach*

This article analyzes the negotiations on the Fiscal Compact and attempts to answer the question why EU governments have spent so much time and effort adopting a deal that legally represents only a minor, technical change in the rules for fiscal behavior in Euro-zone member states. The answer to this question is that we can only understand the Fiscal Compact when we put it in the context of the broader discussions of reforms of the economic union side of EMU. Here there are two interlinked challenges with which we are already familiar from the development of fiscal federalism in federal systems: the need for strong discipline (rules) for the fiscal behavior of states, and the need for different forms of transfers between states to stabilize the common market and currency. Seen in this light, the Fiscal Compact can be interpreted as a political concession to Germany that can be used domestically to placate skeptical voters and politicians, so that Germany can make concessions on the linked issue of transfers. The chapter also briefly discusses the role played by the Danish Presidency in the negotiations in bridging the gap between Euro-in and Euro-out states.

*Artiklen analyserer forhandlingerne om Finanspagten og forsøger særligt at besvare spørgsmålet, hvorfor EUs regeringer brugte så megen tid og kræfter på at vedtage en aftale, som juridisk kun er en mindre teknisk forandring i budgetreglerne for eurozone-lande. Svaret er, at Finanspagten kun kan forstås i sammenhæng med den bredere reform-diskussion vedrørende ØMU'en. Der er to sammenhængende udfordringer, som vi kender fra udviklingen i budgetføderalisme i føderale systemer: behovet for stærk disciplin (regler) for staters budgetadfærd og behovet for forskellige former for overførsler mellem stater for at stabilisere det fælles marked og valutaen. På denne måde kan Finanspagten anses som en politisk indrømmelse til Tyskland, som kan bruges i tysk indenrigspolitik til at tilfredsstille skeptiske vægere og politikere, så Tyskland kan give indrømmelser vedrørende overførsler. Artiklen belyser også kort, hvordan det danske formandskab spillede rollen som brobygger mellem lande inden for og uden for euroen.*

## Denmark between Venus and Mars

*Hans Branner*

It is a commonly held conception that Danish foreign policy has undergone fundamental change since the end of the Cold War and now, as opposed to earlier, may be characterized as activist. The focus on change, however, has led most analysts to neglect elements of continuity. The article shows that activism has been an integral, even if subdued, part of Danish foreign policy history throughout the twentieth century. Without denying important changes, present-day activism may to a large extent be viewed as an adaptation to altered and more benevolent external conditions, thus reflecting long-held Danish internationalist goals which were previously out of reach. The increased militarization of foreign policy since 2001 is interpreted as a non-durable deviation from the way activism was practiced in the past, but at the same time also as a possible threat to the interests of a small state like Denmark. It is up to future governments to strike a delicate and not easily defined balance between Venus and Mars.

*Det er en fremherskende opfattelse, at dansk udenrigspolitik har ændret sig fundamentalt siden afslutningen af Den Kolde Krig og at den nu, i modsætning til tidligere, bør karakteriseres som aktivistisk. Opmærksomheden på forandring har imidlertid fået de fleste analytikere til at overse kontinuitetselementerne. Artiklen viser, at aktivisme har været en integreret – omend undertrykt – del af dansk udenrigspolitisk historie gennem hele det 20. århundrede. Uden at underkende at der har fundet vigtige ændringer sted, må vore dages aktivisme i vid udstrækning ses som en tilpasning til forandrede og langt mere favorable omgivelser; den afspejler således klassiske danske internationalistiske målsætninger, der tidligere var uden for rækkevidde. Udenrigspolitikens øgede militarisering efter 2001 fortolkes som en midlertidig afvigelse fra aktivismens tidligere praksis, men også som en mulig trussel mod småstaten Danmarks interesser. Det bliver op til fremtidige regeringer at finde den rette – og ikke let definerbare – balance mellem Venus og Mars.*

# The International Situation and Danish Foreign Policy 2012

*Claus Grube<sup>1</sup>*

Five years after the beginning of the financial crisis, and well into what has been termed the Great Recession, the world is still picking up the debris. True, compared to the 1930s, the world economy did not spin entirely out of control, and so far the political fallout has been minor in comparison. On the other hand, the Great Depression of the Thirties lasted considerably longer than five years, with many ups and downs and false recoveries. Likewise, the current recession is not yet over and could hold the world in its grip for many more years to come. Foreign Services are naturally affected, both as a direct consequence of the pressure on public finances and ensuing budget cuts in many Western states, and indirectly as a result of an increased understanding of the need to use international instruments to counter the economic crisis, at home and abroad. In other words, Ministries of Foreign Affairs and their Missions around the globe must do their part in order to get growth and employment back on track. The Danish EU Presidency in the first half of 2012 was, by the same token, characterised by its successful contribution to fiscal consolidation and to sustainable (green) growth. In spite of the crisis, it was possible to maintain the high level of Danish development assistance, and many new initiatives were launched in this area, including a new strategy. Denmark continues in the current international context to prioritise the development of democracy, and the protection of human rights as universal and indivisible standards. In 2012, Denmark's commitment to stabilising fragile states and preventing conflict further increased – including through a new peace and stabilisation fund – by aiming towards actively using all relevant instruments in the toolbox, ranging from aid and local com-

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



petence development to civilian, police and military secondments to international operations. 2012 remained naturally focused on the Arab Spring and its repercussions, and above all on the desperate situation in Syria. We also saw increased attention to developments on the African continent, many positive but some worrying, with two regions standing out: the Horn of Africa and the Sahel. Finally, the year 2012 was marked by an increased interest in the Arctic – not only for Danish national and foreign policy, but also for many international partners, all seeking to get involved in shaping the future of this vast and changing part of the world.

## Trends in the Global Economy

### The Recession – Approaches to Crisis Management

2012 marked the 5th year of the financial crisis, which started in the USA in 2007 and with the collapse of Lehman Brothers, AIG and others in the autumn of 2008 had engulfed the entire world.

During the summer of 2011, it seemed that world economic growth was picking up, but in the fourth quarter of 2011 global growth prospects dimmed, and risks seemed to escalate when the euro area crisis entered a perilous new phase. This was a turn-around from the second and third quarters of 2011 which had surprised on the upside as consumers in the USA lowered their saving rates, and business investments stayed strong. Also the bounce back from the supply-chain disruptions caused by the March 2011 Japanese earthquake and stabilising oil prices had stimulated growth. But unfortunately these developments were temporary, and at the beginning of 2012 growth prospects were not good. The main reason was that the euro area was heading for a recession as a result of high government debt and rising sovereign yields, the effects of bank deleveraging on the real economy, and the impact of additional fiscal consolidation. In turn, this had adverse effects in emerging and developing economies where growth also slowed because of weakening external and internal demand.

In April 2012, the IMF subtitled its World Economic Outlook: ‘Growth Resuming, Dangers Remain’, and named the chapter on Europe: ‘Crisis, Recession, and Contagion’. The reason was that in the spring of 2012 the most immediate risk was the adverse feedback loops between sovereign and bank funding pressures in the euro area which threatened a much larger and more protracted bank deleveraging and sizable contractions in credit and output. Already, the ECB had provided EUR 1 trillion in long-term financ-

ing for the banking sector in December 2011 and February 2012, but this was not enough to stem the fears of major defaults in the financial sector in some Member States. The reason was that in the spring of 2012 there was no credible backstop in place. Therefore a massive flight of capital from banks in southern Europe started to build up, reflecting a general loss of confidence in the euro construction as such. Shortly, risk premiums in Southern Europe skyrocketed, interest rates rose to unsustainable levels, credit contracted, private investments came to a halt, the value of the euro declined. In the spring of 2012 one could not rule out a scenario of defaults of systemically important institutions in Europe on a scale comparable to the Lehmann Brothers bankruptcy. Estimates by the IMF suggested that instead of a mild recession in 2012 the euro area could risk a decline in output by an extra 4 per cent relative to the WEO forecast, and this, by way of financial contagion and spill-overs via international trade to the rest of the world, could lower global output by about 2 per cent.

Had this scenario been allowed to play out, the world could have entered a double-dip recession with grave economic, social, institutional and political consequences. But major decisions by the EU and the ECB during the spring and summer of 2012 restored confidence. Of greatest importance was the decision of the ECB to introduce a sovereign bond buying scheme (Outright Monetary Transactions) to buy debt from countries that request bailout funds, and as such accept the traditional role of central banks as 'the lender of last resort'. Meanwhile, in March, 25 countries joined a fiscal pact giving Brussels the power to review national budgets, expand the European Financial Stability Facility (effectively a firewall for indebted sovereign governments) and the European Stability Mechanism (to help recapitalise private sector banks) to around USD 1 trillion, and begin discussions on a European banking union. In total, these decisions restored confidence in the euro area, but could not prevent the euro area as such from falling into recession in the second half of 2012.

On the whole, by the end of 2012 economic prospects were significantly brighter than at the beginning of 2012: growth seemed to be picking up in Europe, the USA, China and many emerging markets, business and consumer confidence was rising, and a credible political and institutional framework for dealing with European sovereign debt and undercapitalised financial institutions was about to be implemented. In the autumn of 2012, the brighter outlook transformed into dramatic surges in most stock markets around the world, although unemployment kept rising to 12 per cent in the EU and stayed at a high level of around 8 per cent in the USA.

During the last months of 2012 attention switched to the fiscal cliff in the USA. The fiscal cliff had been projected to imply a 20 per cent increase in revenue and 0.25 per cent reduction in spending from fiscal year 2012 to 2013. It was estimated to amount to close to USD 500 billion or 3 to 4 per cent of American GDP. A contraction of this magnitude would have led to a recession in the USA with global repercussions. Not until the 1st of January 2013 did the US Senate pass a bill, and later that evening the US House of Representatives passed the same legislation postponing the spending cuts and raising the debt ceiling. US President Barack Obama signed it into law on January 2, just in time to avoid the cuts. However, the budget sequestration was only delayed, and the limitations of a debt ceiling are still in place leaving much uncertainty for 2013. By March 2013, a compromise had still not been reached, and the USD 85 billion in cuts for 2013 started to go into effect.

Leaving 2012 and looking into 2013, the 6th year of the recession, it is obvious that the end is not in sight. In most OECD countries public debt levels are higher than in 2008, and in some countries the debt levels are clearly unsustainable. Taking into account the demographic pressures on spending and production, the debt trajectories are unsustainable in almost every OECD country. Also, for 5 years now interest rates have been kept artificially low, and central banks have supplied liquidity to the markets on an unprecedented scale. Currently the world is awash in cheap money with the risk of creating new bubbles in assets, real estate, raw materials or other areas, potentially leading to a new financial implosion. The policies to combat the economic and financial crisis have varied among countries with Japan, the USA and China pursuing expansionist fiscal and monetary strategies, ignoring the rising debt. Contrariwise, the euro area, in order to protect the euro system, has been forced into austerity measures and fiscal consolidation.

The Danish approach in 2012 to the economic crisis was one of adherence to the fiscal rules of the EU, fiscal consolidation and growth enhancing structural reforms. The cautious macroeconomic policy resulting in low public debt and a substantial surplus on the current account maintained Denmark in 2012 as a safe haven for foreign capital leading to record low interest rates. It has been estimated that the decline in interest rates since 2008 had a positive effect on employment of around 35,000 - 40,000 persons in 2012.

The Danish economy is highly dependent on foreign trade. During 2012, Danish foreign trade increased only moderately, however. In current prices, total exports of goods and services rose 3.7 per cent in 2012 (compared to 7.8 per cent in 2011). Imports increased 5.8 per cent (compared to 9.6 per

cent in 2011). The surplus on the trade balance remained very high, but declined from 5.8 per cent of GDP in 2010, to 5.4 per cent in 2011 and to 4.5 per cent in 2012. About 70 per cent of Danish trade is with neighbouring European countries, wherefore the European economic recession in the second half of 2012 was a major reason for the slow rise in Danish exports in 2012. In fact, Danish merchandise exports to the EU declined 1 per cent in 2012, compared to an increase of 9 per cent to the BRIC countries and a 14 per cent increase to the USA. In 2012 the flow of inward and outward direct investments declined compared to 2011. Outward Danish FDIs almost halved to 41 billion DKK or about 2.3 per cent of GDP, while inward FDIs declined to 14 billion DKK or 0.8 per cent of GDP from 4½ per cent in 2011. The stock of total Danish FDIs abroad in 2011 was 66 per cent of GDP, compared to total FDIs in Denmark of 42 per cent of GDP.

In the face of slow economic growth in Europe, an initiative was undertaken to boost exports to the faster growing economies of Asia and the Americas. 10 countries, with China in the lead, were targeted for special government emphasis. By the end of 2012 Danish merchandise exports had increased 11.1 per cent to the identified group of high-growth countries. It was the Minister for Trade and Investment who spearheaded the new Growth Market Strategy on behalf of the Danish Government. All relevant ministries contribute to the implementation of the strategy. The goal is to increase the Danish export of goods to the identified ten growth markets by 50 per cent by 2016 (compared to 2011).

### Global Free Trade

The downturn of the world economy continued to affect global trade in 2012. The persistent challenge to global trade of waning growth, high unemployment and uncertain financial markets remains at the very heart of the annual report of the World Trade Organisation on the state of the multilateral trading system. The year was marked by continued growth in global trade but at a significantly slower pace than expected at the outset of the year. The year was also characterised by a continued rise in the number of new protectionist measures introduced by governments to fend off international competition to the detriment of global free trade.

The overall implication is a multilateral trading system under continued pressure. The Doha Development Round remains stuck. However, preparations for the 9th WTO ministerial conference in Bali in December 2013 were initiated with a view to delivering a possible early harvest on trade facilitation and certain agricultural issues. This carries some hope for a pos-

sible breakthrough on parts of the Doha Development Agenda at the end of 2013.

Against the background of the overall multilateral stalemate, the EU stepped up its efforts to take forward the bilateral agenda of free trade negotiations with the most important economies. At the request of Heads of State and Government assembled at the European Council in June 2012, the European Commission presented a report on the economic potential of realising on-going and planned free trade negotiations. The report points to a possible increase in EU GDP of 2 per cent, an increase in the EU's total exports by 6 per cent and the creation of 2 million new jobs if the EU's bilateral trade agenda is put into effect. The conclusions of the report put the EU's bilateral trade policy at the heart of the EU's growth and employment agenda. In effect, the economic contribution of trade policy was included in the EU's growth pact at the summit of the European Council in October 2012.

During the year, substantial progress was achieved on the EU's bilateral trade agenda. Free trade negotiations were launched with Vietnam, which is now the third ASEAN economy to negotiate a free trade agreement with the EU. The EU reached a political agreement on the free trade negotiations with Singapore, and the final technical work to bring the agreement to ratification and implementation is to be taken forward during 2013. The EU's free trade negotiations with Canada also saw progress, leaving the prospect of a final agreement to be reached in the first half of 2013. The most significant event, however, was the decision by trade ministers at the Foreign Affairs Council in November 2012 to launch free trade negotiations with Japan. The negotiations are expected to be launched at the EU/Japan Summit in March 2013. The EU and the USA also continued their common efforts to strengthen the economic relationship, with the EU/US High Level Working Group for Jobs and Growth delivering a midterm report in June 2012, including the preliminary recommendation that the EU and the USA aim for free trade negotiations. This will remain at the very top of the trade agenda for 2013, together with efforts to strengthen the EU's strategic economic relations with major economies such as notably China and Russia.

## The EU and the Danish Presidency of the Council of the European Union

### “Europe at Work”

In January 2012, Denmark assumed the Presidency of the Council of the European Union for the 7th time – at a time when Europe was endeavouring to break free of the worst economic crisis in many years as described above. In Europe, it became evident that the sovereign debt crisis and the crisis in the banking sector were not only a problem in Greece, but also in several other Member States. By the end of 2011, the European crisis was threatening not only sovereign economies but the Eurozone as a whole. The EU Member States were in dire need of consolidating public finances and implementing the necessary reforms. A priority for the forthcoming Danish Presidency was, therefore, to ensure cooperation among Member States in order to ensure economic stability in Europe, and putting growth and employment back on a sustainable path.

This time the task had changed. Denmark was the fifth Member State to take the rotating Presidency under the Lisbon rules ratified in 2009. Two new permanent positions, the President of the Council of the European Union and the High Representative of the Union for Foreign Affairs and Security Policy have joined the scene, and each of them has been entrusted with part of the role previously played by the rotating Presidency. Another change introduced by the Lisbon Treaty, with a substantial impact on the rotating Presidency's role, relates to the upgraded involvement of the European Parliament in numerous new policy areas. With the European Parliament as co-legislator in most portfolios, the success of the Presidency depends on a close relationship and dialogue with the European Parliament. This presupposed strategic attention and frequent consultation of the European Parliament prior to and during the Danish Presidency.

In essence, therefore, the Danish Presidency was not so much about managing the political agenda but on facilitating compromises – the role of an ‘honest broker’ – both within the Council and between the Council and the European Parliament, notably in the legislative process. Moreover, the Presidency focused on ensuring high-quality deliberations in the different configurations of the Council, including the General Affairs Council. Thus, the Danish Presidency paid great attention to ‘nitty-gritty’ details and consequently became known in Danish as the ‘rugbrøds’ (‘rye-bread’) Presi-

dency – implying that the basic ingredients were hard work, persistence and meticulous attention to detail.

As a result of the economic crisis, the Danish Presidency had to be conducted at a lower cost than earlier Presidencies, while at the same time there was a great need for efficient decision-making and sustainable choices. Moreover, the mere fact that twelve new Member States had joined the Union meant that the logistics of the task had become significantly more challenging than it had been for the 2002 Presidency. Consequently, the preparations for the Danish Presidency started a long time before Denmark formally took over the role from Poland. During the months and years running up to the Presidency, Danish ministers and civil servants planned the priorities, communications and logistics in order to be able to conduct both an efficient and resource-sustainable Presidency. The news was therefore gratefully received when the Presidency was certified as the first sustainable international event. Another nick name, ‘the tap-water Presidency’, was a perfect example of the efforts in making a green footprint – and something of which Denmark can be particularly proud. Generally, there is little doubt that when it comes to the footwork covered, the Danish Presidency was a great success. Hard work at all levels delivered more than 250 concrete results, creating significant progress with regard to the priorities of the Presidency.

The first priority of the Danish Presidency was to achieve an economically responsible Europe by ensuring economic and fiscal stability and implementing the reformed economic policy coordination within the first full European Semester and stronger financial regulation. The second priority was to ensure a dynamic Europe by identifying the importance of growth and employment emerging from the crisis. In light of the dire economic situation in Europe, these two priorities were to some extent given in advance. The third priority of the Danish Presidency was to promote green and sustainable growth covering several sectors such as energy, agriculture, transport, climate and the environment. The fourth priority was to target the safety of European citizens through enhanced cooperation regarding asylum and migration policy, combating and preventing terrorism and cross-border crime, and ensuring Europe’s international influence in the areas of security, trade and development. The four main priorities of the Danish Presidency 2012 – a responsible, dynamic, green and safe Europe – were given the overall title, ‘Europe at work’.

## Strengthening the Economic and Monetary Union

Regarding the first priority of the Danish Presidency, the ambition was to build a bridge between Member States. Despite the dim economic outlook, new initiatives – both nationally and at EU level – somewhat eased the atmosphere in the financial markets since the summer of 2012. In particular, the European Central Bank's announcement in September 2012 of outright transactions in secondary sovereign bond markets, also known as Outright Monetary Transactions (OMTs as mentioned above), in countries where it is deemed necessary, and on condition that consolidation and reforms will follow along, has lowered the pressure from financial markets on vulnerable Eurozone Members.

Efforts to reintroduce growth and prosperity in the EU are supported by other means as well. The on-going efforts to strengthen the Economic and Monetary Union (EMU) are particularly important tools in this regard. Already, far-reaching decisions have been made to strengthen the framework for economic policy cooperation in the EU. These include establishing the European Semester, strengthening the Stability and Growth Pact, creating a new procedure for monitoring and correcting macro-economic imbalances, etc., as well as strengthening solidarity mechanisms with a view to supporting consolidation and reform efforts, including the Eurozone financial mechanism (ESM).

As of today, the most concrete proposals are the initiatives on the establishment of a banking union. On December 12, the Council of Ministers agreed to establish a Single Supervisory Mechanism for the Eurozone Members, but open for the participation of the non-Eurozone Members. In the first half of 2013, the Commission is expected, as the next step in the development of the banking union, to present a proposal for a Common Resolution Mechanism for countries participating in the Single Supervisory Mechanism. A banking union at the EU level will contribute to financial stability in the EU, with positive externalities for the Danish economy. Another initiative to break the vicious circle between bad assets of the financial sector and government debt was the decision in June 2012 to enable the European Stability Mechanism (ESM) to directly recapitalise banks in Eurozone Member States under certain conditions. Discussions are on-going on the concrete operationalization of this decision.

Based on a report from the President of the European Council, Herman van Rompuy, the European Heads of State and Government decided on the further steps ahead for strengthening the EMU although this did not provide support for far-reaching ideas regarding the establishment of more



common economic policy-making or mutualisation of debt which had been pushed for earlier.

The Commission is furthermore endeavouring to present proposals to ensure *ex ante* coordination of large economic reforms in the Member States; an instrument regarding contractual agreements between the individual Member States and the EU institutions regarding the implementation of specific reforms; a 'solidarity instrument' to support reforms in countries which agree to establish contractual agreements; and a social dimension of the EMU. These four elements will be the subject of discussions in the time to come.

Overall, Denmark supports measures to ensure stability in the euro area and in the EU as a whole. Efforts to strengthen the Economic and Monetary Union are therefore welcomed. In particular, it is important that the process is open and inclusive for non-euro countries and that it does not compromise the integrity of the Single Market.

In strengthening the EMU, initiatives must also respect the fact that fiscal and economic policies are primarily national competence. National ownership is crucial to the effectiveness of economic reforms, and an appropriate balance must be found between mutual commitments and national ownership. A viable way forward would be to direct any new obligation towards overall targets, but to leave the concrete measures on how to accomplish these to the individual Member States. It is possible that coming initiatives could be graduated and country-differentiated according to the number and severity of economic challenges and to the abidance shown in relation to common rules and obligations under the Stability and Growth Pact.

With the overall aim of minimising the gap between Eurozone and non-Eurozone Member States, and in order for Denmark to remain as close to the EU core as possible, Denmark will continue to engage openly and constructively in discussions on strengthening economic cooperation, and we will evaluate the costs and benefits of each of the coming proposals, while respecting the Danish euro opt-out. An example of the Danish ambition of continuing close cooperation with the Eurozone countries is found in the Fiscal Compact, where, alongside other non-Eurozone Members, Denmark was committed to ensuring 'bridge building' between Eurozone and non-Eurozone Member States. Denmark chose to participate in all the elements open for non-Eurozone Member States. Indeed, an institutionalisation of the division between Eurozone and non-Eurozone Members will neither be in the interest of Denmark nor of the EU as a whole.

## Creating Growth and Employment

Another major result of the Danish Presidency came in identifying the importance of growth and employment when striving to emerge from the crisis. This was done through the Compact for Growth and Jobs, which was adopted by the European Council and constituted a timely completion of the Presidency. The Compact for Growth and Jobs contains a long list of different initiatives at both national level and European level in order to boost growth and employment. The Compact encompasses, among other things, investments in terms of a capital expansion of the European Investment Bank of EUR 10 billion, determination regarding a pilot period for project bonds, which will generate projects for about EUR 4.5 billion, as well as a restructuring of EUR 55 billion from the Structural Funds directed at boosting growth. Finally, future financial perspectives will be focused on growth and employment.

Moreover, the Compact for Growth and Jobs entails pledges on the need for further reform of the Single Market, the establishment of a digital internal market before 2015 and the completion of the internal energy market by 2014. The Danish Presidency worked hard to modernise the Single Market and gave priority to accelerating the negotiations on the 12 initiatives in the Single Market Act. More specifically, agreement was reached between the Council and the European Parliament on the European standardisation reform, and an informal agreement was reached on access to venture capital for small and medium-sized enterprises as well as the proposal for a Social Fund for investment.

A particularly satisfactory achievement was the agreement on the European Patent Court, by which we concluded 30 years of negotiations on a comprehensive reform of the European Patent System. The patent reform constitutes a tangible contribution to the Union's growth strategy. Furthermore, agreement was reached in the Council on the accounting directives as well as on alternative and online dispute resolution. The Danish Presidency also prioritised strengthening the digital internal market, including through an agreement which will ensure considerably lower mobile phone prices within the EU.

The Compact for Growth and Jobs included another priority area of the Danish Presidency, namely promoting green and sustainable growth. The most notable achievement in this area is the Energy Efficiency Directive which was agreed upon during the last days of the Danish Presidency. The Energy Efficiency Directive will bring the EU very close to meeting the 2020 target of 20 per cent improved energy efficiency. The directive will save the

EU billions of euros with respect to imported energy and, at the same time, create hundreds of thousands of jobs. The proposal covers the entire energy chain from generation and transmission to end-use. The main provisions deal with the renovation of public buildings, public procurement, energy efficiency obligation schemes, energy audits, metering and billing, and the efficiency of transmission networks.

## Enlargement

The EU enlargement policy continues to be the single most important driver of reforms and of peaceful and constructive co-existence in our neighbouring countries – to the benefit of acceding countries and the EU. Over the years, the enlargement policy has paved the way for stability, reconciliation, prosperity and democracy in Europe. This was specifically mentioned when in 2012 the Nobel Committee decided to award the Nobel Peace Prize to the EU. Denmark continues to be a staunch supporter of EU enlargement with a strong platform for active engagement in Central and Eastern Europe and the Balkans, and a long tradition for supporting new democracies actively during the whole pre-accession process, both bilaterally and in the EU context.

During the Danish Presidency significant progress was made with the decisions to open accession negotiations with Montenegro, to grant Serbia candidate status and to launch a feasibility study for a Stabilisation and Association Agreement with Kosovo. These were all important decisions, also acknowledged by the Nobel Committee. The EU now looks forward to welcoming Croatia as the 28th member of the EU on 1 July 2013. Croatia's accession clearly shows that if a country is able to take on the tough commitments and obligations of membership, the EU will deliver on its side.

## The Northern Dimension

### The Arctic

International interest in the Arctic agenda further increased in 2012. Countries far from the Arctic region, international businesses and NGOs, as well as other stakeholders around the world have been following developments attentively and are looking to get involved in shaping the future of the vast, 10 million square kilometre polar area.

Developments in the Arctic may seem regional at first glance, but they often have global implications. There is an increasing interest in the pos-

sibility of more frequent use of the Northern Sea Routes linking Europe and Asia, the prospects for oil and gas exploration in the Arctic (which may influence the revenue of oil producing countries all over the world), and the possible mining of other minerals such as rare earth elements with potential strategic implications.

The increasing interest in the Arctic has been reflected in the many applications for observer status in the Arctic Council from countries around the globe, including China, Japan and India. International business also sees great potential for lucrative investments in the emerging economy of the Arctic. Although it is still early days regarding investments in some parts of the Arctic, it is to be anticipated that an increasing number of businesses will establish themselves in the Arctic in the coming years. Along with the snowballing interest in the exploitation of the new opportunities in the Arctic comes a growing focus from international NGOs on the risks for the fragile Arctic environment, for the living conditions of the 4 million people living in the Arctic as well as for the habitat of Arctic wild life.

The basis of the Danish Arctic policy is the Arctic Strategy of the Kingdom of Denmark adopted in 2011 by the Danish Government together with the Governments of the Faroe Islands and Greenland. The main objective of the strategy is to ensure a sustainable economic development to the benefit of the people in the Arctic. In 2012, the focus was on the development of an action plan for implementing the strategy and on strengthening the coordination between the three parts of the Kingdom.

For Denmark, the Arctic Council remains the main body for discussions on Arctic issues. The Kingdom of Denmark – including the Faroe Islands and Greenland – contributes actively to the work of the Arctic Council and will continue to do so. In 2012, the Arctic Council was strengthened through the establishment of a permanent secretariat based on a decision made during the Danish chairmanship of the Arctic Council in 2009-2011, and progress was made on a number of issues. Among other things a legally binding agreement among the Arctic Council members on oil spill prevention was concluded. The increasing number of applications for observer status in the Arctic Council was debated in the course of 2012. The Kingdom of Denmark supports applicants that live up to the criteria decided at the May 2011 Ministerial Meeting of the Arctic Council and has worked towards ensuring that qualified applicants be granted observer status at the next Arctic Council Ministerial Meeting in Sweden in May 2013.

In 2012, efforts were also put into resolving outstanding territorial disputes and border issues in the Arctic area. The Kingdom of Denmark and

Canada reached an agreement on the 3,000 kilometre maritime border between Canada and Greenland. This important agreement is a very good example of the UN Convention on the Law of the Sea (UNCLOS) working in practice. Work on the Kingdom's Continental Shelf Project is soon to be completed. The gathering of data regarding the claims off the coast of Greenland and the Faroe Islands has now been completed. The Kingdom has already submitted three claims, and two more will follow before the end of 2014.

The increasing international focus on the Arctic has translated into very concrete expressions of interest in Greenland's natural resource potential. The interaction between Greenland and interested international partners kept growing in the course of 2012. These welcome developments increase the importance of the foreign and security policy aspects, which remain a competence of the Realm.

### **The Nordic and Baltic Dimensions**

The Nordic region received growing attention in 2012. In times of crisis, the Nordic model was seen by some as an example worth following – a societal model based on trust, transparency and flexibility, and a modern economic policy focused on globalisation, green growth and digitalisation. In many respects the Nordic area is indeed a pioneering region and can serve as a role model when it comes to creating a sustainable society. The development of a sustainable welfare state in a Nordic perspective was the main theme of the Norwegian Presidency of the Nordic Council of Ministers in 2012. Nordic culture and art also received much acclaim around the world in 2012. Among other events the successful joint promotion of the Nordic brand in the USA – the one month long international festival, 'Nordic Cool', in the Kennedy Center – stood out.

Nordic cooperation remains a key priority for Denmark. In April 2013 it was possible to conclude work on an agreement on border barriers in the Nordic region, effectively relieving corporations and citizens in the Nordic countries of burdens related to movement, work and education across borders, such as differing social security regulations, tax regulations and many other rules. 2012 also saw a strengthening of Nordic foreign policy cooperation in follow-up to the Stoltenberg Report. By now, Nordic Foreign Services co-locate in as many as 25 capitals around the world and cooperate on concrete projects where combined Nordic contributions provide added value and advantages of scale. The latest example was the opening of co-located representative offices of Denmark and Norway in Burma in November

2012. At their meeting in Bodø in September 2012, the Nordic Foreign and Defence Ministers agreed to continue the strengthening of Nordic cooperation beyond the proposals of the Stoltenberg Report. Among other things, the Ministers agreed to work towards common Nordic contributions to UN-led peacekeeping operations. This work is now in progress.

Denmark also gives high priority to Nordic-Baltic cooperation as well as to the wider cooperation in the Baltic Sea Region. Throughout 2012, Denmark remained actively engaged in Baltic Sea cooperation. In May, the 20th anniversary of the Council of Baltic Sea States (CBSS) was marked in Stralsund at the 9th CBSS summit meeting. Heads of State and Government from the region, including Prime Minister Helle Thorning-Schmidt, took part in the meeting hosted by Chancellor Angela Merkel.

On 17 – 19 June 2012, the Danish EU Presidency co-organised the 14th Baltic Development Forum Summit and the European Commission's 3rd Annual Forum on the EU Strategy on the Baltic Sea Region (EUSBSR) in Copenhagen. This year's forum headline was 'Connecting Europe – Smart and Green Partnerships in the Baltic Sea Region'. The large-scale event, which brought together more than 800 stakeholders, provided a platform for representatives of government, political parties, business, academia and civil society to discuss cooperation opportunities and growth initiatives in the Baltic Sea Region. In the final days of the Danish Presidency, the EU decided on the completion of the review of the EUSBSR and set in motion a review of the action plan under the EUSBSR, which has now been completed.

Work has started to identify ways and means to further deepen Denmark's involvement in Baltic Sea cooperation. With this in mind, a new policy framework for Denmark's approach to cooperation in the Baltic Sea Region will be announced.

## The Transatlantic Dimension

The transatlantic relations continue to be a cornerstone of Danish foreign policy. In 2012, the close cooperation with the USA continued in a wide range of areas – in particular as regards Afghanistan and on the prevention of terrorism and piracy. The promotion of free trade and green growth also remained high on Denmark's transatlantic agenda.

Denmark welcomed the re-election of President Obama in 2012. President Obama's clear signals to foster transatlantic free trade were very well received by the Danish Government and business. The USA continues to

be Denmark's largest non-European trading partner. An enhanced partnership on transatlantic free trade and investments holds the potential of an increase in exports of Danish products and services of up to DKK 13 billion. Furthermore, strengthened free trade could give important positive impulses to research and innovation on both sides of the Atlantic. Denmark will continue to support the work towards an EU/USA free trade agreement in 2013.

The US 'rebalancing' towards Asia has had concrete effects in Europe – in terms of a downsizing of the American presence in the EU and its immediate neighbourhood. Still, in a Danish perspective, the rebalancing of US foreign policy should be viewed as an opportunity for the EU and Denmark to establish a closer cooperation with the USA towards our Asian partners on a broad range of economic and foreign and security policy issues.

## Security Policy

### Afghanistan

In 2012, the overall framework was established for the security and development dimensions of the international community's support to Afghanistan's development in the years ahead, in light of the fact that Afghanistan will have the full responsibility for the country's security and political, economic and social development after 2014.

Together with the International Security Assistance Force (ISAF), Afghanistan took another step forward in the security transition at the NATO Chicago Summit. By mid-2013, all parts of Afghanistan will have begun transition, and Afghan forces will be in the lead of security efforts in the entire country. Simultaneously, ISAF will continue to draw back its forces gradually and responsibly to complete its mission by 31 December 2014. NATO will, however, remain committed and continue its support alongside partners and other actors in the crucial years after 2014 with a new training, advising and assistance mission. Leading up to the NATO summit, Denmark launched the 3-C Initiative: 'The Coalition of Committed Contributors'. The aim of the 3-C Initiative was to gather a group of likeminded countries in order to create a momentum in ensuring the critical amount of international support for the funding of the Afghan security sector in the years up to and after 2014. This initiative was highly successful, and a basis for a long-term financing of the capacity-building of the Afghan National Security Forces (ANSF) was established at the meeting. International donors pledged contributions of more than USD 1 billion. Denmark will also offer

significant support to the ANSF with a yearly contribution of DKK 100 million from 2015-2017.

The Tokyo Conference in July 2012 established broad international support for a long-term civilian engagement in Afghanistan from 2015-2017. The international community committed itself to collectively cover a funding gap of approximately USD 4 billion in order to maintain the high level of development assistance to Afghanistan in the coming years. In turn, the Afghan Government committed to implement reforms and demonstrate tangible progress in a number of key areas, not least democracy, governance, the fight against corruption and respect for human rights. The commitments, upon which both Afghanistan and the international community agreed, were outlined in the Tokyo Mutual Accountability Framework (TMAF). The TMAF implies that if the Afghan Government does not deliver on its commitments, it may have consequences for the future development assistance to the country.

In accordance with Denmark's Helmand Plan 2011-2012, the gradual restructuring and downsizing of Denmark's military efforts continued in 2012. The role of the Danish contribution carried on the shift from focusing on combat and partnering forces to a role of training, advising and assisting. The number of troops was reduced from 720 to 650. At the same time, the civilian efforts were enhanced significantly, increasing Danish development assistance for the period 2013-2017 to an average of DKK 530 million per year. This will make Afghanistan the largest recipient of Danish development assistance.

The new plan for Denmark's engagement in Afghanistan in 2013-2014 was also initiated in 2012. This work was completed in the beginning of 2013 with the adoption of the plan by the Government and a broad majority in Parliament. The new Afghanistan Plan is based on expectations of continued progress combined with a realistic sense of what it is possible to achieve. Denmark will continue the gradual reorganisation of its efforts while enhancing development assistance to Afghanistan in the difficult transition period post 2014. The engagement will be fully aligned with the overarching international frameworks for the international support to Afghanistan's development and will contribute to its path towards full responsibility.

### Piracy

There was a significant drop in the number of ships and crew members held for ransom by pirates in 2012, including in Somalia. This trend can be widely attributed to the international naval presence and the increased adherence to Best Management Practices by the shipping industry. An increase in the



use of armed guards on board ships travelling through the high-risk area is also an important contributing factor.

However, piracy continues to pose a great security threat to seafarers and remains a challenge to the shipping industry and international trade. The implementation of the comprehensive, multi-annual counter-piracy strategy continued during 2012 and includes political, legal, military and capacity-building initiatives. Denmark continued to support the international maritime efforts in 2012 with a contribution to NATO's counter-piracy 'Operation Ocean Shield'. A Danish support ship equipped with helicopter, fast boats and boarding teams prevented several acts of piracy and destroyed a substantial number of pirate skiffs, weapons and equipment. In addition, Denmark provided a surveillance aircraft for the operation.

Danish efforts are solidly placed within an international context, and in 2012 Denmark continued to promote a coherent response from the international community in the fight against piracy. The close engagement with the international Contact Group on Piracy off the Coast of Somalia remains a key priority as the main international forum for coordinating policies and exchanging views on how to combat piracy. Under the Contact Group, Denmark chairs Working Group 2 on legal issues. In this capacity, Denmark, in close cooperation with the UNODC, worked intensively inter alia on assisting states in concluding and implementing post-trial transfer arrangements to ensure that pirates convicted in one state can be transferred to Somalia for incarceration.

There is widespread recognition that piracy off the coast of Somalia is a symptom of the conditions on land. Denmark has a significant and broad-based engagement in Somalia, covering development aid, stabilisation efforts and humanitarian assistance. The Danish Government redoubled its efforts in 2011 and has allocated an envelope for Somalia amounting to DKK 660 million (USD 115 million) through 2012-14. Efforts include support for regional maritime capacity-building. Denmark also assists in building rule of law and justice through the training of judges and police as well as the expansion of existing prison capacity.

### **An Integrated Approach to Stabilising Fragile States and Preventing Conflict**

2012 marked a year of consolidating Denmark's contribution to stabilising fragile states and preventing conflict. Denmark strengthened its Whole-of-Government approach through development aid, stabilisation support, and civilian, police and military secondments to international operations.

At the same time, Denmark focused its contributions on priority countries in Northern Africa, the Horn of Africa/East Africa, South Sudan and South Asia. More than half a billion Danish kroner was reallocated from more stable priority countries to fragile states.

The Government replaced the Global Fund with a revamped Peace and Stabilisation Fund. Activities were launched under the Fund's two main multi-annual programmes, for the Horn of Africa/East Africa and for the Afghanistan/Pakistan regions. Funding consists of both development (DAC) and security funds. In Somalia, Denmark continued to support the African Union Mission in Somalia (AMISOM) as well the East Africa Standby Force Coordination Mechanism's (EASFCOM's) contribution to AMISOM. On the civilian side, support went to building rule of law in a country that had not seen a government for two decades. Similarly, Denmark supported the EU's programme for stabilising Northern Niger through law enforcement, the reintegration of combatants returning from Libya and weapon destruction. This was followed by immediate post-election justice sector and reconciliation support to Libya.

In addition, the Peace and Stabilisation Fund was topped up with new funds for security and justice sector assistance to South Sudan and Libya, to complement Denmark's other development and peace support. Adapting to developments in Mali, Denmark suspended regular development assistance to Mali and launched a regional Sahel Initiative, i.e. a civilian peace and stabilisation response to build capacities for mediation and security sector reform, and counter violent extremism. Activities will commence in 2013.

Together with East Timor, Denmark became co-chair of the International Dialogue on Peace-building and State-building – an increasingly influential policy community as well as practical cooperation between fragile states and donors aiming at promoting capacity building and local ownership.

With enhanced focus on building local, civilian capacities, it is increasingly important to deploy specialised Danish civilian experts on short notice, e.g. to Afghanistan, the Horn of Africa, the Sahel, North Africa and the Middle East. In 2012, Denmark overhauled its Civilian Peace and Stabilisation Response. Consisting of 450 deployable experts, the Civilian Response now largely focuses on providing key Danish competencies to multilateral stabilisation and reconstruction efforts in fragile and conflict-affected states.

As an internationally recognised stabilisation donor, Denmark sought to facilitate multilateral change. During 2012, Denmark delivered recommendations to the European External Action Service (EEAS) and the European Commission on how to strengthen the EU's ability to apply a truly com-

prehensive approach in external affairs. As the world's largest donor and a key economic and political player, the EU is well positioned to reach out to countries in transition. In doing so, it is crucial to align the whole range of EU instruments for maximum effect. The recent, increasing demand for action in the EU's wider neighbourhood has only served to underline the importance of further developing this comprehensive approach, and Denmark will continue to push for progress. Denmark also engaged with the World Bank in proposing concrete measures to strengthen the Bank's response in fragile states. This includes normalising fragile states' access to grants and lending, key to stimulating growth and development.

### The NATO Agenda

Transatlantic cooperation continues to be of key importance to international peace and security. The current NATO operations in Afghanistan, Kosovo and off the coast of Somalia, as well as the decision to strengthen the defence of Turkey with Patriot missiles, are on-going examples of a viable and strong Alliance, which has contributed to more stable and peaceful developments in these regions.

The economic crisis and declining defence budgets have increased the demands for prioritisation, specialisation and international cooperation in the area of defence. A natural focus of the Chicago Summit in May 2012 was thus on enhancing the defence planning process in NATO and further developing the Smart Defence initiative. The Summit clearly demonstrated that NATO continues to deliver critical capabilities through increased co-operation.

Similarly, the Summit was a milestone for the development of NATO's Missile Defence capability. The Interim NATO Ballistic Missile Defence Capability was declared as envisaged at the earlier Lisbon Summit. As an important part of this, Russia was called upon to engage in cooperation with NATO, underlining the need for continued dialogue and transparency between NATO and Russia.

A key element in the Summit was the acknowledgement of NATO's co-operation with partners taking on an increasingly important role in global security. The benefits of the strategic partnerships of the Alliance have been clear to all in both Afghanistan and Libya, where operational and financial contributions by partners have been significant.

Following a process of consultations, the North Atlantic Council decided in October 2012 to approve Secretary General Anders Fogh Rasmussen's fifth year in office, thus extending his mandate until July 31st 2014.

## The Fight against Terrorism

The deaths of Osama bin Laden and high-ranking al-Qaeda leaders in Pakistan and Yemen have created a new dynamic in international counter-terrorism. Whilst al-Qaeda and other militant Sunni extremist networks continue to pose the most serious terrorist threat globally, years of intense pressure have decreased the imminent threat from core al-Qaeda. Terrorism, however, appears to be ever-diversifying and is increasingly present in Yemen, Somalia and not least the Sahel. Moreover, the tragic events in Norway on 22 July 2011 clearly demonstrated that we need to go beyond stereotypes when assessing the threats, and we need to consider the fact that the attacks in Norway may have an inspirational effect on individuals as well as smaller groups. In conclusion, the threat of terrorism is constantly evolving and cannot be expected to be reduced considerably in the coming years. International efforts must be equally adaptable to what is needed in specific cases, ranging from development and humanitarian assistance, democratic governance and human rights assistance to capacity-building of local authorities and other security efforts where appropriate. The threat from so-called 'lone wolves' or groups or individuals not directly controlled by al-Qaeda, but working in isolation and inspired by a common extremist ideology, is growing, and vigilance is required also in this field. Add to these developments the level of uncertainty concerning the implications of the Arab Spring at the threat level. Large parts of the Middle East and North Africa continue to be in a state of flux. As well as offering many positive perspectives, this also poses potential new challenges with implications for the security situation in the region itself and for the EU. Denmark has worked to counter these trends through a combination of bilateral projects and international cooperation, not least through the Danish EU Presidency.

In 2012, Denmark continued to play an active role in developing the EU's counter-terrorism activities under the EU Instrument for Stability. In close collaboration with the European External Action Service, Denmark ensured the development of an EU counter terrorism (CT) strategy for Pakistan and initiated work on an EU CT Action Plan for the Horn of Africa and Yemen, adopted during the subsequent Irish EU Presidency.

Denmark is increasingly aligning its capacity-building support with the Global Counterterrorism Forum (GCTF). Launched in 2011, the Forum has two strategic goals: strengthening rule of law institutions and countering violent extremism. Denmark has been part of the initiative since its launch. The Forum has a strong focus on prevention, and Denmark is proud to co-

lead efforts together with Burkina Faso to engage communities in the Sahel in combatting violent extremism.

The Danish Ministry of Foreign Affairs is continuously working towards ensuring the security of all staff and missions. In an ever-changing threat environment it is crucial that we closely follow developments in the local security situations and where necessary adapt the measures taken. After the terror attack in 2008 targeting the Danish Embassy in Islamabad, all security measures and regulations in the Foreign Service were scrutinized and evaluated. This work resulted in a number of recommendations aiming at enhancing our security. Today, we have come far in reaching this ambition. However, the attacks in Utøya and Oslo underlined the need to prepare for the unexpected.

### Disarmament

Denmark continues to support the international disarmament agenda and has upgraded its ability to take an active part in recent positive developments. In 2012, a Copenhagen-based, travelling Disarmament Ambassador was appointed. Within the field of conventional arms control, the UN negotiations on an international Arms Trade Treaty (ATT) were a key priority for Denmark throughout 2012. Significant progress was achieved, paving the way for the adoption of the ATT by the UN General Assembly in April 2013, with 155 votes for, only 3 against and 22 abstentions. The Danish Minister for Foreign Affairs attended the opening of the final ATT conference in March and publicly expressed satisfaction with the adoption of this first-ever treaty of its kind. In a joint letter to the UN Secretary-General the Danish and the German Foreign Ministers had also emphasised their commitment to a strong ATT. This international regulatory framework for the international trade in conventional arms may help address the human suffering, armed violence and instability that are too often the result of irresponsible and unregulated arms trade. The ATT has a clear humanitarian objective. The treaty obliges states exporting conventional weapons to consider the use of these weapons before issuing export authorisations – including risks of human rights abuses, war crimes, terrorism or organised crime. Denmark was also satisfied to have a criterion on the risk of gender-based violence included in the text. Countries that join the treaty will now have to set up export control systems and report on authorisations of exports every year, thus exposing the arms trade to new levels of transparency.

Denmark will continue to seek progress in this field. An issue not included in the scope of the ATT, but which also needs to be addressed, is the

transportation of arms between third parties. As a major shipping nation, Denmark has many interests at stake here, but also a great responsibility. In August 2012, the Danish Foreign Minister launched an initiative to develop a Code of Conduct for Arms Transporters in close cooperation with the industry and other relevant stakeholders. The purpose is to ensure that arms transportation is conducted in a responsible way and that the delivery of arms does not contribute to violations of human rights or international humanitarian law in the recipient country. As transportation is a global business, this issue will also be promoted internationally in relevant fora.

### Non-Proliferation

Denmark supports a strong international effort regarding both disarmament and non-proliferation. This requires global cooperation and dialogue. And it necessitates a strong international framework. Denmark continues to be ready to do its part in strengthening the international system and efforts in this field. In 2012, two countries again stood out due to their lack of cooperation with the international community.

**Iran:** Iran is pursuing an intensive uranium enrichment effort in violation of multiple resolutions of the UN Security Council and the Board of Governors of the International Atomic Energy Agency (IAEA). Iran continues to fail to fully cooperate with the IAEA and refuses to answer the Agency's continued questions about the possible military dimension of its nuclear programme.

The EU High Representative, together with France, Germany, the United Kingdom as well as China, the Russian Federation and the USA (EU3+3), is still seeking to negotiate with Iran. While 2012 had no significant positive news to report, talks between the EU3+3 and Iran in Almaty in February 2013 gave rise to some hopes for real progress in the negotiations. The goal of the negotiations is to build international confidence in the exclusively peaceful nature of the Iranian nuclear programme. However, in light of Iran's on-going violations of its international commitments, Denmark has supported the adoption of UN sanctions as well as autonomous sanctions by the EU, and continues to stand behind the established two-track approach.

The Iranian leadership has a clear choice to bring these sanctions to an end and to step out from its increasing isolation from the international community. Iran needs only to engage in a serious negotiation process and start complying with all its international obligations, including the provisions of the UN Security Council and IAEA Board of Governors Resolutions.

**North Korea:** When Kim Jong-un assumed the leadership of the DPRK

in December 2011, some cautious optimism was registered. Hopes have, however, not materialised with respect to a positive renewal of the DPRK's relationship with the international community, including resumption of the Six-Party Talks on the denuclearisation of the Korean Peninsula.

On the contrary, in defiance of international law, the DPRK launched a rocket using ballistic missile technology in December 2012 and conducted its third nuclear weapons test in February 2013. As a first step in defence of the international non-proliferation regime, the European Council of Foreign Ministers decided in February 2013 to further strengthen the EU sanctions against the DPRK by adopting autonomous measures in addition to those contained in UN Security Council Resolution 2087.

North Korea's development of its nuclear and ballistic missile capabilities poses a threat to international and regional security. Its repeated unacceptable and illegal threats and provocations against the USA, its neighbours and the international community as a whole only serve to increase regional tension, and hinder the prospects for lasting peace on the Korean Peninsula, which should be in the interests of the regime in the DPRK as well as the North Korean population. In addition to these violations of international law, the North Korean population continues to suffer under the repression of Kim Jong-un's regime, with an absence of civil and political rights and a structural lack of access to food and health services, etc.

While there is no positive movement on the North Korean side at present, many have positively noted the increased Chinese support for the adoption of UN sanctions against the North Korean regime. The international community is increasingly united in its denunciation of the regime's rhetoric and actions.

## The Arab Spring

The massive social upheavals in the wake of the Arab Spring in 2011 have opened new possibilities for people in the Arab world, not only to conduct free and fair elections and exercise their civil rights, but to define their own future. Nonetheless, in the past year the changes and reform processes sparked by the Arab Spring have shown that real democratic changes often take longer than we had hoped.

There is no quick fix for establishing the necessary democratic institutions and developing a political culture that constitutes the foundation of more transparent and accountable states with less corruption, nepotism, etc.

We know that from our own history. Therefore we must be prepared for unpredictability and, at times, setbacks of on-going reform processes. Islamist political parties have become popular after decades of suppression under authoritarian regimes, and in several countries they have won the first free elections. We must seek interaction and dialogue to make our own values clear and to ensure that these new political actors respect the rules of democracy. The transition countries are confronted with immense economic and financial challenges as a result of the global economic crisis as well as the instability caused by the upheavals. It will require enormous efforts to create the necessary new jobs and economic opportunities – not least for the many young people hoping for a better and more prosperous future. If not, the risk of civil and political unrest is considerable.

In **Tunisia**, the Constituent Assembly elected in 2011 and the transitional government led by the Islamist party, Ennahda, have had a challenging year. The Constituent Assembly exceeded its own deadline to finalise the constitution by 23 October 2012 causing popular discontent. Violent incidents occurred, often committed by Salafist and radical groups labelled the ‘Leagues for the protection of the revolution’. The unrest escalated with the murder of the prominent opposition politician, Chokri Belaïd, leader of the Unified Democratic Nationalist Party, in February 2013. The murder ignited accusations that the Government had not done enough to prevent politically motivated violence, and protesters demanded the resignation of the Government. Tunisia was thus thrown into a political crisis. The Danish Arab Partnership Programme provides support for cooperation between Danish and Tunisian organisations in areas such as economic growth and job creation, human rights including women’s rights, local governance and media. Support is also provided through a number of multilateral organisations such as the UNDP and the World Bank.

Since **Egypt’s** President Morsi from the ruling party the Muslim Brotherhood took office after the first free election and his success in loosening the grip on power held by the Supreme Council of the Armed Forces (SCAF), the situation looked promising for a while. However, shortly after, the wind of political polarisation swept through Egyptian society resulting in new and frequent demonstrations against the President and the Muslim Brotherhood. Accelerated by a controversial presidential decree and a snap referendum on the constitution, parts of the Egyptian opposition decided to boycott any dialogue initiated by the President. Even the coming parliamentary elections in 2013 run the risk of being boycotted by parts of the opposition. In the meantime, the Egyptian economy is running on fumes, and the country



lacks legitimate political institutions that can carry through the necessary economic reforms in order to regain international investors' trust in the Egyptian economy and open the doors of the much needed IMF loans as well as support from the USA, EU and GCC. Under the Danish Arab Partnership Programme, Denmark's cooperation with Egypt includes support to economic growth and job creation, cooperation on civil society organisations, social dialogue and academic cooperation as well as cooperation with the Danish-Egyptian Dialogue Institute.

In **Libya**, important progress was made when the first democratic election to the parliament and constituent assembly, the General National Council (GNC), was successfully conducted in July 2012, and a new Government was formed under Prime Minister Ali Zeidan in November. The fragile security situation, nevertheless, remains the most important challenge in Libya. This was most significantly demonstrated by the tragic attack by terrorists on the American Consulate in Benghazi on 11 September 2012, where four people, including US Ambassador John Christopher Stevens, were killed. The many weapons and armed militias continue to be a severe threat to Libya's stability. It is, nevertheless, positive that the new Government of Libya has declared security a top priority. Another key priority is to make headway in the constitutional process which is already delayed.

Denmark's support for Libya continued in 2012 after the swift military action taken together with, among others, France, the UK and shortly thereafter other NATO allies and partners from all over the world to implement UN Security Council Resolution 1973 with a view to urgently protecting civilians against attacks by the Gaddafi regime. A Danish representative office was established in Tripoli in February, and in the same month the Danish Foreign Minister signed a cooperation agreement with the Libyan authorities to further develop the cooperation between Denmark and Libya. In 2012, Denmark committed approximately EUR 5 million to supporting the democratic transition and stabilisation process in Libya through the Danish Arab Partnership Programme and the Danish Peace and Stabilisation Fund. Denmark participates in the core group of Libya's international security partners, formally established at a ministerial conference in Paris in February 2013. The group consists of a limited number of EU Member States, Arab countries, the USA as well as the UN and the EU. The countries have committed themselves to supporting reforms of the Libyan security and rule of law sectors in accordance with the Libyan Government's priorities. Finally, Denmark has contributed to the preparations of the coming civilian EU CSDP mission to strengthen Libya's border control.

In **Syria**, the level of violence reached unprecedented heights in 2012 causing suffering to millions of Syrians. What had begun in 2011 as peaceful anti-government protests was in 2012 replaced by armed confrontation between the Syrian regime and a myriad of armed opposition groups, spear-headed by the Free Syrian Army. The regime and opposition forces stayed determined to pursue their goals through military means, but by the end of 2012 neither had succeeded in decisively gaining the upper hand. More than 60,000 people had lost their lives in the conflict at the end of 2012, and the country and entire region was facing a devastating humanitarian disaster.

The appointment in February 2012 of Kofi Annan as Joint Special Envoy of the United Nations and the League of Arab States, the arrival of UN observers, and Kofi Annan's six-point peace plan offered renewed hope. However, by June, Kofi Annan's peace plan had come under immense pressure and an intensification of the violence eventually forced the UN to terminate the mission. As the year wore on, the armed opposition consolidated its military structures, and aided by increased external support they slowly began to carve out their own opposition controlled areas. By the end of 2012, a large belt of Syria's northern and eastern countryside remained outside of regime control, and there were early signs that the opposition was starting to build fragile administrative structures in these areas. The Syrian regime still showed cohesion although its power base continued to erode. While President Bashar al-Assad announced reforms, he upheld the narrative that anti-government protests and armed opposition were part of a foreign conspiracy, and he continued to step up the military aggression, including the use of heavy aerial bombardments.

The spill-over effects of the conflict in Syria on the stability of its neighbours became increasingly apparent. Regional tensions were raised following cross-border security incidents along Syria's borders. In December 2012, the foreign ministers of NATO decided to deploy Patriot missile batteries in South-Western Turkey with a clear defensive aim of protecting Turkey from Syrian missile attacks. Denmark swiftly decided to further support this decision by deploying a defence communications support team to maintain communication links with NATO operational commands and the deployed Patriot missile batteries.

Despite the fact that the UN Security Council remained divided, Denmark together with its European and international partners continued to call for a peaceful solution to the conflict and supported the tireless efforts of Lakhdar Brahimi, who took over from Kofi Annan in September. When the new National Coalition of Syrian Revolution and Opposition Forces was

established in December, hopes were raised that a solidified and representative opposition platform had been established. Denmark sees the Coalition as the legitimate representative of the Syrian people and continues to urge its representatives to remain focused on the inclusion of all ethnic and religious groups, and remain open to a political solution. At the same time, a radical Islamist dynamic has emerged within the opposition forces. To ensure that moderate forces play a central role in a future Syria and to further galvanise the credibility of the Coalition amongst the population inside Syria, Denmark and likeminded partners stepped up support to civilian activities in the opposition-held areas, including support for local civil society. Denmark also continued to contribute significantly to the humanitarian effort in and around Syria with a 2012 contribution of DKK 153.5 million. The human rights situation in Syria continued to deteriorate, and Denmark advocated a referral of the situation to the International Criminal Court.

Denmark, the EU and other partners such as the USA have an extraordinary chance to contribute to the democratic consolidation of our Southern neighbours. We also have an obligation to offer fast and efficient support, targeted to the specific needs and wishes of our partner countries if we want to help sustain the democratic changes. Denmark welcomed the EU's revised **European Neighbourhood Policy** (ENP) with its different support instruments and the application of differentiation and the 'more-for-more' principle which allows the EU to increase its support considerably to the partners that are genuinely implementing comprehensive democratic reforms. The EU has adapted existing EU programmes to the Arab Spring by reprogramming almost EUR 1 billion of aid. Denmark has been working actively within the EU system to promote a systematic impact assessment of the EU's support to the southern neighbourhood in order to strengthen the efforts in the challenging years ahead. Denmark also warmly supports EU efforts to improve trade relations with the Southern countries in order to strengthen economic growth and job creation in Egypt, Jordan, Morocco and Tunisia. This can be done by giving extended market access for relevant products, especially in the agricultural sector, the alignment of regulatory systems, and by upgrading the EU Association Agreements to Deep and Comprehensive Free Trade Agreements (DCFTA). Negotiations with Morocco have started in March 2013 and will most likely start with Tunisia later in 2013. At the bilateral level **Denmark** has significantly increased its cooperation with Arab countries in transition. In 2013, as in 2012, Denmark will commit DKK 275 million to our collaboration with the Middle East and North Africa through the Danish-Arab Partnership Programme. The double objective of

the programme is to support existing reform and democratisation processes and to promote dialogue, understanding and cooperation between Denmark and the Arab world. As a key element, support to economic growth and job creation has been expanded. Much of the unrest in the Arab world was linked precisely to desperate socio-economic conditions; therefore economic growth and job creation are vital to consolidating the transition.

Concerning the **Middle East Peace Process**, the prospect of a negotiated two-state solution between Palestinians and Israelis did not gain momentum in 2012, on the contrary. In particular during the first half of the year, strong efforts were undertaken by the international community to push for a re-launch of direct negotiations. However, the presidential elections in the USA, the calling of parliamentary elections in Israel and the voting on the status of Palestine in the UN General Assembly as well as continued Israeli settlement activity led to a de facto postponement of the negotiations.

The Palestinian initiative to obtain an upgraded status of ‘non-member observer state’ was supported by a huge majority of Member States in the UN General Assembly on 29 November. Denmark was among the majority of EU Member States voting yes as did also all Nordic countries. In response to the Palestinian move, more settlements in East Jerusalem and the West Bank were announced and transfers of vital funds for the Palestinians were blocked by the Israeli Government. In a further effort to demonstrate the strong Nordic support for a future Palestinian state, Denmark, Sweden and Finland decided that the respective Missions of Palestine during 2013 would start enjoying a status comparable to that of Diplomatic Missions which is already the case in Norway.

## Development, New Cooperation and Africa

### Development

Politically as well as economically, Denmark continued a long and important engagement on the development scene in 2012, which was marked in March by the 50th anniversary of Danida. The celebration was a high-level gathering of international development actors with representatives of Danish priority countries, EU Member States, UN agencies and other international organisations that discussed future challenges and opportunities for development cooperation. As a result of this long experience and the continuous

efforts to improve development effectiveness and transparency, Denmark received prestigious international rankings: 1st in the Center for Global Development's 'Commitment to Development Index' and 3rd in Publish What You Fund's annual ranking.

The Danish commitment to development is visible: as one out of only five countries worldwide, Denmark stayed well above the 0.7 per cent of GNI target for official development assistance in 2012. Denmark increased the development assistance by DKK 234 million in 2012 and by another DKK 366 million in 2013 reaching a level of 0.83 per cent of GNI in 2012 (based on commitments). The tendency in the EU was less encouraging when the 2011 OECD numbers were published in early April. Due to economic restraints in many European countries, the collective EU level had dropped from 0.44 per cent to 0.42 per cent making the gap to the 2015 collective EU target of 0.7 even greater and the target more difficult to reach. In order to bring attention to these commitments made by developed countries to increase official development assistance, Denmark took the initiative in 2012 to establish the g07 network consisting of Sweden, Norway, United Kingdom, Luxembourg and Denmark.

Significant changes on the national development agenda were made in Denmark in the past year with the adoptions in May of the new Danish International Development Cooperation Act and the new strategy for Denmark's development cooperation, 'The Right to a Better Life'. Replacing the existing law from 1971, the new Act and its objectives reflect the changed development landscape, increase transparency and introduce a new institutional setup with a Council for Development Policy, which will provide the framework for on-going strategic dialogue with and advice to the Minister for Development Cooperation. The new Danish strategy was adopted in the Folketing with support from all political parties after a very inclusive and transparent process. With a human rights-based approach, the strategy focuses on four priorities: Human Rights and Democracy, Green Growth, Stability and Protection and Social Progress with two equally important and interdependent objectives, which are to reduce poverty while at the same time helping people to realise their right to a better life. The human rights-based approach has as its point of departure the UN human rights conventions, standards, norms and instruments. As the approach is implemented, the dialogue with partners will be guided by the principles of non-discrimination, participation and inclusion, transparency and accountability.

Another political priority in 'The Right to a Better Life' is the strengthening of the multilateral development cooperation. As a tangible Danish

commitment to promoting cooperation and the effectiveness of the United Nations, the Government handed over the new state-of-the-art high-tech warehouse to the UNICEF supply division in the spring of 2012. During the first half of 2013, all UN organisations in Denmark will be gathered in the environmentally sustainable and energy effective UN City, which received the Green Building Award from the EU Commission in 2012. Copenhagen is the 6th largest UN hub in the world.

The Danish development priorities were also part of the ambitious development agenda during the Danish Presidency of the EU in the first half of 2012. Among the results were the adoption of a more evidence and dialogue-based approach to policy coherence for development and a modernisation of the EU development policy, placing the EU as a strong actor in international development. Since Denmark finds that the needs of the developing countries must also be addressed as part of a trade liberalisation agenda, Denmark promoted sustainable development as an important consideration in the EU's bilateral and regional free trade agreements. The Danish EU Presidency managed to achieve agreement on a new and revised Generalised System of Preferences. The system focuses on the poorest and most vulnerable developing countries in order to ensure that they benefit the most from the system which gives developing countries preferential access to the EU market through reduced tariffs. Finally, the Council concluded on the future course for the EU's work regarding trade, growth and development.

As a good complement to the active Danish efforts to promote women's rights and access to health services, HRH Crown Princess Mary joined the 'High-Level Task Force for the International Conference on Population and Development' in the autumn of 2012. This was a continuation of HRH the Crown Princess' strong profile and commitment to empowering women and improving their health and lives in developing countries, including as patron of the UN Population Fund. The goal of the task force is to mobilise broad commitment and reinforced support for the sexual and reproductive health and rights-agenda towards the commemoration in 2014 of the 20th anniversary of the so-called Cairo Programme of Action, and in relation to the development of new goals to replace the UN Millennium Development Goals.

### **Continued Focus on Africa**

The Danish development engagement is continuously being adapted, revised and innovated according to the dynamic context in our prioritised countries all over the world. New opportunities arise and new challenges make us rethink our engagement and priorities. Being the primary recipient of Da-

nish development aid, the changes on the African continent are followed particularly closely.

Africa receives increasing international attention and is a key priority in Danish foreign policy. The international community is clearly strengthening its focus on African market opportunities. The African economies are growing at twice the speed they did in the 1990s, exports are growing and direct foreign investments have increased by 600 per cent over the last decade. The private sector has in some countries grown to be much more dynamic and innovative. Last but not least, a growing middle class has emerged in many African countries. However, economic growth in Africa remains very uneven, and inequality is growing. The fundamental challenges of bad political leadership and corruption remain a critical barrier to progress in many countries. Hence, it is critical for Denmark and other international actors to seize the new economic opportunities with an active trade policy engagement and commercial instruments, while still keeping a clear focus on the long-term development of the African nations through our broad and active political engagement as well as development cooperation.

Conflict, piracy, transnational crime, smuggling and terrorism exist in different parts of Africa and constitute a major barrier to development and progress. The positive trend is that Africa and the regional organisations are now taking a more active stance in handling these challenges. Two regions stand out in this respect, the Horn of Africa and the Sahel.

In the Horn of Africa, Somalia saw positive progress in 2012. Both politically, culminating with the establishment of a new Somali Government in the autumn, and security-wise where the AU military mission (AMISOM) succeeded in pushing back the Al Shabaab from its former important strongholds. While the big cities are now liberated, Al Shabaab continues to exist as a serious asymmetric threat to peace and stability, including in Puntland. But for the first time in many years, there is reason for cautious optimism in Somalia. There are no guarantees, but one thing is certain: the recipe for success includes strong Somali and African leadership combined with continued intentional support. Denmark will continue to stay engaged – politically and with support in terms of stabilisation and development efforts.

The situation in the Sahel remains a concern and a Danish focus area. In the spring of 2012, radical Islamist movements exploited an internal power struggle in Mali to effectively take over the Northern part of Mali. Sharia was implemented in many cities, and the situation constituted a threat to international peace and security. From the outset, the Economic Community of West African States (ECOWAS) together with the African Union



played a leading role in the international efforts to solve the conflict in Mali through mediation efforts and through active diplomacy. When the radical rebels advanced and threatened to take over the capital of Mali, the entire international community stood united against this threat.

Denmark is playing an active supporting role. We have contributed with a military cargo plane to the French-led military engagement in the country, while at the same time supporting the African-led mission to Mali, AFIS-MA, both financially and in political terms. The military support is part of Denmark's comprehensive engagement in Mali bringing together political, development, humanitarian and stability instruments. Our aim is a peaceful and stable Mali with political, social and economic opportunities for every citizen.

## Global Issues

### Democracy and Human Rights

With the development of a multipolar world, the protection of human rights norms and the work to ensure their implementation have become far more complex, and human rights as universal and indivisible standards remain at the centre of Danish foreign policy. Recognising that strengthened and diversified diplomatic efforts are needed in the field of human rights, a Danish Human Rights Ambassador has been appointed. Based on the longstanding and internationally recognised Danish work for the promotion of all aspects of the human rights norms, the Human Rights Ambassador will seek to form new partnerships and alliances to ensure that Denmark remains an effective agent for the protection and actual implementation of the human rights norms.

The tabling of UN resolutions against **torture** is a recurring element of the prioritised Danish effort to fight torture. After lengthy and intense negotiations at the 67th General Assembly, Denmark was successful in securing the adoption by all 193 Member States of a strong and comprehensive resolution against torture and other cruel, inhuman or degrading treatment or punishment. The resolution in one of its provisions urges every UN Member State to become party to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment and as a matter of priority to consider becoming party to the Optional Protocol to the Convention.

The protection of the rights of **indigenous peoples** remains a priority in our approach to human rights. Together with the Government of Greenland



a concerted effort is carried out in relevant international fora where the rights of indigenous peoples are discussed. In 2012, Denmark and Greenland were actively involved in the start-up of preparations for the World Conference on Indigenous Peoples, which will be held in 2014. The preparatory activities included the adoption of a UN General Assembly Resolution on the organisation of the conference, the hosting in Copenhagen in January 2012 of the first indigenous brainstorming meeting on the World Conference, which led to the establishment of the Indigenous Global Coordinating Group, and the appointment of the indigenous co-facilitator to the process as well as to financial contributions to the Arctic Regional meeting on the World Conference on Indigenous Peoples held in Nuuk in October 2012.

In September 2012, in the margins of the UNGA, Denmark participated in the launching of The Equal Futures Partnership. This was a new international effort – initiated by President Obama – to break down barriers to women’s political participation and economic empowerment. Denmark has contributed national experience regarding women’s participation on corporate boards and efforts to improve gender balance in Danish companies, the enhancement of ethnic minority women’s political and civic participation in Denmark, and initiatives aimed at addressing violence against women.

### **Green Growth – The Path to Green Transition**

The need to change current consumption and production patterns in a more sustainable direction gained increased attention in 2012. The global community came together to discuss sustainable development, including our common environmental challenges and the over-exploitation of natural resources, when world leaders met at the UN Conference on Sustainable Development in Rio in June 2012. The Rio+20 outcome document, ‘The Future We Want’ did not in fact provide everything we wanted from the EU side, but it recognised green economy as a concept, and it constitutes a sound basis for further work in the quest for achieving sustainable development. The establishment of an open working group to provide recommendations for sustainable development goals was also an important achievement at Rio+20.

The UN Secretary-General’s initiative on Sustainable Energy for ALL (SE4All) also saw good progress during 2012, with three interlinked goals to be achieved by 2030: universal access to modern energy services, doubling the global rate of improvement in energy efficiency, and doubling the share of renewable energy in the global energy mix. The governance structure and a draft work plan for the initiative were developed. Denmark is very commit-

ted to supporting the implementation of this initiative and has committed financial resources to the establishment of a technical assistance facility under SE4All, as well as to the establishment of a SE4All global facilitation team.

The COP18 resulted in the Doha Climate Gateway, reaffirming the global commitment to the ambition of keeping global warming at a two-degree Celsius increase. As a frontrunner of a global green transition, Denmark engaged in new edifices to promote green growth. In December 2012, the Danish Government established a Danish Climate Investment Fund under the management of the Investment Fund for Developing Countries (IFU). The purpose of the investment fund is to mobilise public and private capital for climate-related investments in developing countries. The Government has committed DKK 225 million to the investment fund for the years 2012 and 2013. Private investors are expected to contribute an additional DKK 500 million.

2012 also spurred the establishment of the Global Green Growth Institute as an international institution with former Danish Prime Minister Lars Løkke Rasmussen as Chairman, and the fruitful Danish green growth alliances with South Korea and Mexico encouraged new partnerships on green growth.

In order to strengthen the transition to green growth, the Danish Government has launched the Global Green Growth Forum (3GF) in close cooperation with the Republic of Korea and Mexico. The Forum provides an innovative and dynamic process and platform for increased public-private cooperation. In 2012, the 3GF was joined by three new partner countries, China, Kenya and Qatar, along with a number of private partners. The aim of the Forum is to speed and scale up the transition by facilitating synergies among a range of actors focusing on scaling up solutions on how to promote green growth. The green growth approach opens up new opportunities for bottom-up joint action, a broader range of actors, and new options for growth, with a global market for green goods and services that is vast and growing fast.

3GF was held in Copenhagen for the second time in October 2012, bringing together 250 selected key decision-makers from governments, cities, global corporations such as Philips, KEMCO, Nestlé and Novozymes at high level, as well as from numerous UN agencies and international organisations. The overall theme for the Forum was to promote concrete actions on resource efficiency and growth. The Forum was a great success, hosting 40 sessions in two days and running 11 private-public partnership sessions in the areas of energy, water, finance, green procurement and trade. Outcomes

included the promotion of new and emerging initiatives such as the launch of two new partnerships on energy efficiency issues – finance and indicators – both aimed at facilitating decision-making and promoting investment in concrete energy efficiency measures. 3GF contributed to the momentum which led to the launch of the ‘Sustainable Energy Trade Initiative’ Alliance at COP18, a multi-stakeholder support mechanism pushing for an international ‘Sustainable Energy Trade Agreement’.

3GF has become an internationally recognised process and platform for solution-oriented thinking and action on green growth involving a large range of actors and interested stakeholders. In the coming years the Forum will further strengthen its support for a global transition to a green and inclusive economy – pursuing sustainable development for all, in line with the Rio+20 goal of inclusive development and with the EU 2020 strategy on intelligent, sustainable and inclusive growth.

## Focusing the Tasks of the Ministry of Foreign Affairs

As a result of the economic crisis, there is a pressure on public finances in many Western countries – including Denmark. Although economic fundamentals in Denmark remain relatively sound, it has proven necessary to lower public expenditure in order to limit public deficits. With a view to strengthening the Danish economy and increasing efficiency in public administration, the Government decided in 2011 to carry out significant budget cuts during the years 2012 and 2013. To address this challenge the Ministry of Foreign Affairs initiated in 2012 the implementation of a plan enhancing efficiency and adjusting the organisation of the Ministry, both in Copenhagen and at the Missions abroad. Thus, the aim is to safeguard and promote Denmark’s values and interests within a reduced budget.

In the Ministry of Foreign Affairs in Copenhagen, the centre-based structure introduced in 2009 was streamlined with a reduction of centres from eleven to seven during 2012. Additionally, among the structural changes was the establishment of an independent controller unit reporting directly to the management of the Ministry. The efficiency enhancement plan also resulted in a reduction of staff. In the course of 2012, a total of 51 employees were dismissed at all levels of the organisation, while a number of employees agreed to leave the Ministry on a voluntary basis. Additionally, in the past

year the Ministry has also changed the composition of staff significantly. Today, 75 per cent of staff at Danish Embassies are employed on local terms, while the remaining 25 per cent consist of posted Danish diplomats.

With respect to the network of Danish Embassies and Missions abroad, 12 Embassies, Consulates General and Danida offices have been closed since 2010. In 2012, the Danish Ministry of Foreign Affairs closed the Embassies in Managua and Baghdad as well as the Consulate General in Hong Kong. More close-downs will follow in 2013 and 2014, as the development assistance to Zambia, Benin, Cambodia and Bhutan is phased out. Furthermore, the Consulates General in Hamburg and Milan will be converted into trade offices during 2013. New Diplomatic Missions were also opened during 2012, as is the case in Tripoli and Yangon. Such changes in the Ministry's structure not only reflect a cost-cutting drive. They are also a consequence of a new world order which calls for changes in Denmark's global presence.

In the years to come, the Danish Ministry of Foreign Affairs will continue to keep a strong focus on financial control and the best use of resources. While the efficiency enhancement plan has ensured that the Ministry remains fit and well-prepared for future budgetary challenges, additional streamlining and efficiency improvements may still be needed in 2014 and onwards.

### **Multilateralism and Bilateralism**

Seen in a wider perspective, there is an increasing sense that our multilateral system cannot tackle all aspects of the present crisis and current regional power shifts. In order to defend and promote our democratic model and national interests, not only the multilateral system must be reinforced; the bilateral cards need to be played more, and better, also by small countries. Bilateral cooperation is becoming increasingly important but is perhaps particularly demanding for small countries in an environment of increasing competition. Denmark, as a small country in size, must continue to exercise its strong commitment to multilateral cooperation while finding its feet in extended bilateral collaboration.

It is the subject of continued interest, discussion and predictions how the European External Action Service (EEAS) will unfold, and what consequences this will have for the national Foreign Services of EU Member States. So far, with the current setup, it is possible to conclude that the EEAS and its delegations around the globe will only to a limited extent be able to take over tasks from the national Services. Only one fifth of the working hours of the Danish Foreign Service are spent on what could be termed

general foreign policy, while the rest is dedicated to tasks that the EU delegations would not be able to take over based on the present treaty jurisdiction, i.e. promotion of trade, bilateral development assistance, citizen services and administration. This calculation does not even take into account the time spent (also included in the said fifth) on the management of visits from the Government, the Folketing, the Royal Family, etc. The Lisbon Treaty does not change the need to represent Danish interests in a changing world. Even concerning general foreign policy, where EU delegations have been granted authority with the adoption of the Lisbon Treaty, there is a continuous need for a Danish presence in order to cover the areas where we want to leave an impact on the common policy of the EU. An increasing share of EU policy development has local coordination as its starting point. National contributions to the coordination processes in Brussels are highly dependent on the local knowledge provided by the national Missions.

Consequently, the EEAS cannot be expected to produce an adjustment of the Danish Mission structure on the current basis. However, it will change the way we work by producing increased possibilities. In some areas, we are able to gradually rely more and more on the common foreign policy. This entails increased liberty to choose Danish pro-active political priorities. This is a mounting opportunity which Denmark is committed to using as it evolves, also as a way of rationalising and focusing our resources in times of economic crisis.

# In the Shadow of Kim Davy: India–Denmark Relations in the Early 21<sup>st</sup> Century

*Ravinder Kaur*<sup>1</sup>

## Introduction

On 16 August 2011, the Indian government was reported to have downgraded its diplomatic relations with Denmark.<sup>2</sup> The public announcement to this effect, made by the then Danish Minister of Foreign Affairs, Lene Espersen, came after a dramatic turn of events when the Danish High Court rejected India's plea to extradite Niels Holck (known as Kim Davy in India) to stand trial on charges of weapons smuggling in India.<sup>3</sup> What made the Indian response particularly critical was that, *one*, this was the first major breach in the long history of friendly diplomatic relations between India and Denmark,<sup>4</sup> and *two*, India was by now seen as 'an extremely important partner'<sup>5</sup> of strategic significance to Denmark in terms of trade and investments in the BRIC nations. While India's disappointment at losing the extradition case was well recognized, few in Denmark could understand India 'freezing' diplomatic relations as a response.<sup>6</sup> Similarly, the Danish rationale for not vigorously pursuing the extradition case to bring the illegal acts of an international weapons smuggler to justice in the Danish Supreme Court found few takers in India. The issue, it seemed, was no longer limited to legal arguments: it had entered the more contentious domain of cultural and political misunderstandings. In short, the legal wrangling in a Copenhagen court room had by now become a mere footnote in the animated public debates about differing cultural values and stereotyping, together with the fear of losing lucrative 'emerging markets' in the South.

The Niels Holck case (known as the Purulia arms-drop case in India) is a critical event that has revealed a moment of *discrepancy* in Indo-Danish bilateral relations in an unanticipated way. I suggest discrepancy in three ways. First, there is an obvious contradiction between the popular accounts

of the arms-drop case in India and in Denmark. While in Denmark it is either seen as a pressure tactic deployed by an Indian state eager to flex its muscles<sup>7</sup> or a matter of potential human rights violations,<sup>8</sup> few are aware that the prime mover behind this extradition bid is not the Indian state itself but Indian human rights activists, who have successfully used the judicial instrument of Public Interest Litigation (PIL) since 1990s to keep the case alive. The PIL challenged the Indian state for endangering India's national security because of its failure to protect its airspace effectively. It also demanded a full judicial probe that could only be achieved by bringing the missing mastermind of the operation, Kim Davy, to trial in an Indian court. This complex legal background – which has been largely absent in the Danish public domain – as well as the politics of the Purulia arms-drop case in India is crucial to understanding the Indian state's intention, response and strategy in this particular case. Secondly, there is Denmark's splintered approach towards India, whereby it simultaneously seeks to engage it profitably in trade<sup>9</sup> but remains uncomfortable with its political culture and institutions. This double bind became particularly visible in the extradition case where the Indian judicial system was found wanting and below Danish and international standard of justice even as India was being pursued vigorously to access greater market opportunities. Thirdly, related to the previous point is the cultural dissonance within the popular domain in Denmark, where India continues to be perceived through its mid-to-late twentieth-century history as an aid-dependent nation. The skewed power relations inherent in any donor–recipient relationship and the dichotomy between a developed North and a developing South still shape the ways in which India is imagined and approached. The public and popular debates surrounding the legal sphere of extradition precisely indicate that this current discordant view of India is both seductive (new market opportunities) and dangerous (unfamiliar political-cultural territory).

In this chapter, I explore these multiple levels of discrepancy and the ways in which they are shaping Indo-Danish relations in the early 21st century. The chapter is primarily divided into four sections. The first section outlines the broader contours of Indo-Danish bilateral ties, the second section focuses on the origins and development of the Purulia arms-drop case in India, and the third details the ways in which the arms-drop case has been played out in Denmark. By re-tracing these two differing histories and often conflictual or patchy accounts in India and Denmark, we begin to see points of discord, missed opportunities, and at times a story of misread and misunderstood signs – both cultural and political – that have led to the most

serious diplomatic showdown between the two nations. The final section opens a discussion on the future of bilateral ties – and the possibility of strategic partnership – between India and Denmark within the broader context of India's foreign political history. But before we proceed, a brief history of Indian-Danish bilateral relations leading up to the present would be in order.

## From Aid to Trade

The standard historical accounts usually trace the beginning of Indo-Danish encounters to the arrival of a Danish shipping fleet in 1620 on the southern coast of India.<sup>10</sup> While Denmark's brief engagement with India during the British colonial period was limited to two trading outposts in Tranquebar and Serampore, full bilateral relations began taking shape mostly in the years after India's independence in 1947. The first diplomatic contact between the two nations was established at legation level in 1949. This was followed by an official visit by the then Indian Prime Minister, Jawaharlal Nehru, in 1957 which paved way for an upgrade to full bilateral relations.<sup>11</sup> In this period, bilateral relations were to a large extent defined by Danish development aid to India which commenced in 1960. The disproportionately skewed power relations between India and Denmark in that historical moment have been captured in Steen Folke and Jesper Heldgård's memorably entitled book *The Rich Mouse and the Poor Elephant*, which gives a vivid account of 45 years of aid-based relations.<sup>12</sup> Danish aid to India, in the form of loans and grants, is estimated to have been about \$6 billion over this period spread over a variety of sectors such as agriculture, health, drinking water and sanitation. In 1998, aid to India ended under dramatic circumstances. In the month of May that year, India conducted its second range of nuclear tests in Pokhran, earning it sanctions from many Western nations. The Danish foreign minister, Niels Helvig Petersen, was reported as having 'deeply deplored' the nuclear test blasts and warned India of negative consequences.<sup>13</sup> One of the consequences was that aid worth \$28.2 million was frozen by the Danish government. This constituted one of the first diplomatic cracks, albeit at a far lower scale, in the largely friendly relations between India and Denmark hitherto. In this case, the Danish response was part of a larger international position that sought to curb India's nuclear ambitions. The bilateral cracks formed at this stage, however, grew wider when Denmark sought to resume its development activities but India declined the offer. In an entirely unanticipated move, India returned its entire loan of DKK 150 million taken from Denmark and asked



the aid programmes to be phased out.<sup>14</sup> This move is described in the Indian accounts as a turning point that redefined bilateral relations between the two countries, and consequently “since then, Indo-Danish relations are based on *reciprocity, equality and mutual respect*, demonstrating synergies in various fields including economic, trade, investment and technology cooperation [my italics].”<sup>15</sup> This emphasis on equality and mutual respect is noteworthy as it underscores the Indian desire to gain parity after decades of the skewed power hierarchy that donor–recipient relationships inherently entail.

India-Denmark bilateral relations have indeed taken a different turn since the ending of aid-based encounters. Two historic developments that need to be mentioned here are fundamental to this shift. *First*, India has dramatically transformed itself into a desirable economic destination for global investors after the ‘opening up’ of its markets in the past two decades. The economic reforms that were set in motion in the late 1980s were further accelerated in the early 1990s by the then Indian Finance Minister, Manmohan Singh. In a series of measures of liberalization, privatization and disinvestment in the public sector, India was finally said to have shed its Nehruvian ‘mixed economy’ – regulated capitalism with features of socialism – to embrace neo-liberal economic policies.<sup>16</sup> This moment was heralded as the making of ‘new India’ – a *reformed* nation in tune with the structures of global economy – where the dominant narrative is that of the ‘India growth story’ that has captured the imagination of the world.<sup>17</sup> India’s economic growth rate has been consistently placed at around 8% in the past two decades, making it an attractive investment destination in the new landscape of BRIC nations.<sup>18</sup> The recent economic gains of the past decade or so are reflected in the new confidence that India has shown in its ambitions as a global player too. This is visible in its new foreign-policy priorities which include investing in long-term relationships in Africa, Asia and Latin America. India is now an aid donor and financial investor in parts of Africa and pursues an equally ambitious strategy towards its eastern neighbors. In other words, India has very rapidly transformed itself from an aid-dependent nation to a donor in its own right and from a reluctant capitalist state to a champion of neoliberal economic policies. This sudden transition – in no more than a decade – is not without pains, as the growing wealth gaps show.<sup>19</sup> The internal critique and debate precisely indicate this ongoing struggle about the idea and future of India. But what is certain is that India has moved out of its peripheral position of the late twentieth century into a more central role on the global stage at the onset of the 21st century.

*Secondly*, the ongoing financial crisis in the Western economies is a contributing factor in this rearrangement of the global power equation. As economic growth stagnates, the Western nations, if not caught in outright recession because of the rapid movement of skilled labor, capital and manufacturing operations to Asian nations, are increasingly looking for fresh trading zones beyond their traditional spheres. Denmark, like most other Western nations, has also strategically sought out India (together with China and other BRIC nations) to gain a foothold in its fast expanding markets. The Danish strategy aligns the imperatives of trade together with those of innovation, research, education and cultural exchanges.<sup>20</sup> At the level of policy, therefore, India has moved into a different plane – one of science, technology and innovation – for Denmark. The recently sanctioned Danish innovation center in Bangalore, the trade office of the Confederation of Danish Industry (Dansk Industry) in Mumbai and the growing presence of Danish businesses in Gurgaon – the new Manhattan-style business district in greater Delhi – testifies to this recent shift.

Entangled in these different currents of history is the crisis that led to ‘frozen’ diplomatic relations between India and Denmark. The arms-drop case clearly belongs to the politics of the twentieth century seeking to adjust itself to the realities of the 21st century. It is this multi-layered discrepancy that we will examine through two accounts of the Niels Holck case in diverse domains – legal, political and popular – and the ways in which the crisis has resulted as much from missed opportunities as from misread and misinterpreted signs.

## The Case of the Missing Mastermind

It wasn't until 2002 that the identity of Kim Davy, the mastermind of the Purulia arms drop, was officially established in India.<sup>21</sup> On the night of 17th December 1995, a large cache of military-grade arms, including automatic rifles, rocket launchers, grenades, handguns and ammunition, had been dropped by air into a village in Purulia District, West Bengal. The very act of dropping arms in such large quantities and the defiant style of the operation are considered unique in the annals of India's criminal history.<sup>22</sup> While the Latvian crew of the aircraft and the British arms dealer Peter Bleach who procured the weapons were arrested by the Indian police, a gunrunner called

Kim Davy who was the key operative escaped arrest. Little was known about the man who had procured the funds and planned and executed the entire operation. Even his accomplice seemed to have few details about him. According to initial reports, he was said to be a New Zealand passport-holder who had quietly slipped out of India in the confusion that followed.<sup>23</sup> At other stages during the investigations, he was thought to be an American national hiding in the USA.<sup>24</sup> In short, for about the first seven years the investigations into the most spectacular breach of India's national security and its airspace were apparently conducted without much knowledge of the identity or whereabouts of the man who organized the operation.

This audacious breach of national security<sup>25</sup> and intelligence failure<sup>26</sup> in the Purulia case has from the very beginning been a matter of intense public fascination, speculation, and conspiracy theories in India. The objective of the arms drop was widely said to be to derail the Communist regime in West Bengal though at other times it has been suggested that the ultimate recipients may have been the anti-Communist rebels in the Chinese-Burmese border regions.<sup>27</sup> While the final destination of the weapons cache remains buried in mystery, the brazen mode of operation where the aircraft strayed off its approved flight path without being detected, its re-entry into Indian airspace after four days, and finally the escape of the prime suspect from Mumbai airport presents yet unanswered questions. Not surprisingly, the Indian investigating agencies have been criticized by the courts and the media for their failure to bring the main accused to justice.<sup>28</sup> Given the serious implications of this case for India's security and sovereignty, the effort to bring the fugitive Kim Davy to stand trial in an Indian court has continued to have a high priority.

On 18 March 2002, the arms-drop case took a fresh turn with the revelation that Kim Davy was actually a Danish citizen called Niels Christian Nielsen residing in Denmark. This fact was disclosed when the Danish TV channel TV2 aired a documentary that showed Nielsen living freely in Copenhagen while the CBI in India had declared him to be untraceable and an absconder during the trial. While this public disclosure was a vital step towards finding Kim Davy, it was not exactly a surprise for journalists and legal activists who had been following the case from the very beginning. In fact, Copenhagen had already figured as the place where the original conspiracy had been hatched in the testimonies presented during the arms-drop trial in Kolkata.<sup>29</sup> According to news dispatches, the CBI had reportedly contacted the Danish Ministry of Justice as early as August 1996 to establish the identity of the associates of the accused.<sup>30</sup> In May 1997, the Danish authorities

had positively identified the two Danish citizens involved in the plot as Peter Hæstrup and Brian Thune, who had been instrumental in providing contacts for the procurement of arms.<sup>31</sup> In early 2000, an investigative report by a BBC correspondent firmly established the Danish connection by identifying the main accused as a Danish mercenary trader of “weapons, minerals and insurgents ... holder of forty passports and as many aliases ... and according to his former accomplice Peter Bleach ‘someone who can raise half a million dollars within a few hours over a couple of phone calls.’”<sup>32</sup>

In the meantime, the introduction of a new law against terrorism in Denmark following the September 11 attacks in New York meant that the extradition of Danish citizens had become a real possibility. In May 2002, media reports in India duly publicized that Niels Christian Nielsen (now Niels Holck) was indeed residing in Denmark.<sup>33</sup> This wide publicity put CBI in a tight spot for not having made enough effort to arrest the accused. By early 2003 when the CBI had still not acted upon this information, the Delhi High Court acting on a PIL ordered the agency to report the action it had taken to arrest the prime accused.<sup>34</sup> The CBI replied that it had broached the matter with a visiting Danish minister but had not received any response. In other words, the question of Niels Holck’s extradition had by now entered the official agenda of Indo-Danish bilateral relations. This brief account of the Purulia saga as it unfolded in India allows us to begin outlining two ways in which the case was popularly *misread* in Denmark.

*First*, the extradition case in Denmark is sometimes interpreted as a flexing of muscles by an increasingly assertive India in the area of foreign policy. However, even a cursory reading of the widely available public accounts would reveal that it is not the Indian state, but rather human and legal rights activists who have spurred the state into action to trace the prime accused. The original trial at which Niels Holck’s associates were sentenced was concluded more than a decade ago, in early 2000. At that time, the prime suspect, Kim Davy, was officially declared an absconder, and subsequently the Indian authorities made no visible effort to trace or identify him. It was a Public Interest Litigation filed by an activist that drew the attention of the court towards Niels Holck’s presence in Denmark, and it was the court which directed the Indian government to pursue his extradition.<sup>35</sup> Since the late 1980s, social activists in India have effectively utilized PIL as an instrument of action that has often forced the state to act on issues as varied as pollution control, encroachments on public spaces and deforestation to children’s rights and communal violence.<sup>36</sup> In India, this form of judicial activism is seen as empowering for citizens who have been seeking to challenge

the state on crucial issues in the past couple of decades. The Purulia case has been kept alive precisely because of the efforts of the activists, who petitioned the court to seek answers from the state on matters of national security.<sup>37</sup>

*Secondly*, there is a widespread belief in Denmark that India is pursuing the extradition case in order to appease the internal interests of its government coalition.<sup>38</sup> This proposition falters once we begin looking at the actual political landscape of current political alliances in India. To begin with, the Purulia operation is alleged to be an anti-Communist conspiracy engineered by anti-Communist forces in the West as well as in India including an ex-Member of Parliament for one of Congress's alliance partners.<sup>39</sup> The target of the operation was said to be the Communist Party of India (Marxist) which had been ruling the state of West Bengal since 1977. By this logic, the aggrieved party in this case would be the CPI(M) which the external and internal forces were conspiring to dismantle. However, the CPI(M) has not been in any significant position to demand or influence the extradition case over the past five years. The CPI(M) has been out of power since 2008 when it withdrew support from the Congress Party-led coalition at the Centre, and it suffered a further spectacular loss in the 2011 state elections in West Bengal. Even prior to that, the party did not make the Purulia case central to its negotiations with the Congress Party.<sup>40</sup> Its recent statements on this case have largely been in response to the discussion generated in the media after Niels Holck's appearance in an Indian television debate, where he re-framed his actions as part of an international anti-Communist plot.<sup>41</sup> The Congress Party, for its part, has clearly rejected the demands for further judicial probes into the case. The only other party that could have any interest in this case is the Rashtriya Janata Dal (RJD) whose former Member of Parliament, Pappu Yadav, is alleged by Niels Holck to have been part of the operation. However, Pappu Yadav has long been incarcerated in prison on unrelated criminal charges, and since 2010 the RJD has been derecognized as a national party having dramatically lost the last election. It is noteworthy that no major political party in India has taken up Purulia as a key plank for either popular mobilization or negotiations.<sup>42</sup> In short, the idea that the compulsions of alliance politics are responsible for this case taking center stage seems to be grounded in a misunderstanding of the Indian political landscape.

Once we begin looking at the ways in which the Indian government has dealt with the Purulia arms-drop case, it is the desire to resolve the matter rather than seek international confrontation that becomes more apparent. Far from making Purulia a display of its political muscle in the global arena, India has seemed much keener to seek solutions to the ensuing diplomatic

altercations with friendly nations. This wish to de-escalate crisis while keeping up its public face is best illustrated by the ways in which India has dealt with the other accused in the case. To begin with, the five Latvian crew members (who later took Russian citizenship during the trial) and the British arms dealer were given life imprisonment upon the conclusion of the original trial in early 2000.<sup>43</sup> Quite extraordinarily, the crew members were given a Presidential pardon a few months later, while the British prisoner was similarly granted release in 2004.<sup>44</sup> The privilege of a Presidential pardon, as is well known, is not something that is often exercised. However, in this case the prisoners who were said to be from friendly nations were granted this rare privilege and sent home. This decision has irked Indian security analysts who believe that the exercise of the Presidential pardon after a due judicial process is a setback for the Indian justice system as well as counter-productive to its security concerns.<sup>45</sup>

In the case of Niels Holck, similarly, India has made substantial concessions to Denmark that have been severely criticized by Indian foreign-policy commentators. Already in 2007, India had offered assurances to Denmark that the accused would not be sentenced to capital punishment, would be treated according to the UN Convention of Civil and Political Rights, would have constant access to the Danish consular services, would be granted an expeditious trial and, even more importantly, would be sent to his home country to serve the sentence passed.<sup>46</sup> Even though the last concession is a subject of internal political controversy – it contravenes the Repatriation of Prisoners Act 2003 which does not allow the transfer of prisoners involved in crimes against India's security and sovereignty – India has offered it as a means of assuaging the concerns expressed by Denmark.

This kind of negotiation has been criticized widely in India as representative of a lax attitude towards the question of national security which risks setting a precedent for similar concessions in other expatriation cases.<sup>47</sup> In the summer of 2011 when the extradition case was being tried in Copenhagen, a popular TV channel televised a series of critical debates in which the focus was on the failures of the Indian intelligence and investigative agencies in the Purulia case. Remarkably, Niels Holck and Peter Bleach were given ample time to voice their stories in a series called 'the truth about Purulia' in a setting conspicuous by its lack of national chauvinism.<sup>48</sup> The highly popular anchor, Arnab Goswami who is otherwise known for pursuing middle-class nationalist themes and staging dramatic displays of outrage on live TV had turned his full attention to the shortcomings of the CBI rather than the foreign culprit – Niels Holck – who had taken liberty with India's sovereignty.<sup>49</sup>

The media focus has firmly been on the theme of security and its violations rather than seeking retribution. The suggestions made by Niels Holck, therefore, that some unnamed ‘special forces’ within India are conspiring to extradite him in order to torture or murder him seems highly imaginative.<sup>50</sup>

The broad picture before us, then, is that of a longstanding critical debate about national security within India. In this debate, the state and its agencies have been held accountable by activists and the media for not having prevented the arms drop and later for not pursuing the key operative. The focus on Niels Holck is a byproduct of this debate and not its essence. However, this complex history has largely been absent in the way the event has been perceived in Denmark. In the Danish episode of this long-running drama, as we will find, the event has found a new *raison d’être* and consequently a new narrative where Niels Holck appears as a victim of India’s coercive power.

## A Question of Values

The arms-drop case took a different form in Denmark on two interrelated counts. The first is the legal argument which was essentially focused on the merits of extradition to India and the potential human rights violations, and the second is the popular domain in which the core of the discussion shifted to India and its political culture. It was at this stage that the case was transformed dramatically: from a judicial matter relating to the extradition of an individual to a public trial of the Indian nation itself in the Danish media. In retrospect, it seems that it was as much the court judgment that led to the diplomatic deadlock as the aggressive public debate outside the courtroom that dismissed India as a pre-modern nation pretending to be civilized.

In 2008, the Indian and Danish governments agreed to negotiate the extradition of Niels Holck seriously after India agreed to eight conditions presented by the Danish side.<sup>51</sup> This step was taken after the then Danish Prime Minister Anders Fogh Rasmussen’s official visit to India during which India and Denmark seemed keen on finding fresh grounds for bilateral relations.<sup>52</sup> It wasn’t until 2010 that the final decision to extradite Niels Holck was taken by the Ministry of Justice in Copenhagen.<sup>53</sup> This announcement set in motion a series of public warnings given by human rights experts who doubted the guarantees given by India. The newspaper reports variously cited the UN Special Rapporteur on torture, Manfred Nowak, who described the widespread use of torture in Indian jails and suggested that “these guarantees are not worth the paper they are written on”; an American report that



described conditions in Indian jails as ‘life-threatening’; a Danish newspaper headlining a report ‘Inferno awaits a Dane in Indian prison’; and a Danish expert who similarly believed that Niels Holck would be subjected to torture and further warned that “the risk of a diplomatic crisis with Denmark would not keep the Indian government awake at night. The internal politics weighs more in India than a little nation of five million people.”<sup>54</sup> These doubts were given a further emotive depth by Niels Holck himself when he suggested that “they (Indians) would kill me.”<sup>55</sup>

Three interwoven themes become clear at this stage – potential violations of human rights, the untrustworthiness of India’s guarantees, and an uneven battle where a small nation like Denmark is pitted against a big power like India – that would be repeated through the court appeals, as well as subsequent commentaries. The decision of the Ministry of Justice to extradite Niels Holck was challenged in the Lower Court in 2010 where the arguments were shaped primarily around these themes. A number of experts were called to testify on the state of human rights and the condition of prisons in India. The testimonies, provided mainly by lawyers specializing in human rights, suggested that India’s record on torture fell far below international standards, and therefore its guarantees on this issue were worthless.<sup>56</sup> Based on these testimonies, the court refused extradition on the grounds of the risk of torture and human rights violations.<sup>57</sup> The appeal was subsequently taken to the next level of the High Court where the final decision upheld the Lower Court’s judgment. The decision was said to be historic in nature as this was the first time in fifty years that the entire bench of five judges had agreed. The reason for this unusual unity, the newspaper report suggested, was the seriousness of the case as “it was the first time a Dane was being extradited to a non-Western nation.”<sup>58</sup> This last point is significant, as the problem is deemed to be one of dealing with a nation outside the Western sphere of shared values.

The theme of torture thus assumes particular importance in the broader context of a dichotomy between the West and the Rest. To begin with, the use of torture in the Indian prison system is an issue actively taken up by Indian human rights activists who have frequently demanded that India ratifies the UN Convention on Torture. In fact, the activist who filed the PIL to facilitate the extradition of Niels Holck joined the issue of extradition with that of non-ratification and urged the court to direct the government for an answer on this issue.<sup>59</sup> The question of ratification of the convention has been the subject of a long-delayed law-making process that requires the domestic laws of India to be in tune with the Convention before ratifica-



tion can take place. The Indian Parliament began addressing this question in 2010 by passing the 'Prevention of Torture Bill 2010' as a step towards ratification. However, the bill was deemed inadequate in its scope and scale, and following this critique a Parliamentary Standing Committee was appointed in 2010 to review its shortcomings.<sup>60</sup> The Committee submitted its final report in 2011 making recommendations that have been hailed as a significant step towards ratifying the Convention.<sup>61</sup> In the Niels Holck case, it is noteworthy that at no point did the Indian government deny the problems concerning either the non-ratification of the Convention or the condition of jails. Instead it guaranteed that the UN Convention on Civil and Political Rights would be observed and is also said to have offered mutually agreeable accommodation to the accused during the trial period. The probable effect of the extradition case within India itself is that the calls for the issues of torture and ratification of the Convention to be addressed have been strengthened.

Some Indian observers who are critical of the Indian delays in tackling the issue of torture have simultaneously also criticized the glossing over of human rights abuses in the West. It might seem that the Niels Hock saga has unfolded within a discursive binary – of a humane Western world opposed to torture, in contrast to an inhumane non-Western world with a rampant culture of torture – that elides the realities of the ongoing 'war on terror'. This view was elaborated in a widely circulated Indian newspaper article entitled 'A lesson in white man's justice' that set out to address the 'European double standards on human rights' in the Niels Holck case. The article described the Danish court's decision not to send Niels Holck to India because of the "widespread and systematic use of torture" and because the "overcrowded Indian jails have insufficient food and medical treatment." Yet, the author noted in detail that Denmark was reported to have played an active part in the CIA-led extra-judicial kidnapping and torture, known as rendition, of suspected terrorists. The obvious inference would be that the "same principles didn't apply when the terrorists weren't white, and the victims weren't brown."<sup>62</sup> In short, the moral high ground claimed by the West seemed to have fallen short of the standards it itself had held up.

Similarly, contrasts have also been drawn with another significant extradition case that drew considerable publicity. Camilla Broe – wanted on charges of trading in narcotics – was extradited to the USA in 2009. In this case, the court chose to overlook the practices of capital punishment prevalent in the USA, the long prison sentences and solitary confinement as well as conditions in 'supermax' prisons which have earned severe criticism from international human rights organizations.<sup>63</sup> These were the very same

conditions – the practice of capital punishment and the possibility of torture – that were invoked to bar Niels Holck's extradition to India. Furthermore, as judicial experts have pointed out, the Danish court's conclusion on the 'risk assessment' that Niels Holck might be subjected to torture is largely based on generalities and theoretical possibilities rather than any concrete threat in this specific case.<sup>64</sup> In fact, the German and Portuguese courts have recently deliberated upon this question – of torture and prison conditions in India – in extradition cases and reached exactly the opposite conclusion to that of the Danish courts.<sup>65</sup>

Rather than focus on the generalities of human rights violations in Indian prisons in the Niels Holck case it would be more useful to look at how foreigners belonging to friendly nations caught up in diplomatic rows are dealt with. The recent diplomatic conflict between India and Italy might be instructive on this account. In 2012, two Italian marines shot dead two Indian fishermen they mistook for pirates off India's south-western coast. The marines were subsequently arrested by the Indian police and held in Kochi while India and Italy each lay claims to jurisdiction based on the location of the Italian ship in international contiguous waters. What was significant was that throughout the marines were kept in the custody of the Italian diplomatic mission in India rather than being committed to an Indian jail. The choice of accommodation and living conditions was entrusted to the Italian mission in India. In December 2012, the Indian courts even allowed the marines to go back to Italy for the Christmas holidays upon furnishing guarantees held by the Italian diplomats.<sup>66</sup> The marines duly returned to India after the stipulated period, and the trial resumed thereafter.<sup>67</sup> Clearly, the conditions for foreigners caught up in diplomatic rows cannot be compared to the general conditions of prisons in India. The living conditions of the Italian marines on trial in India are far from those imagined in Denmark during the Niels Holck trial.

Though the judicial arguments clearly seem far from settled, the extradition case has been suspended for the moment. The Danish state advocate decided not to launch an appeal at the Supreme Court level on the grounds that the Lower and High Courts had been unanimous in their verdicts. This procedure in Danish law – where appeals are not brought to the Supreme Court after two similar verdicts at lower levels – has been difficult to grasp in India as the reason for abandoning the quest for extradition. The decision has nevertheless led to a stalemate in Indo-Danish relations. In India, Denmark is perceived as not having fulfilled its international obligations under the UN Convention on Terrorism 1999 and is seen as shielding a terrorist.

In Denmark, the case has moved between two poles – legal and popular – where on the one hand the imperative is to reiterate the non-challengeable and binding nature of judicial verdicts, and on the other the popular tendency to view Niels Holck as a victim of political power play rather than as a ruthless weapons supplier exacerbating violent conflicts in the world.

In this increasing polarization, a prime theme has been that of the yet unsettled history of Danish development aid to India. This theme has been frequently invoked by Niels Holck to explain his actions in India. According to this narrative, the arms drop becomes part of a larger developmental plan through which oppressed populations are exhorted to revolt and challenge the regime. The watertight category of ‘terrorist’ dissolves here to give way to the more liberating description of a freedom fighter – a description that has readily found currency within the popular domain. This is particularly remarkable given the charged atmosphere of the post-September 11 security discourse where the thin dividing line between freedom fighters and terrorists quickly vanished. Yet this categorical ambiguity together with the invocation of twentieth-century developmental idealism came to dominate the public discourse in the extradition case. It has been common, for instance, for Niels Holck to be described as “naïve adventurer”,<sup>68</sup> “development activist”<sup>69</sup> and “action-idealist”<sup>70</sup> in newspaper reports. For this description to work convincingly, portrayal of India as a chaotic aid-dependent nation in need of developmental intervention becomes an intrinsic background. And it is precisely this ambiguity that currently frames India as both as a chaotic and dangerous place and an attractive investment destination.

## A Strategic Partnership?

The political deadlock created by the judicial verdict in the Niels Holck case invites us to reflect upon the current state of bilateral relations between India and Denmark. To begin with, the years following the end of Danish development aid to India have been particularly productive in seeking a fresh basis for bilateral engagement. This period saw a variety of attempts to draw up new policies and action plans and to seek new areas of cooperation. These attempts coincided with the framing of broader multilateral accords between India and the European Union at that time. In 2004, the EU became a strategic partner of India collaborating on a number of key areas including security, mobility, energy, free trade and research and innovation.<sup>71</sup> Post-development Indo-Danish ties began taking shape within the scope of this

broad multilateral accord where a range of possibilities were identified as areas of mutual interest and cooperation. In 2008, Denmark took the initiative to launch its own 'India Action Plan' which was largely in tune with the EU plan. The aim of this initiative was specifically to outline and enhance bilateral relations based on political dialogue, trade and investment, research and technology, climate and energy, and education. These efforts resulted in the establishment of the India-Denmark Joint Commission in 2010 to discuss and promote bilateral relations as well as the setting up of three Joint Working Groups on the themes of bio-technology, renewable energy and labor mobility. This period also witnessed important bilateral agreements on labor mobility and social security to encourage the movement of skilled workers between the two countries. Likewise the high-level bilateral visits also increased significantly in 2008-2011 with ten ministerial visits from Denmark to India taking place and seven from India to Denmark. The last significant visit was in June 2011 when Meira Kumar, the Speaker of the Lok Sabha (Lower House) led a Parliamentary delegation to Denmark. At that point, the heightened diplomatic activity between the two countries would have suggested a natural progression towards a more strategic bilateral partnership.

A brief note about 'strategic partnership' would be in order here. The diplomatic sign of strategic relations usually suggests an enhancement in the level of bilateral ties in areas that are thought to be of mutual strategic importance. In the past decade, India has signed about thirty strategic partnership agreements signifying its arrival on the international stage as a global player. The most significant partnerships are reported to be with Russia, the USA, the UK, Germany, France and Japan, primarily on matters related to political and diplomatic cooperation, security and defense, and trade.<sup>72</sup> India's increased use of strategic partnerships to create a web of global influence is noteworthy. India has historically been non-aligned – a policy particularly tailored to navigate a bipolar world during the Cold War – and has retained that element in its current foreign policy practices in a globalized world dependent on interdependence and connectivity. India tends to favor friendly relations with most countries and that often means forging a fine balance when faced with rivalries and conflicting interests in the international arena.<sup>73</sup> The instrument of strategic partnerships exactly allows India to develop different levels and areas of engagement with various nations without entering formal alliances. Strategic and political interests tend to guide these partnerships, but leaving enough scope to shift and rearrange the structure of engagement.

The intensification of bilateral relations between India and Denmark in the past five years or so would have suggested a path towards a more strategic partnership. But the momentum slackened in the summer of 2011 when the judicial decision led to the ongoing political impasse. Far from moving forward, bilateral relations have taken a step backwards with the current suspension of the joint commission and working groups among other stalling measures. The importance of high-level diplomatic relations in creating strategic partnerships and consequently deeper ties at unofficial levels – trade, education, culture and people-to-people contact – cannot be underestimated. The momentum is precisely created by multiple forms of engagement at multiple levels.

We might ask what the future of bilateral ties between India and Denmark looks like given the current deadlock. The nature and history of India's foreign policy becomes instructive when speculating on future scenarios. To be sure, India's foreign policies – loosely based around the ideal of *panchsheel*, or the five principles of peaceful co-existence and non-alignment – have largely been non-aggressive in the past sixty-seven years. While regional hostilities with Pakistan and China have led to five wars and low-intensity cross-border conflicts during this period, India has not launched any attacks in the neighborhood. India's participation in the Bangladesh's war of liberation against Pakistan in 1971-2 was largely welcomed in Bangladesh, though its incursion in Sri Lanka in the late 1980s to help counter the Tamil liberation movement is deemed controversial and ill-judged. Outside the South Asian region, India has historically sustained a strong bilateral relationship with the USSR/Russia during the Cold War years and beyond. In recent years, India has walked a fine balance as it is seen as having moved closer to the USA because of American support for its nuclear programme. Yet the prime inclination is still towards non-alignment – spawning an era of third-world solidarity – shaped during the Nehruvian years of the two-world politics of the 1950s, as a new policy report shows. The report, called 'Non-alignment 2.0', prepared by a group of foreign-policy experts, reiterates India's position as a non-aligned nation and calls for a greater global engagement based on the "highest human and universal values."<sup>74</sup> In short, the core emphasis continues to be on an independent policy though one that is geared towards a larger role for India as a player in global politics in the 21st century.

This policy of open and unfettered engagement has also been a consistent feature in India's relationship with the European Union and several European nations in the past two decades. While Denmark and India's bilateral relations have only begun finding a new footing in recent years, there re-

mains an untapped potential that has not yet been realized. Though the extradition case has surely derailed the progress made recently, the long-term prognosis is not entirely pessimistic. To make sense of this, one needs to read unarticulated signs and what has been left unsaid in the past couple of years. For one thing, the Indian government has not publicly raised the stakes by issuing ultimatums on this issue. The only official response was a statement issued as an answer to a question asked during the daily press briefing. The statement reads as follows

“We have been greatly disappointed on being informed that the Danish authorities cannot comply with India’s request for the extradition of Neils Holck @Kim Davy to India to stand trial for his role in the Purulia arms drop case. Government of Denmark had decided on April 9, 2010, to extradite Kim Davy to India but the Danish authorities failed to successfully defend their decision in the Danish courts and it is regrettable that they have decided not to appeal the High Court judgment in the Supreme Court. In our view, the judgment has grave and far-reaching implications and can only serve as an encouragement to terrorists and criminals. We also completely reject the grounds cited by the Danish court as the basis for its decision. Our demand for the extradition of Kim Davy to India stands. He must face the law in India for his actions.”<sup>75</sup>

This statement is as noteworthy for what it says as it is for what it does not say. First, while maintaining its official stand, India clearly does not want to conduct this negotiation within the public gaze where nationalist sentiments are easily mobilized. Secondly, it has never officially issued any ultimatum that would lead to a further deterioration of the situation.<sup>76</sup> The wish to remain discreet and continuously engage in diplomatic maneuvering at a more subterranean level suggests a will to seek solutions while maintaining a public face. The reports of covert pressure tactics such as the denial of visas etc. by India again suggests a non-committal stance that is neither binding nor will prevent a possible resolution. The absence of aggressive public statements in favor of covert tactics needs to be read as a wish to ease the conflict rather than prolong it. This reading is more in tune with the past practices and future projections of India’s foreign policy which usually seeks to widen its sphere of ‘friends’ in the international power politics arena. These subtle cues have obviously not been read accurately in Copenhagen.

## Conclusion

To sum up, in the long run the Niels Holck case does not appear to be an entirely insurmountable deadlock. However, the nature of the deadlock is as much a product of judicial intricacies as political and cultural misgivings about India. The fact that India has long been seen either as *Indica Exotica* – beautiful, different and dangerous beyond the familiar West and framed in the Oriental mode – or as an aid-dependent society has surely played a role in creating this impasse. The realities of contemporary India, especially in the arena of foreign politics, are far away from this popular imagination. If one locates the extradition case in the larger history of India's foreign policy rather than in cultural essentialism, it begins to look differently than its popular perception in Denmark. A clearly missed opportunity was not having taken seriously the guarantees offered by India despite considerable internal dissent. The apprehensions expressed in the Danish media and courts seem exaggerated, especially in the light of the recent trial of Italian marines in India. The marines were entrusted to the custody of the Italian diplomatic mission, a kind of scenario offered to Denmark in the Niels Holck case too. Yet the basic fundamentals for a fruitful bilateral engagement remain in place, as both the Danish and Indian governments have repeatedly shown by reiterating their wish to find an acceptable outcome. The crucial factor in this is time – the longer the conflict goes on, more difficult it will be to repair and to shape a productive relationship.

# Notes

- 1 Ravinder Kaur is Associate Professor of Modern South Asian Studies at the Department of Cross-cultural and Regional Studies, University of Copenhagen, Denmark.
- 2 'To get Kim Davy extradited Delhi puts Denmark ties in deep freeze', *Indian Express*, 16 August 2011, New Delhi, <http://www.indianexpress.com/news/to-get-kim-davy-extradited-delhi-puts-denmark-ties-in-deep-freeze/832392/0> accessed 4th December 2012.
- 3 'Lene Espersen: Indien har lagt Danmark på Is', *Politiken*, Copenhagen, 16 August 2011. See this link: <http://politiken.dk/indland/ECE1362670/lene-espersen-indien-har-lagt-danmark-paa-is/>
- 4 Previous hiccups in this friendly diplomatic history mainly concerned the moment Denmark froze its aid to India after the May 1998 nuclear test. This was duly resolved by the early 2000s when India stopped accepting Danish aid.
- 5 See excerpts from a short interview with Lene Espersen: <http://politiken.dk/indland/ECE1362670/lene-espersen-indien-har-lagt-danmark-paa-is/>
- 6 'Indien er skuffet over Dansk afgørelse i Holck sagen', *Politiken*, 8 July 2011, Copenhagen, <http://politiken.dk/udland/ECE1331696/indien-er-skuffet-over-dansk-afgoerelse-i-holck-sagen/>
- 7 See, for instance, 'Indien lægger nyt pres op Danmark i Holck-sag', 24 September 2012, Danmarks Radio, <http://www.dr.dk/Nyheder/Indland/2012/09/24/222702.htm>
- 8 'Indiske fængsler er ikke for tøsedrenge', *Information*, 16 May 2011, Copenhagen, <http://www.information.dk/268312>
- 9 India is now primarily seen in terms of 'emerging markets' and the trade potential that suggests. See the following strategic report, 'Vækstmarked Strategi: Indien', Danish Ministry of Foreign Affairs in cooperation with the Ministry of Commerce, Copenhagen, May 2012, [http://um.dk/da/-/media/UM/Danish-site/Documents/Eksporttraadet/Markeder/BRIK/100718\\_UM\\_Indien\\_3.ashx](http://um.dk/da/-/media/UM/Danish-site/Documents/Eksporttraadet/Markeder/BRIK/100718_UM_Indien_3.ashx)
- 10 The Danish colony in Tranquebar continued to serve as a trade conduit from the South Asian region until 1845, when it was sold to the British colonial administration. This sale – together with the sale of Serampore and the Nicobar Islands – ended a largely low-key and limited Danish connection with India. Denmark had also established its presence in a small colony called Serampore near Kolkata. This colony was sold to the British in 1845 along with the transfer of Nicobar Islands, which had been captured from the Austrians by the Danes in 1784. The account from Ove Gjedde's diary is quoted in Esther Fihl (2009) 'Shipwrecked on the Coromendal: The First Indo-Danish contact, 1620', *Review of Development and Change*, Volume XIV, Number 1&2: 19-39. For details on Danish trading mission in India see for example, Ole Feldbæk (1969), 'India Trade Under the Danish Flag 1772-1808', *Scandinavian Institute of Asian Studies Monograph Series* no. 2, Odense, Studentlitteratur. On Serampore, see this link for more information, <http://natmus.dk/forskning/forskningsprojekter/serampore-initiativet/om-serampore-initiativet>
- 11 During the period 1957-1962, the Indian ambassador to Stockholm was also accredited to Denmark. In 1962, India established a full embassy in Copenhagen. Also see the brief report on 'India-Denmark Relations', Ministry of External Affairs, New Delhi, <http://www.mea.gov.in/Portal/ForeignRelation/Denmark-July-2012.pdf>
- 12 In Indian accounts, the aid relationship with Denmark is considered to have ended in 1998. The volume edited by Steen Folke and Jesper Heldgaard brings together fifteen contributors who narrate their experiences and accounts of aid projects in India in the period 1960-2005. See *Den rige mus og den fattige elefant: 45 års bistand til Indien*, København, Forlaget Hovedland, 2006.



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- 16 On the theme of economic reforms in India, a vast literature is now available. See, for instance, Arvind Panagariya (2008) *India: The Emerging Giant*, New York, Oxford University Press; Jagdish Bhagwati and Arvind Panagariya (eds.) (2012) *Reforms and Economic Transformation in India*, New York, Oxford University Press; Amiya Kumar Bagchi and Anthony D'Costa (eds.) (2012) *Transformation and Development: The Political Economy of Transition in India and China*, Oxford, Oxford University Press; Pranab Bardhan (2010) *Awakening Giants, Feet of Clay: Assessing the Economic Rise of India and China*, Princeton, Princeton University Press; Atul Kohli (2010) *Democracy and Development in India: From Socialism to Pro-Business*, New York, Oxford University Press; and Sanjay Ruparelia et al. (ed.) (2010) *Understanding India's New Political Economy: The Great Transformation?*, New York, Routledge.
- 17 See Ravinder Kaur (2012) 'Nation's Two Bodies: The idea of 'new' India and its Other', *Third World Quarterly*, Vol. 33, No. 4: 601-623.
- 18 In 2012, the growth rate fell to 5.5 – 6%, reflecting the global financial mood that has been on a consistent downturn since 2008.
- 19 Atul Kohli (2012) *Poverty amid Plenty*, Princeton, Princeton University Press.
- 20 See Vækstmarksstrategi – Indien, 2012.
- 21 'Purulia arms drop accused in Denmark', May 10 2002, *Times of India*, New Delhi, [http://articles.timesofindia.indiatimes.com/2002-05-10/india/27132036\\_1\\_kim-davy-british-national-peter-bleach-purulia-arms-drop](http://articles.timesofindia.indiatimes.com/2002-05-10/india/27132036_1_kim-davy-british-national-peter-bleach-purulia-arms-drop)
- 22 This observation has been made many times in the trial and the judgment on the case. See 'Purulia arms dropping case', State vs Peter Bleach and Others, <http://cbi.nic.in/dop/judgements/padc.pdf>
- 23 'India seeks origin, final destination of weapons', 5 March 1996, CNN website, [http://edition.cnn.com/WORLD/9603/india\\_arms/](http://edition.cnn.com/WORLD/9603/india_arms/)
- 24 See this report on the court proceedings in early 2001, where the possibility of Kim Davy being an American is mentioned. 'Home Ministry had prior information of Purulia arms drop', 11 January 2001, Rediff.com news website: <http://www.rediff.com/news/2001/jan/11beng.htm>
- 25 K. Subrahmanyam 'Dimensions of National Security', 9-22 August 1997, *Frontline*, Chennai, <http://www.hindu.com/fline/fl1416/14160260.htm>
- 26 V. Sudarshan 'The Gods must be Crazy', 7 August 2000, *Outlook India*, Delhi, <http://www.outlookindia.com/article.aspx?209841>
- 27 See for example this report, 'Corporate Mercenary', March 2000, <http://www.himalmag.com/component/content/article/2022-Coperate-Mercenary.html>
- 28 These agencies include the Central Bureau of Investigation (CBI), the Intelligence Bureau (IB) and the Research and Intelligence Wing (RAW). According to various journalistic investigations, as well as evidence produced in the court cases, the Indian Ministry of Home Affairs had already been notified of the plot on three different occasions by British intelligence. The warning was received in Delhi and passed on to the state government in West Bengal by post, making its way only after the arms drop had taken place. The financial side of this operation is equally unclear as to who precisely made available large

- funds through a variety of bank transfers. These questions have been the theme of PILs in Calcutta High Court. Also see this transcript of the proceedings of the British House of Commons discussion of the matter of 'Mr Peter Bleach', question raised by Sir Teddy Taylor, Member of Parliament for Rochdale, <http://www.publications.parliament.uk/pa/cm200203/cmhansrd/vo021127/halltext/21127h03.htm>. See also 'Home Ministry had prior information of Purulia arms drop: CBI' Rediff.com, 11 January 2001, <http://www.rediff.com/news/2001/jan/11beng.htm>
- 29 See, for instance, the complete transcript of the judgment 'Purulia Arms Dropping Case', Trial No. 1, June 1997, State vs Peter Bleach and Others, February 2, 2000, <http://cbi.nic.in/dop/judgements/padc.pdf>
  - 30 'Purulia Arms Drop', *The Telegraph*, Calcutta, 5 February 2003, [http://www.telegraphindia.com/1030205/asp/bengal/story\\_1640818.asp](http://www.telegraphindia.com/1030205/asp/bengal/story_1640818.asp)
  - 31 These facts were disclosed publicly by legal activist Deepak Kumar Prahladka, who filed a series of Public Interest Litigations in this case, each time forcing the CBI to act and report on the action taken.
  - 32 In this initial report, Kim Davy is identified as Jan Christien Nielsen rather than Niels Christian Nielsen. Subir Bhaumik, 'Corporate Mercenary', *Himal*, March 2000, <http://www.himalmag.com/component/content/article/2022-Coperate-Mercenary.html>
  - 33 'Purulia arms drop accused in Denmark', *Times of India*, New Delhi, 10 May 2002, [http://articles.timesofindia.indiatimes.com/2002-05-10/india/27132036\\_1\\_kim-davy-british-national-peter-bleach-purulia-arms-drop](http://articles.timesofindia.indiatimes.com/2002-05-10/india/27132036_1_kim-davy-british-national-peter-bleach-purulia-arms-drop)
  - 34 The PIL was filed by a legal activist called Deepak Kumar Prahladka, who has been following the case since the late 1990s. As a result the Delhi High Court directed the CBI to file a report on the action taken as soon as possible. See 'Purulia arms drop case', 5 February 2003.
  - 35 One of the issues raised in the PIL has been to investigate the role of the Secretary, Home Affairs, in handling the prior warning provided by the British authorities. See reports on the PIL, following which the Delhi High Court directed the CBI to report on the role of the said official. 'HC notice to CBI in arms drop case', *The Tribune*, 24 October 2000, <http://www.tribuneindia.com/2000/20001024/nation.htm#23>
  - 36 On the PIL see, for example, P.N. Bhagwati (1985) 'Judicial Activism and Public Interest Litigation', *Journal of Transnational Law*, Volume 23: 561-571. An example of landmark PIL activism is the anti-pollution campaign launched by the 'green activist' M.C. Mehta to take anti-pollution measures in Delhi in 1990s. The result was a major overhaul of the transport system in Delhi, as well as the relocation of industrial units from the city to a new industrial zone on the outskirts.
  - 37 The latest of the PILs seeking Kim Davy was filed by Deepak Kumar Prahladka. See this news report, 'Kim Davy Extradition: Time Sought to File Affidavit', *The Hindu*, Chennai, <http://www.thehindu.com/news/national/article2453673.ece>
  - 38 The belief is that the central government is pursuing this case forcefully in order to satisfy an alliance partner in the government.
  - 39 This has been alleged consistently by the prime accused Niels Holck, because Purulia has turned into an assemblage of anti-Communist forces. According to Holck, he was aided in his escape by Pappu Yadav, a politician with a criminal record (he has been barred from politics because of his criminal convictions) belonging to the Rashtriya Janata Dal (RJD), which has been an alliance partner of Congress Party. See, for instance, Niels Holck, 'De kalder mig terrorist', *Politiken*, 6 September 2007, <http://politiken.dk/debat/kroniker/ECE375007/de-kalder-mig-terrorist/>. See also 'Pappu Yadav helped me escape says Davy', *Zee News* 29 April 2011, [http://zeenews.india.com/news/nation/pappu-yadav-helped-me-escape-says-davy\\_702963.html](http://zeenews.india.com/news/nation/pappu-yadav-helped-me-escape-says-davy_702963.html)

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- 41 'Purulia arms drop: Pranab rubbishes demand for judicial probe', 31 April 2011, *The Hindu*, Chennai, <http://www.thehindu.com/news/national/purulia-arms-drop-pranab-rubbishes-demand-for-judicial-probe/article1980744.ece>. See also 'Conspiracy to destabilize WB Govt: CPI(M)', 28 April 2012, *Times of India*, New Delhi. <http://www.timesnow.tv/Conspiracy-to-destabilise-WB-govt-CPIM/articleshow/4371729.cms>
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- 47 The concerns are mostly about contentious cases related to terrorism in India. The most frequently cited example is that of Dawood Ibrahim, who is said to be hiding in Pakistan. See Saurabh Shukla, 'Davy's Diplomatic Deal', 21 May 2007, *India Today*, New Delhi, <http://archives.digitaltoday.in/indiatoday/20070521/diplomacy.html>
- 48 'The Truth about Purulia', Part I-V, Times Now TV, 29 April 2011, [http://www.youtube.com/watch?v=xhx5nMT\\_dMk](http://www.youtube.com/watch?v=xhx5nMT_dMk)
- 49 One of the oft-used, and oft-derided, conspiracy theories in India used to be that of the 'foreign hand' seeking to destabilize the nation. In the Purulia case foreign nationals *are* involved, yet surprisingly no one has ever brought out the jingoistic foreign card to demand their extradition. The arguments for extradition have always been grounded in calm legal language.
- 50 This has been alleged by Niels Holck several times on Indian TV as well in the Danish press.
- 51 These negotiations had already been going on for some time, but they took a decisive turn during the Prime Ministerial visit. India had already agreed to the conditions in principle in 2007. 'Denmark to hand over Davey only if he is not awarded death', *Times of India*, New Delhi, 8 February 2008, [http://articles.timesofindia.indiatimes.com/2008-02-08/india/27759766\\_1\\_purulia-arms-drop-denmark-extradition](http://articles.timesofindia.indiatimes.com/2008-02-08/india/27759766_1_purulia-arms-drop-denmark-extradition)
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- 55 'Niels Holck: De slår mig ihjel', *Jyllands-Posten*, Copenhagen, 24 September 2010, <http://jyllands-posten.dk/indland/article4380222.ece>
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- 58 'Niels Holck skal ikke udleveres', *Jyllands-Posten*, Copenhagen, 30 June 2011, <http://jyllands-posten.dk/indland/article4548317.ece?page=2>
- 59 'Centre asked to file affidavit on UN torture treaty', *The Hindu*, Chennai, 25 October 2011, <http://www.thehindu.com/todays-paper/article2395175.ece>
- 60 Ravi Nair, 'Prevention of Torture Bill: A Feeble Attempt', *Economic and Political Weekly*, Vol. XLV, No. 25, June 19 2010. Also 'India's Prevention of Torture Bill requires a thorough review', Asian Human Rights Commission, Hong Kong, <http://www.human-rights.asia/resources/journals-magazines/article2/0903/indias-prevention-of-torture-bill-requires-a-thorough-review>
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- 62 Praveen Swami 'A Lesson in White Man's Justice', *The Hindu*, Chennai, 24 July 2011.
- 63 On prison sentences and solitary confinement in the USA, see Adam Gopnik, 'The Caging of America', *The New Yorker*, 30 January 2012, [http://www.newyorker.com/arts/critics/atlarge/2012/01/30/120130crat\\_atlarge\\_gopnik](http://www.newyorker.com/arts/critics/atlarge/2012/01/30/120130crat_atlarge_gopnik); 'Fighting a Drawn Out Battle against Solitary Confinement', *The New York Times*, 30 March 2012, [http://www.nytimes.com/2012/03/31/us/battles-to-change-prison-policy-of-solitary-confinement.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2012/03/31/us/battles-to-change-prison-policy-of-solitary-confinement.html?pagewanted=all&_r=0); 'Just how bad are America's supermax prisons', BBC News Website, 10 April 2012, <http://www.bbc.co.uk/news/uk-17663629>
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- 67 Since this article was originally composed in early January 2013, further significant developments have taken place. The marines were granted a new four-week period of leave by the Supreme Court of India in February-March upon a personal guarantee furnished by the Italian ambassador to India. However, in a breach of trust the Italian government decided not to send the marines back. The crisis has now erupted into a full-blown diplomatic row between India and Italy. The difference between the Danish and Italian cases is that the Danish case is not fully in the public eye in India, making a resolution more possible.

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# The BRICS and Denmark – Economics & High Politics

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*“We are witnessing a dramatic shift of political and economic power away from the United States and Europe towards China, India and Brazil, and towards ‘second wave-powers’ like Indonesia, Mexico, and South Africa. [...] Power is being spread to actors who have the will and the resources to pursue their foreign policy interests in a far more vigorous manner [...] This entails that within ten years, the United States will cease to be the absolutely dominating great power we used to know, and become just one – although the decisive one – among several key global actors. The teens will be a decade of surprises. Our Western values will be challenged in ways hitherto unseen. International cooperation will become more complicated and will challenge the role of established institutions – notably the UN, WTO and the International Monetary Fund. New, informal and exclusive groupings like the G20, the BRICs and ‘Major Economics Forum’ will play a larger role.”<sup>2</sup>*

The above quotation is from a speech held by the then Danish Minister of Foreign Affairs, Lene Espersen, on November 23, 2010 when launching her ministry’s new long-term strategy, *Kurs mod 2020: Dansk udenrigspolitik i nyt farvand* (*On Course for 2020: Danish Foreign Policy in New Waters*). The new strategy departs from Denmark’s post-1992 cultivation of an intimate strategic partnership with the U S at the expense of the EU, Denmark’s Nordic partners and other regions. Its chapter on ‘Roads to Danish Influence’ is devoted to exploring ‘Denmark and the European Union: an indivisible common destiny’.<sup>3</sup> As for the world outside Europe, the strategy paper recommends maintaining the close relationship with the USA, but then goes on to insist that Denmark *must develop links to the new agenda-setting actors. Above all the BRIC powers, but also, and already now, with a view to second-wave powers* [italics by the author]. This very phrase represents a quiet revolution

within Danish foreign policy in which the mostly faraway BRICS – Brazil, Russia, India, China and recently South Africa – were declared key targets for Danish diplomacy. This new focus on the BRICS and other emerging markets has been reiterated in the political programme of the current left-to-centre government.<sup>4</sup>

However, the actual follow-up on the crisp analysis by Espersen (i.e. her ministerial ghostwriters) reveals a certain superficiality on the part of Danish policy-makers in their political practice towards the BRICS. So far, the *Kurs mod 2020* (2010) approach has mainly produced a series of commercial strategies targeted at the BRICS and second-wave powers under the umbrella of Regeringens Vækstmarkedsstrategi (2012). The context of high politics – the existential issues of a changing world order inherent in the rise of the BRICS, along with the current economic crisis among the OECD powers – so vividly displayed in Espersen's words is more or less ignored in these commercial strategies and has never really been elaborated upon by other key Danish policy-makers either. And yet everybody seems to silently accept her thesis of a dramatically changing world raising new challenges for the pursuit of Denmark's interests.

The analysis that follows takes issue with this curious superficiality in the Danish policy-making establishment by exposing those very world-order issues, or rather by exposing the lively debate among political scientists and practitioners worldwide on the actual trends and challenges inherent in the rise of the BRICS and other non-European emerging markets. Needless to say, for lack of space this exposition has to be highly selective in illustrating the depth of the power-political drama surrounding us. In other words, the aim is not to contribute a systematic political-science analysis of the global implications of the BRICS phenomenon, but rather to present some strands in the academic debate surrounding the BRICS and to highlight the actual strategic culture of the BRICS in order to inspire further reflection on Danish foreign-policy priorities. I shall introduce some less well-known works of both scholarly and practical significance because my aim is to contribute a policy-oriented analysis that concludes with a series of relevant policy recommendations.

Indeed, what follows has been written out of the conviction that it is critical to add a much broader high political twist involving BRICS to Denmark's already activist foreign policy. The urgency stems from the fact that, only relatively speaking, but unmistakably, US power worldwide is declining<sup>5</sup> and the US presence in Europe receding into the background. The net political message is this: countervailing forces capable of upholding global



institutions and Western liberal values for their universalistic qualities must be mobilized. Those forces are not at all exclusively located in the US but are found to a greater or lesser degree at the level of civil society everywhere, and sometimes even the level of state and government, not least in Europe, where Denmark belongs. The liberal values of freedom, human rights and the rule of law are often derided as Western ethnocentrism, but I see them as preconditions for long-term stability and sustainability in world affairs. They are not a panacea for solving a host of complex and mundane problems, but they are worth retaining as an institutional framework for pragmatic democratic, i.e. piecemeal social engineering, as suggested by Karl Popper.<sup>6</sup> Against these lofty ideals, it might be objected that small states like Denmark enjoy the luxury, perhaps even the duty, towards their own citizens of not involving themselves visibly in high politics because of their low levels of power-political resources. This is indeed the case, but it is even more dangerous not to engage oneself intelligently where it makes sense. Passivity is not an option.

The analysis is structured as follows. First, the BRICs/BRICS phenomenon will be presented – the capital S refers to the latecomer South Africa in the BRICS club. The second, fairly long section introduces the scholarly debate about the world-order issues associated with the rise of the BRICS, including two contributions that stress the even broader ecological challenges. This exposition of, as it were, the real background for the *Kurs mod 2020* strategy is followed by a third section sketching the approach to high politics that characterizes the individual BRICS country as well as Turkey – another emerging power, and one in Denmark's vicinity at that. This section serves to specify the challenges and options facing Denmark and the rest of the world. Further, I draw upon the mostly long-term distinction in security policies between *raison d'état* and *raison de système* found within the international society approach of the British scholar Adam Watson.<sup>7</sup> He defines the concept as “the belief that it pays to make the system work”,<sup>8</sup> an idea that matches what Arnold Wolfers has in mind by suggesting the concept of milieu goals.<sup>9</sup> *Raison de système* means that states and decision-makers do not act merely on the basis of zero-sum considerations of rivalry but also have an interest in stability and institution-building. This is an important insight for small states to employ in their world-order diplomacy towards the BRICS. It is thoughts along these lines that lie behind the penultimate section of the analysis, where I describe actual Danish policy towards the BRICS and its tendency towards superficiality in order to conclude by formulating some broader policy recommendations.

## The BRIC Concept and the BRICS Extension: Second-Wave Powers.

The BRIC acronym was coined by a Goldman Sachs analyst, Jim O’Neill, in 2001 in a deliberate attempt to stem the gloom among investors worldwide following ‘9/11’.<sup>10</sup> O’Neill pointed to Brazil, Russia, India, and China as those four high-growth and large-volume economies that were capable of overtaking the old industrial powers of the USA, Japan, Germany, the United Kingdom, France and Italy by 2040. The sheer volume of the BRICs – not least when measured in terms of population – was thus his decisive argument, to which he added qualitative dimensions like their identities as separate civilizations and their perceptions of themselves as natural-born great powers with clout in world affairs. O’Neill left no one in any doubt about China’s role as the structural backbone of the BRIC miracle as the only BRIC capable of overtaking the US in terms of absolute GDP. What is intriguing is that, once the BRIC concept was launched as a metaphor for the leveling potentials of globalization, it took on a political life of its own and was embraced first by Russia’s President Vladimir Putin, then by Brazil, India and China. For instance, the BRIC great-power concert lends China additional legitimacy when advancing Chinese interests regarding world institutions and global issues.<sup>11</sup>

Many reacted with skepticism to O’Neill’s bold forecasts and pointed to the heterogeneity and clashes of interest among the BRICs that made it highly unlikely that they would act in concert. There is much to be said for this criticism – BRIC harmony may turn out to be temporary in nature. Yet, their very diversity contains an in-built option to create an alternative *economic division of labor*. This observation was part of O’Neill’s original BRIC argument and was reiterated by India’s prime minister Manmohan Singh on the occasion of the second BRIC summit in Brasilia, the capital of Brazil:

*We are four large countries with abundant resources, large populations and diverse societies... We aspire for rapid growth for ourselves. [...] Our grouping includes two of the largest energy producers and two of the largest consumers in the world. We can cooperate in both upstream and downstream areas, and in the development of new fuels and clean energy technologies.*<sup>12</sup>

In fact, the export profiles of Brazil and Russia match the acute import needs of the two Asian giants, India and China, who are in no way self-sufficient

in energy and food. Apart from that, the important observation about the BRICs as well as Turkey is that their export capacity is rapidly moving upwards in the production cycle towards technology- and knowledge-intensive goods like passenger jets (Brazil), cars and computers (China) and computer software (India). This was evident from data published almost a decade ago by the eminent British economist Julian Cooper, whose only worry on behalf of the BRICs was Russia's isolation from this pattern due to its resource curse – its abundance of gas and oil etc.<sup>13</sup>

What also drew the attention of entirely capitalistic actors like Goldman Sachs toward the dynamism of the BRICs is their general rejection of inward-looking import substitution in favour of export-led industrialization and their embracing of full WTO membership along with openness towards foreign direct investment (FDI) into their own economies. Analysts often dub them *competition states* because of their efforts to make native strategic firms competitive. On the other hand, it is also the case that all four BRICs engage in substantial *state intervention* into their economies, a model often referred to as the Beijing consensus. Another factor that drew attention to the BRICs was their booming middle classes, meaning booming purchasing power. In one respect, however, all five BRICS struggle with highly disruptive forces, especially corruption. Conversely, this happens to be much less of a problem within the old, 'decadent' industrial powers, not to speak of the Nordic economies, where corruption is almost absent.<sup>14</sup>

Concerning the latecomer among the BRICS, South Africa, the founding father of the BRIC concept insists that "South Africa doesn't belong in Brics".<sup>15</sup> He cites the small size of its economy, its sluggish growth compared to the rest of Africa and ANC factionalism as reasons.<sup>16</sup> South Africa struggles with inequality, unemployment (some 25 per cent of the work force, i.e. way above the level in other BRIC economies, whose unemployment rates are currently all under 7 per cent) and crime, involving violence and rape. In other words, South Africa's inclusion into the BRIC club in 2011 was a politically motivated initiative that originated in China.<sup>17</sup> China marketed this step as a logical consequence of the intense Sino-South African, economic links including FDI. The real motive, however, may be to improve China's image in Africa via South Africa, so that China can continue its rather aggressive economic expansion on the continent. An equally important motive may be to undercut the influence of India on the continent and to weaken the prestige surrounding *the IBSA group* that brings together the three democracies as representing all three Third World continents, namely India, Brazil, and South Africa. Lastly, bringing South Africa on board the BRICS

may obviously be a way to balance the US softly.<sup>18</sup> Apart from this South Africa is a WTO member and at the same time a country that seeks inspiration in state capitalism along Chinese lines.

As for the second-wave powers, O'Neill singles out South Korea, Indonesia, Mexico and Turkey as economies that might persuasively claim BRICS membership.<sup>19</sup> These are more or less the same as those identified in *Kurs mod 2020*<sup>20</sup> as forming the second wave of booming economies or emerging markets, to cite another popular expression. These four are cases of democracies, two of them with a Muslim majority population – Indonesia and Turkey. Turkey is the second-wave country of most direct impact upon Denmark due to its geographical proximity and the Turkish immigrant community numbering some 32,500 people. It is the only country that appears on all lists of emerging markets and is the largest national economy in Central and Eastern Europe (excluding Russia). With a population of 75 million and a larger GDP it is a stronger economy than South Africa (50 million). Unlike Russia, Turkey has a competitive manufacturing industry<sup>21</sup> and a dynamic construction and contracting industry. The state plays a visible economic role, which produces corruption, yet Turkey's transparency score of 49 is better than any of the BRICS.<sup>22</sup> To the surprise of many, Turkey decided to team up with Brazil in defense of its strategic rival Iran in May 2010 in an attempt to snub the US and its sanctions policy. Internationally, this was perceived as the birth of a new global order, whereas for Denmark it was the obstacles created by BASIC – Brazil, South Africa and India headed by China – at the COP15 summit in late 2009 that were significant.

## The Rise of the BRICS: A Glimpse into the Current Academic Debate on the World Order

The school of thought that is most pessimistic about the rise of the BRICS is neorealism, an approach to world affairs that is preoccupied with issues of polarity due to its insistence on the conflictual nature of state-to-state relations, meaning that the distribution of power among the poles (polarity) becomes the sole variable. One such scholar is Christopher Layne, according to whom China's rise will bring an end to the Pax Americana.<sup>23</sup> He flatly rejects the idea of so-called institutional lock-in advanced by liberals like John Ikenberry as a remedy for the erosion of US leadership in world affairs. China

will not reciprocate because what a declining US can offer China as premium for institutional lock-in has no appeal to Beijing. So Layne is adamant that “China and the United States are on a collision course in East Asia”,<sup>24</sup> a scenario that might unfold as early as 2016 if we are to believe the boldest predictions. Here Layne draws on his own research into the simultaneous rise of the USA, militaristic Germany and Japan around 1900 plus the thesis of the fungibility of power – i.e. the idea that states may turn economic muscle into military clout – which he depicts as something of a natural law of rising powers.<sup>25</sup> Last but not least, Layne cites the *offensive realism* of his neorealist colleague John Mearsheimer, who holds that “rising powers invariably seek to dominate the regions in which they are situated”.<sup>26</sup>

Layne’s contribution is cleverly argued on its own premises, but there are several flaws in that argument. First, Layne builds upon the seminal work on the political economy of great powers by the historian Paul Kennedy, but is blind to the fact that Kennedy’s analysis is one long criticism of the fungibility of power thesis.<sup>27</sup> According to Kennedy, great powers mostly ruin themselves when trying to turn economic might into military might – a pitfall Chinese decision-makers do seem to realize<sup>28</sup>. Secondly, the determinism of Layne and other neorealists is strange, to say the least. Neorealism is a deductive strand of reasoning that earnestly believes that if we have A (say, a rising power) then we will also have B (say, militarism and great power conflict) – period. Admittedly, it may be the case that outcome C (peaceful coexistence) is unlikely, but most other schools of thought would find it worthwhile to invest intellectual energy in designing ways to bring about C rather than sit idly by and watch B unfold. In this respect, neorealists simply misunderstand what all other schools of thought are about when dismissing them as naive and romanticized.

Furthermore, it is worth noting that Mearsheimer, on whom Layne relies heavily, introduces quite another variable when seeking to explain why China is doomed to challenge the US militarily. That variable is nationalism – “the most powerful ideology on earth”.<sup>29</sup> In introducing it, however, offensive realism rejects its own structural ontology of insecurity as driver for state behavior for the benefit of status, identity and other ‘second-image’ factors.<sup>30</sup> According to Alastair Iain Johnston, a sinologist himself, but China is very much of a *prestige maximize*, this strategic impulse has little to do with changes in polarity.<sup>31</sup> The good news is that prestige maximizers do not necessarily become military challengers and aggressors, and even that they may be accommodated into the international system through status concessions such as IMF voting rights.<sup>32</sup>

Lastly, one might criticize not just Layne, but also the US liberals for being ethnocentric about institutional lock-in. Layne and liberals alike tend to frame the whole issue as merely a G2 issue – a strategic game involving only China and the US. It may well be that what the US alone can offer will not satisfy China, but what about the whole rest of the world – great powers like Germany, whom the Chinese do admire due to its *soziale Marktwirtschaft*, its knack for technological innovation, order etc.? What about the entire Third World to which China belongs in its own view, or smart powers like the Nordic ones, whom the Chinese also admire because of their social harmony, welfare technology etc.? In short, Layne and most of his US colleagues ignore the larger *international society*.<sup>33</sup> We need not accept the gloomy conclusion of Christopher Layne – that G2 friction alone will make the entire world “much more turbulent”.<sup>34</sup> The real policy implication of the erosion of US power is rather what was stated earlier – that passivity on the part of the rest of international society is not an option.

Yet, neorealists and their critics from the international society school of thought, notably Barry Buzan, agree on a most important point: they view China as the sticking point among the BRICS because of China’s exceptional growth and sheer size.<sup>35</sup> Buzan defines international society as “acceptance of the deep rules of the game that states share with each other sufficiently to form a kind of social order”,<sup>36</sup> an approach which he links directly with Watson’s *raison de système* reasoning. Buzan acknowledges that Mao Zedong’s post-1949 China represented “the antithesis of peaceful rise”,<sup>37</sup> but goes on to stress China’s “quite profound change of national identity, strategic culture and definition of its strategic interests”<sup>38</sup> following Deng Xiaoping’s modernization from 1979. This pushed China “towards a more status quo position” marked by international participation and thus pushed it into the arms of international society. Buzan says Mearsheimer is right about the non-peaceful rise of Germany, Japan and not least the Soviet Union, who like the other two gave absolute priority to building up military might. By contrast, China’s rise is akin to the peaceful rise of the US around 1900 and onwards: both originally sought to engage the world economically while keeping aloof from global military engagement and balance of power politics. The US tried to avoid taking on leadership responsibilities until global events forced it to, and China is doing the same.<sup>39</sup>

Buzan describes China as a *reformist revisionist* power in that it accepts some of the international institutions for mainly instrumental reasons and wants to enhance its own status. Unlike Layne and Mearsheimer, he perceives China’s peaceful rise to be possible.<sup>40</sup> The caveat stressed by Buzan is that it is

becoming tricky for China to maintain this course. China has the option of building a regional international society based on 'Asian values', but this presupposes that China itself takes the initiative to repair its relationship with its arch enemy Japan. To make matters worse, the Chinese Communist Party happens to derive its legitimacy from its past struggle against the Japanese intruders. Still, China has much to gain from a Sino-Japanese thaw because inaction in this field leaves China vulnerable to US manipulations.<sup>41</sup> Buzan says that China resembles the USA in its self-righteousness, therefore he urges Beijing to replace its dangerously prickly defensiveness with a clear vision of the international society it wants that explains the silences and contradictions in its own conduct. This must be done in order to address the many reasonable concerns regarding China's rise – whether from neorealist, liberal or international society observers of world affairs. Buzan concludes: "Peaceful rise is an ambitious and difficult aim, but also a worthy and noble one. Achieving it would be an accomplishment of world historical significance".<sup>42</sup>

So much for the established political science debate about the high politics issues inherent in the rise of the BRICS. There is additional food for thought in one recent contribution from practitioners in the shape of the United States' National Intelligence Council, a long-term forecast of high politics at the global level.<sup>43</sup> What makes this source interesting is its embrace of the ecological dimension and hence its much more holistic approach than that presented by neorealism and even Buzan. There is a lot of gloom and listing of disruptive forces – various 'black swans' and game changers – but the professional spies do underline the factor of human agency when introducing the current "critical juncture in human history".<sup>44</sup> Among the possible future worlds they spell out as likely worst-case scenarios is that of 'stalled engines', i.e. the withdrawal of the US and Europe from world politics, leading to stifled growth in the rest of the world, a scenario that ultimately brings globalization to a halt. The optimistic vision is simply called 'fusion' and refers to a situation in which conflict in South Asia causes the US, Europe and China to intervene in a manner that brings the US and China together in a condominium scenario. Even this benign outcome entails immense challenges of managing the scarcity of world resources and climate change.

Regarding the analysis of the BRICS, the National Intelligence Council – henceforward the NIC – wants governments to see the larger picture, not just China's rise. The NIC portrays a world of coalitions and networks at the expense of solitary power poles and hegemons.<sup>45</sup> It is not that the pitfalls as-



sociated with China's rise are not addressed, but the acute danger is mainly described in terms of a triangular clash between China, Russia and India over developments in South Asia.<sup>46</sup> Here one is tempted to read an allusion to the NATO/ISAF exit from Afghanistan in 2014. Regarding the US–China relationship the NIC stresses the qualitative difference from the Cold War between the US and the Soviet Union.<sup>47</sup> The NIC sees several powers as facing critical 'inflection points' in their position in the world hierarchy as a major stress factor in future world politics. In this regard Europe, Japan and *Russia* represent declining powers,<sup>48</sup> whereas China, India and Brazil along with Colombia, Indonesia, South Africa and Turkey represent the upwardly moving ones.

The fact that Russia is singled out by the NIC not as one of the winning BRICS, but as a long-term loser evidently has implications for the longevity of the BRICS concept and hence for Western diplomacy towards Russia, including Denmark's Russia policy. The section on the 'wider scope for regional instability' highlights Russia as a single-country factor of Eurasian instability due to Russia's dependence on energy revenues and its ageing and declining work force.<sup>49</sup> Russia faces a drop in population from 143 million in 2010 to 130 million in 2030,<sup>50</sup> a prospect with severe security policy implications which may not stem Russian nationalism. Russia's own policy towards the West and China is another determinant of Russia's future.<sup>51</sup> The NIC does not preclude a Russia embracing modernization at long last, but for now Russia is isolated in its mistrust of others.<sup>52</sup> Another possible outcome is a Kremlin failing either to diversify or to build a more liberal domestic order at home, in which case Russia "could increasingly pose a regional and global threat".<sup>53</sup>

Another thoughtful contribution reminiscent of the NIC in its non-deterministic, holistic and long-term strategic thinking is that offered by the Finnish-Swedish defence analyst Tomas Ries.<sup>54</sup> Although Ries does not cite Watson or mention the significance of his *raison de système* concept for the long-term global considerations of decision-makers,<sup>55</sup> the point in Ries's analysis is the way he deals with the embrace of globalization in the shape of pragmatic strategic cultures by individual states and non-state actors in world affairs. This logic allows him to postulate the following distribution of state and world order identities, as in Table 1:



Table 1: *World Politics: The Global Configuration of Actor Identities in Our Age*.<sup>56</sup>

Identity:	Class	Example	Share of world population *)
Globalizers:	* Transnational Corporations	Fortune Global 1,000	0.1 %
	* Post-Modern State Community (=PMC)	OECD Members plus some others	18 %
Transformers:	Rapid Transition Societies (=RTS)	China, India, Brazil +	40-50 %
	Struggling Modern Societies (=SMS)	Much of the Arab World	5 %
Alienated:	Alienated Modern States (=AMS)	North Korea, Burma (Russia ?)	3 %
	Pre-Modern Societies	'The Bottom Billion'	Less than 30 %

\*) Data for the shares of world population have been corrected.

*The Globalizers* are the principal stakeholders in the liberal post-Cold War order, whether in the shape of firms (TNCs) or the post-modern state community (PMC), that is, the previously most powerful and wealthy societies in the world. They display a non-zero sum approach to world politics. *The Transformers* consist of the non-Russia BRICS plus rapid transition societies (RTS) in Asia and Latin America; South Africa also belongs to this group, whereas the Arab world is considered to consist of struggling modern societies (SMS). What RTS and SMS have in common is their dependence on the globalizing economy as something that makes them strong stakeholders in economic globalization; similarly, their rising middle classes make them emerging social stakeholders.<sup>57</sup> The fact that some of them are authoritarian – e.g. China – makes them only partial political stakeholders, yet “their Westphalian zero sum political instincts are strongly tempered by their economic integration and dependence upon the globalizing world”, reasons Ries.<sup>58</sup> Compare what Watson says on this account: “In practice, the freedom of action of independent states is always limited by the pressures of interdependence.”<sup>59</sup>

This, however, does not apply to Russia, which Ries tentatively places alongside North Korea and Burma as belonging to *the Alienated Modern States* just slightly above ‘the bottom billion’ in the global hierarchy. Ries stresses that the Kremlin is a more ambiguous case of globalization rejection, but like other examples Russia displays “the trappings of the early industrial age – authoritarian rule, crude heavy industries and primitive military force – and [is] driven by a strong zero sum mentality”.<sup>60</sup> Table 1 obviously exaggerates Russia’s ‘North Koreanness’ – Russia is vastly more globalized than North Korea.<sup>61</sup> Still, Ries has a valid point when drawing the logical conclu-

sion from Russia's structural and political flaws. In this respect his diagnosis of world pathologies matches that of the NIC.

As a remedy for this friction between alienated and globalizers-cum-transformers, Ries advises the PMC, including the EU, to mobilize agility and resilience for the sake of upholding security defined as functioning vital life systems. The purpose must be to protect “the liberal world order to which we gave birth during the Cold War and which shelters and nourishes the globalizing world order”.<sup>62</sup> The second core strategic task identified by Ries is to “reduce the misery of the world's disenfranchised societies”.<sup>63</sup> Otherwise there will be conflict between the haves and the have-nots both within and between societies, the likely reason why Ries speaks of a full ‘bottom billion’ and cites strange population shares. The good news is the shift in fault lines towards a globalizing community encompassing the entire PMC and the RTS – BRICS minus Russia – implying “the rise of a new globalized civilization”.<sup>64</sup> But the task for this emerging PMC/RTS alliance is nothing less than designing and implementing a *long-term Planetary Strategy*, argues Ries.<sup>65</sup>

What can be concluded from the analysis thus far is that China and Russia – two authoritarian powers by inclination – represent the more ominous BRICS regarding the security of the liberal globalizing order, which is a fairly inclusive order of more benign nature than the likely alternatives. This warrants additional reflection on the specific challenge at the level of high politics represented by these two powers as well the other BRICS and Turkey. I have already quoted Buzan<sup>66</sup> for his use of the term *strategic culture* in passing when observing China's “quite profound change of national identity, strategic culture and definition of its strategic interests”. The term is used frequently in strategic studies as a way to capture the vital contextual factors of geography, history and ideology plus generational dynamics in respect of the decision-making elite.<sup>67</sup> A couple of years ago I wrote a comparative analysis of the strategic culture of the four original BRICS<sup>68</sup> structured around the concept of soft balancing, i.e. non-military efforts to undermine US dominance, so what follows will be a minimalistic sketch of instincts and security policy trends in all five BRICS and Turkey.

## On the Strategic Culture of the Authoritarian BRICS: China and Russia<sup>69</sup>

Strategic culture is political culture at the level of high politics and may thus be defined as the firmly anchored security policy of any actor. The theoretical argument behind it is one of path dependency implying resistance, but not immunity to change.<sup>70</sup> The latter observation is important and urges analysts to be sensitive to actual reformulations of strategic cultures, whether in words, deeds or both.<sup>71</sup> Following Johnston, the purpose of strategic culture analysis is to identify state preferences on the role of force derived from the state's approach to conflict and war. Whereas neorealists perceive only one ideal type – hard realpolitik – Johnston sees strategic culture as a continuum with soft idealpolitik at the opposite end of the spectrum. His distinction various in-betweens of mostly *raison de système* cultures as a most important outcome when it comes to world order and actual governance. On this account I should like to invoke Watson's deliberations on so-called *concerts* as the approach to governance that has historically been preferred by great powers.<sup>72</sup> As for the BRICS, one logical hypothesis about their strategic culture is that they try to act as a concert in world affairs – a spontaneous great-power club that seeks to cultivate shared interests in order to increase their clout collectively, as well as to modify mutual clashes of interest. The downside of concerts is their exclusiveness, of which the five veto powers in the UN Security Council is the textbook example.<sup>73</sup> Yet, Watson warns us not to let this fact obscure the upside: this invention was shrewd statemanship on the part of the Soviet Union, a safety valve for an institution under in-built strain.<sup>74</sup> I shall return to the logics of concert and Denmark's somewhat myopic approach to them later.

As for China, several analysts agree with Buzan about China's highly ambiguous strategic culture while also stressing profound changes for the better.<sup>75</sup> This applies to the sinologist Johnston cited above, otherwise known for his exposition of the harsh classical strategic culture of China: "China has not engaged in counter-hegemon alliance construction or territorial expansion. It also generally acts in support of the existing international order rather than sponsoring competing rules and institutions".<sup>76</sup> But then he goes on to conclude that China "cannot yet" be said to be a challenger, as if accepting the determinism of neorealism. Moreover, there is fresh evidence of China's self-defeating anti-Japanese impulses: the flare-up of the dispute over the Sinkakus is causing alarm worldwide.<sup>77</sup> This episode confirms the valid-

ity of the paramount concern advanced by the same source regarding the heavy Chinese military build-up, namely the risk of miscalculation by China's neighbors, the USA or China itself.<sup>78</sup> Some experts view China's hypersensitivity regarding Taiwan as *the* strategic impulse, but China's evacuation of its 35,000 citizens trapped in Libya in 2011 suggests an emerging global orientation whenever faraway violent conflict affects Chinese interests.

As for the benign, truly constructive elements in contemporary Chinese strategic culture, one must mention that China has become the biggest provider of peacekeepers to UN missions among the BRICS and other second-wave actors. Another is the way that China, like Brazil, is engaging itself in the liberal reinterpretation of sovereignty around the R2P principle, however self-serving the concepts offered by these two BRICS are.<sup>79</sup> This means that China may be more open to dialogue and less of a *sovereignty hawk* – Strobe Talbott's apt phrase about India – than it is often perceived. Beneath the surface Chinas is less stubborn than Russia in its UN Security Council diplomacy, a case in point being its Sudan policy. Likewise, China's interest in Arctic affairs may, on the one hand, reflect China's hunt for minerals and rare earth materials, but may, on the other hand, signal an EU/NATO-like interest in safeguarding the uninhibited flow of goods worldwide. In any event, China's strategic culture must now be articulated in a context of interdependence and globalization, a scenario which Chinese decision-makers themselves originally opted for.<sup>80</sup> What is more, this choice was confirmed when China entered the WTO in 2001, an event which is now seen as the real 9/11.<sup>81</sup> The recent slowdown in China's growth, coupled with multiple flashes of unrest throughout the country due to corruption, administrative heavy-handedness etc., reflect the downside of combining one-party rule with state capitalism. China's problems with, as it were, too much Keynesianism thus ought to inspire an honest dialogue with the crisis-ridden neoliberal Western economies, who also need economic policy innovation.

Russia's entry into the WTO in 2012 marks less of an institutional earthquake than China's, but is significant in itself as a potential modifier of Russia's strategic culture. Although the above analysis identified Russia as the sole BRICS that appears to be alienated from the liberal logic of globalization, Ries believes that Russian strategic culture is under pressure to change.<sup>82</sup> Among other things, Russia must adapt to China gaining the upper hand in their mutual relationship both when settling prices for Russian energy deliveries and when exporting arms around the world, as SIPRI analysts have also pointed out. Russian and Chinese interests may also ultimately clash in the Arctic. Still, Ries worries about Russia's modernization of its conven-

tional and nuclear Eurostrategic capacity at a time when Europe, including NATO, is disarming.<sup>83</sup> This leaves small states along Russia's rim vulnerable to blackmail. Moreover, it is disturbing to watch Putin sponsoring an anachronistic zero sum outlook (*kto kogo* in Russian) that has distinct Soviet roots going back to hawks like Mikhail Suslov and his selective tolerance of conservative and radical Russian nationalists who identified themselves with the Cold War against the liberal Western world.<sup>84</sup> It is small comfort that the Kremlin itself is not sincerely revisionist, but mainly opportunistic in its anti-Westernism as a way of diverting attention from the ethnic hatred and abuses of power inside the country.

At the same time, one should not underestimate a peculiar benign dynamic inherent in the BRICS concert. Putin is the BRICS leader who most enthusiastically embraced their rise, as if failing to see that his new-found friends may not really identify with his pretty hard balancing against the U.S. This was vividly demonstrated by their failure to extend diplomatic recognition to the breakaway republics of South Ossetia and Abkhazia following Russia's brief proxy war against Georgia in 2008.<sup>85</sup> Also, NATO–Russia friction has not prevented the Kremlin from perceiving a keen security interest in the ISAF operation, including directly supporting NATO logistics. Accordingly, 2014 will be a moment of truth for Russia, and for China and India, too, testing their capacity to come to terms over South Asian security on their own. In so far as Russia's harsh measures against its CIS neighbors have been explained by Russian hawks as just mirroring the US Monroe doctrine regarding the Americas, the US may have some leverage when it comes to modifying Russian strategic culture by officially abandoning the notorious doctrine as irrelevant in an era of globalization and R2P sovereignty thinking. Many seem to forget that Russia is a full member of the highly liberal Council of Europe as something that perhaps might be used more creatively in the West's Russia diplomacy.<sup>86</sup> Russians generally see themselves as Europeans, not as Asians. On the other hand, Russia's economy continues to grow, which inevitably bolsters the hawkish elite.

## On the strategic Culture of the Democratic BRICS and Turkey

Luckily, most BRICS and other growth economies happen to be democratic political systems based on competitive elections and hence display fairly pragmatic non-zero sum strategic cultures. This is not to say they are all alike – on the contrary. For India, Brazil and South Africa, their mutual IBSA cooperation launched in June 2003 has meant just as much as the BRICS concert. IBSA brings together these three multicultural democracies as an often vocal WTO diplomatic unit and fosters some joint development initiatives among the three countries. The German scholar Daniel Flemes sees IBSA as a case of anti-Western positioning, but a key driver seems to be the prestige surrounding democracy combined with the pursuit of great power status.<sup>87</sup> Brazil invests almost more political energy in IBSA than in Mercosur, and Brazilian strategic culture also reflects the global nature of Brazilian business interests, which includes a keen interest in the African continent, as well as joint ventures with India.<sup>88</sup> Like India, Brazil is campaigning to enter the UN Security Council as a permanent member and has stepped up its peacekeeping activities in Haiti and elsewhere in order to be seen as credible security policy actor. Brazil is traditionally skeptical of the US, but it identifies with liberal values like human rights, the rule of law etc., and makes an effort to fight poverty and corruption. The low level of growth in Brazil may partly reflect the sophisticated nature of the economy, and it is also worth noting that Brazil is the BRICS associated with soft power, indicating a more subtle strategic culture. In retrospect, the surprising initiative of Brazil, Turkey and Iran of May 2010 targeted against the US appears to have been an exception: conversely, Brazil recently advised rising powers to remember that “the established powers are not sinking powers”.<sup>89</sup>

India, and notably the crisis between Denmark and India over the extradition of Niels Holck/Kim Davy, is covered elsewhere in this *Yearbook* by Ravinder Kaur. The vehemence of India’s reaction to Denmark’s admittedly prejudiced and insensitive conduct is telling regarding the pride of the Indian great power and its self-esteem as a consolidated democracy and reliable actor. The words of the National Security Advisor to India’s Prime Minister underscore this:

*“While Gandhiji shunned the use of force and opposed violence in politics, he was politically steely and unyielding, and accepted appropriate violence as una-*

*voidable in certain circumstances. As a result of this acceptance of contradictions, Indian strategic culture supports ethical views that dovetail easily with international norms of conduct whether legal or on human rights, as long as they respect India's status.*<sup>90</sup>

Shivshankar Menon identifies with Kanti Bajpai's political-science analysis of Indian strategic culture, which posits three interacting approaches within India's post-Cold War strategic culture: Nehruvianism, neoliberalism and hyperrealism.<sup>91</sup> The former position is the one of traditional Indian non-alignment, anti-colonialism and self-image as a leader of the Third World. It entails a Gandhian scepticism of war preparations and a belief in mutual understandings between states. But as most people know, Indian strategic culture has been heavily influenced by several wars with Muslim Pakistan and one in 1962 with Communist China.<sup>92</sup> Interestingly, this translates into warmth towards the US, including its war on terror, albeit accompanied by perceptions of betrayal when it comes to India's own traumas from terrorism instigated by Pakistanis.<sup>93</sup>

For this reason Bajpai sees an evolution not just towards neoliberalism – the interdependence approach of India's globalizers – but even more so towards hyperrealism, that is, an 'Israeli' strategic culture that toys with the idea of dealing Pakistan a knock-out strike. This sounds anything but pragmatic, and India did shock the world with its nuclear tests in May 1998. What really marketed India as a great power, however, was the 2001 BRICs concept of Jim O'Neill, something that inspires strategic cultural pragmatism, as powerfully illustrated by a certain rapprochement between China and India.<sup>94</sup> In addition to being a strong believer in the nuclear deterrent, Menon stresses the pursuit of value-based relationships – democracy with the US, secularism with Russia and liberalism with Europe – as a way to cultivate India's own values of secularism, pluralism, democracy and quasi-federalism, these forming the imperative for holding India together.<sup>95</sup> So the Western world, including Denmark, should not overdo the clash of civilizations thesis when it comes to India. For instance, India delivered critical peacekeeping to war-torn Liberia by deploying a corps of female police soldiers and is struggling with piracy off Somalia, like China, Russia and others.

South African strategic culture was characterized by offensive realism until 1994, the year when apartheid was abolished. President Nelson Mandela then came to personify a new liberal strategic culture that included criticism of human rights problems elsewhere in Africa. Recently, however,

scholars have detected a slide away from liberalism towards mainstream post-colonial liberationism as a result of South Africa's partly competitive relationship with China in Africa, as well as developments inside the ANC.<sup>96</sup> Despite this, South Africa's great-power ambition serves to keep the country devoted to peace-keeping involving maintaining large contingents of troops in the war-torn Democratic Republic of Congo and Sudan's Darfur conflict. *Turkey's strategic culture* represents something of a paradox: an army that intervenes into politics in defense of secularism, a most Western liberal concept. Turkey used to be caught up in the Sèvres syndrome, a reference to the harsh terms of the 1920 peace treaty that partitioned the Ottoman Empire after World War I.<sup>97</sup> The bitter memory of Sèvres survived both Atatürk's building of a nation state and the fact that the Sèvres treaty was superseded by the Lausanne treaty. Only recently has Turkey been relieving itself of its past and displaying a more fluid, forward-looking approach characterized by less zero-sum thinking.<sup>98</sup> But when it comes to regional affairs, even when they involve Iran's nuclear weapons, civil war in Syria and other issues involving NATO, of which Turkey is a member, Turkey has a profile of its own.

Still, the overall conclusion is that there is remarkable pragmatism and even overlapping values in the relationship between the democratic BRICS and 'second wave powers' on the one hand, and the Western liberal states on the other. Brazil and India especially appear to be distancing themselves from blind assertiveness, as they may sense the danger in the waning moderating influence of the West. The implication for the world order is that the rising powers may be expected to be fairly receptive to the EU as a global actor.<sup>99</sup> Actually, not even China is indulging in *Schadenfreude* regarding the ongoing Euro-crisis – on the contrary (cf. the highlights of the 2012 BRICS summit).<sup>100</sup>

## The BRICS and Denmark: Economics and High Politics

At the risk of simplification, the above analysis of the general and specific challenges and options of high politics following the rise of the BRICS and 'second-wave powers' may be summarized thus:



- uncertainty surrounding China's strategic culture, despite China's globalization
- the challenge of semi-revisionist behavior by Russia, yet by a Russia facing decline
- worrying trends in South Africa and Turkey (for Denmark, tensions with India)
- a challenge to push the *raison de système* of all BRICS towards liberal values
- option: seeking to further the latter goal indirectly via a firmer EU commitment etc.
- option: security policy cooperation in peacekeeping, counter-piracy etc.
- option: furthering governance by a pragmatic embrace of concerts, e.g. the G20.

Espersen and Kurs mod 2020 itself and much of Denmark's actual security policy reflect this high political agenda borne of a changing balance of power and a bewildering world order.<sup>101</sup> It is therefore all the more curious to observe the *low politics* profile of Denmark's specific BRICS policy so far. The most visible follow-up is a series of commercial strategies targeted at the BRICS and the second-wave powers under the umbrella of the Regeringens Vækstmarkedsstrategi.<sup>102</sup> Denmark's explicit commercial interest in these exotic markets stems from the country's lagging behind the European leaders in the new southward export offensive, namely Austria, Belgium, Germany, Finland, Holland and Sweden.<sup>103</sup> One reason is that the Danish business structure is dominated by thousands of small and medium-sized firms for whom these faraway markets are too costly logistically.<sup>104</sup> Helle Thorning-Schmidt's left-of-centre coalition has accentuated the commercial turn towards the BRICS and launched several additional strategies for the 'growth markets' (*vækstmarkeder* in Danish), including Turkey.<sup>105</sup> The latter stresses Denmark's competitive edge in clean-tech energy technology (wind energy) as an area of strong interest for Turkey, while Turkey itself can offer cooperation between Turkish and Danish construction firms in third markets.

The umbrella strategy regards political intervention into the BRICS economies as a common barrier requiring Danish actors to act on the basis of intimate local knowledge. It mentions the BRICS as a prospective source of FDI to Denmark – including the option of attracting Indian FDI – and stresses student exchange, for example, between Brazil and Denmark. The options inherent in so-called Blue Denmark (i.e. Denmark's merchant navy)

are highlighted in the strategies for Brazil, India and China. Sea transport services count for 58 per cent of Danish exports to Brazil, and containers carrying the Maersk star are highly visible on China's highways. The Russia strategy highlights Russia's proximity to Denmark and – alone among the strategies – suggests thorny issues in Danish-Russian dialogue such as respect for human rights and the rule of law. Denmark's expertise in the field of energy-saving is actually a trump card in relation to Russia, and Russia's WTO entry is seen as a game changer. The South African strategy mentions the local concept of B-BBEE (Broad-Based Black Economic Empowerment) as something Danish firms must implement somehow in order to contribute to reducing unemployment.

Already, Denmark achieved over 80% growth in its market exports from 2005-2011 compared to just 20% growth elsewhere, but in order not to lose its market shares to European competitors, the Danish government wants a much more strategic effort.<sup>106</sup> So two consecutive Danish governments deserve praise for an unusually focused effort. The unfolding commercial success is also the result of work done by Danish diplomats to ensure high-level, mutual state visits accompanied by large business delegations. All in all, Denmark's BRICS policy of economic engagement testifies to her identity as a *trading state*.<sup>107</sup> This is hardly an anomaly for a small state with a sophisticated open economy. In so far as it coexists with an otherwise *raison de système*-oriented Danish strategic culture of *activism*<sup>108</sup> based on firm commitments to the UN, multilateralism and liberal values, there would seem to be nothing wrong with that. After all, how much can a small state do and be expected to do?

Certainly, there is not much that Denmark alone can do regarding the stiff challenges listed above, nor can it do much on its own to maximize the benefits of the three cited options. Yet, there is the earlier cited syndrome of superficiality – the lack of careful reflection on the strategic cultures of the individual BRICS and how they might link or not link to the broader drama of world governance of upholding welfare, values and ecological balances – that tends to make Danish official BRICS policy starkly naïve compared to the normally fairly holistic Danish approach. Some thinking along these lines may, of course, take place behind closed doors, notably within the secret services.<sup>109</sup> But one cannot escape the conclusion that the BRICS and liberal world order nexus as a major strategic problem has not really been addressed by the Danish policy-making elite and its civil servants. Instructive sources underscoring this point are the annual reviews of Danish foreign policy published in the present periodical, reviews that are always authored

by a most senior diplomat.<sup>110</sup> Moreover, they happen to illustrate the flaws in the Danish position on certain topics that may undercut Denmark's clout in relation to the BRICS and Turkey. But they also contain examples of surprisingly common ground between the rising powers' policy and Denmark's own priorities. Let me elaborate.

Denmark was not exactly pioneering in its detection of the growth, before they slowly emerged on the Danish horizon in the shape of China, India and South Africa, and then China, India and Brazil, cited in Claus Grube (2010) as three rising powers demanding stronger IMF voting power.<sup>111</sup> Oddly enough, this source insists that, during the turbulent COP15, the "assertive role in world politics of China, India and Brazil and other emerging economies came as no surprise",<sup>112</sup> whereas *Kurs mod 2020* presents COP15 as a wake-up call – "a sobering flash of a new era [...] of the global diffusion of power".<sup>113</sup> 2010 was the year of *Kurs mod 2020*'s lonely, but honest exercise in strategic thinking by putting the BRICS into context and launching them as foreign policy targets. About 2010 Grube suddenly observes "a stronger focus than ever on strengthening relations with the BRIC countries"<sup>114</sup> without referring to the strategy paper. Grube says that in 2011 the government decided to produce BRICs and 'second-wave' power strategies (the commercial strategies described above) and goes on to describe Danish–Brazilian, Danish–Russian, Danish–Indian and Sino–Danish relations in some detail.<sup>115</sup>

Naturally, bureaucratic and political considerations plus the lack of hindsight all serve to push annual reviews like these in the direction of disjointed analysis; it is not quite fair to venture into such comparative reading. More interesting, perhaps, Grube notes "[t]he commitment of countries like China, Brazil, South Africa and India to the outcome at Busan" as "a major step forward".<sup>116</sup> Indeed, the Busan summit of development aid donors in late 2011 was another manifestation of BRICS power, but this time a constructive one, as it forged "a new global partnership" for the benefit of fragile states in Africa.<sup>117</sup> The Busan event was the Fourth High Level Forum on Aid Effectiveness, an issue "at the forefront of Denmark's development cooperation".<sup>118</sup> At the same time, Busan expressed "shifting geopolitical realities, with the role of the BRICS [...] proving more critical than ever before", concludes Jonathan Glennie.<sup>119</sup> BRICS are already critical providers of FDI, engaging in mining and infrastructure and increasingly also development aid to Africa. Denmark might now think of development cooperation with them in third countries on the basis of clean,

anti-corrupt practices as a way to further transparency and the rule of law and avoid public resentment.

Denmark has an idealistic approach to UN commitment, including support for a reform of the Security Council,<sup>120</sup> but awkwardly enough this happens to be a bone of contention within the BRICS concert. China in particular opposes the entry of India, Russia is lukewarm, and reform is deadlocked. This fact, however, could be seen as an option for Denmark to further its own vision of UNSC reform by adopting a clause forcing the five veto powers to make their reasons for vetoing public as a way to diminish abuse of the UNSC. Denmark is aware of the BRICS as security policy partners, Grube describing the fact that “Danish warships are already patrolling the Horn of Africa alongside Chinese, South Korean and Indian naval vessels” as something that “clearly illustrates that we need to move beyond the conventional partnership mindset that has guided the [NATO] Alliance since the end of the Cold War.”<sup>121</sup> Yet, Danish voters seem unaware of this subtler upside to the new world order, as media coverage of the BRICS is overly devoted to economics and sensational downsides. True, it is for the BRICS themselves to become involved ever more whole-heartedly and build up soft power.

When it comes to the Doha Round of trade negotiations within the WTO, Denmark is equally committed to free trade, so between the lines one senses a certain Danish frustration over the stifling of the EU position due to protectionist agricultural lobbies elsewhere.<sup>122</sup> Brazil and India have become notorious as tough WTO negotiators, though, and some analysts lay the blame for the Doha deadlock squarely with the US<sup>123</sup> On this account, Grube correctly mentions the positive role played by the G20<sup>124</sup> when it declared “strong political commitment to bringing the Doha Development Round negotiations to a successful conclusion”. Similarly, Grube lauds “The EU, the WTO and G20” for having “continued their efforts to fight protectionism.”<sup>125</sup> The G20 is reminiscent of other great power concerts in that it is a spontaneous, but quite institutionalized club of world economic governance – surely something Watson would welcome as embodying *raison de système*.<sup>126</sup> All five BRICS are members of the G20 and express support for this forum. Denmark, by contrast, is not a member and has voiced a cleverly argued criticism of the G20’s shortcomings concerning its legitimacy and powers of implementation.<sup>127</sup> Compare Grube: “The world should not be run by the G2, G8, G20 or any other exclusive and unrepresentative club.”<sup>128</sup>

This formalistic Danish G20 position may nevertheless ultimately backfire either directly in bilateral Denmark–BRICS diplomacy or indirectly, as it reveals a lacking sense of reality. After all, the G20 has delivered critical economic crisis management and is not really a rival to the IMF nor the World Bank. As stated earlier, great powers often resort to concerts – exclusive clubs – as their preferred forum of governance – a most welcome fact when one considering the alternative of conflicts escalating into great power confrontations. The contact groups that arose spontaneously out of the grim civil wars in former Yugoslavia illustrate this point – thus one may question the broader security policy wisdom of Denmark’s overly principled G20 policy. Moreover, this rings hollow when one takes into account the fact that in 2008 Denmark launched its own exclusive club via the Ilulissat Declaration that put forward the idea of leaving Arctic management to the five coastal states alone. All the above boils down to the following message: Denmark must embrace pragmatism, empathy and holistic thinking in its BRICS diplomacy while at the same time exploring ways to uphold liberal values. The tension between Denmark and India over Niels Holck reveals the urgency and delicacy of adding such a BRICS twist to the established Danish strategic culture of activism.

## Conclusion: Policy Recommendations – Adding a BRICS Twist to Danish Activism

The analysis began by observing a mismatch between the truly strategic deliberations in the Kurs mod 2020<sup>129</sup> and the utterly low-politics nature of the subsequent Danish BRICS strategies, revealing the superficiality in the Danish approach. While acknowledging the limited clout and resources of a small state like Denmark, I believe it is critical to add a high political BRICS twist to Danish foreign and security policy because of the context of weakened US predominance. This calls for countervailing forces capable of upholding global institutions and universalistic liberal values. The theoretical premise behind this is the *Raison de système* concept of Adam Watson, also employed by Buzan<sup>130</sup> as something that translates into actual stability and institution-building by great powers, often via concerts. In relation to this, the penultimate section on actual Danish BRICS diplomacy advised more pragmatism and holism towards concerts of which the BRICS grouping, IBSA and G20 are prominent examples.

The analysis was organized into five substantial parts. First, the BRICS were presented as a curious hybrid of state capitalism and liberal export-orientation based on WTO membership, a model that produces much needed purchasing power for and by the middle classes, even though this may come at the price of high levels of corruption. The so-called second-wave powers were also briefly addressed, among which the analysis contained details on Turkey. The next section offered a glimpse into the current academic debate on the world order in order to inspire broader Danish reflection on what is at stake in the rise of the BRICS. The neorealist argument and that of Buzan were discussed, but I also broadened the perspective by presenting a couple of more holistic contributions from the NIC and Ries.<sup>131</sup> The latter portrays the BRICS except Russia as fairly benign actors more or less representing stakeholders in the liberal post-Cold War order, whereas both Ries and the NIC agree that Russia is a more problematic actor. All contributions, however, express doubts and uncertainty about China's strategic culture.

For this reason, the analysis went on to address actual Chinese and Russian strategic cultures, first, by hypothesizing a common strategic culture of concert as a key feature of the BRICS. China itself may be less of a sovereignty hawk than is often perceived, and it contributes much to UN peacekeeping; furthermore, by entering the WTO in 2001 China opted for interdependence. Russia's WTO entry in 2012 may ultimately also serve to discipline its strategic culture, but for the time being Russia's hawkish elite seems emboldened by the country's oil and gas bonanza. Conversely, the strategic culture of the democratic BRICS is less zero sum-oriented, and Brazil and India do identify with liberal values despite their great power pride. Still, the general challenge is to push the *raison de système* of all BRICS towards liberal values as the ultimate goal behind the necessary broader BRICS twist to Danish activism. As for how to do this, it is important to realize the existence of certain indirect options in pursuing BRICS high politics:

– *Reorient Denmark's foreign and security policy more towards the EU and our Nordic partners.* A Danish referendum on the 1993 defense opt-out that made possible full-scale participation in the EU's Common Foreign and Security Policy (CFSP) would not go unnoticed, even though this is a notoriously weak part of EU cooperation. Such a move might bolster the EU as the vital pillar of world governance by democracies. As for the Nordic dimension, Denmark is trying to breathe air into NATO's smart defense concept by reaching out to our Nordic partners – another way of strengthening liberal governance and Nordic hard and soft power. It may be necessary, however, to strengthen day-to-day diplomatic dialogue with the Nordic

states and, say, Germany for the sake of coordinating our policy on world order/BRICS issues.

– *Strengthening enlightenment of the public as well as social science research regarding world order issues and security policy challenges.* The former seems to be the more important, but also trickier task, because, in spite of high levels of education, many people feel alienated and overwhelmed by today's complex economic and political issues. The political danger is that voters may feel tempted by radical populism in these times of changing polarity and economic crisis. Nevertheless, Denmark has a tradition of enlightenment to build upon, so the net task is rather one of engaging the younger generations, as our common future hinges upon their prudence as citizens. It may also be worthwhile to strengthen research into BRICS affairs and the teaching of the relevant languages at Danish universities and to stimulate cooperation with academics and think tanks outside Denmark specialized in BRICS and/or security policy.

– *Direct BRICS diplomacy must build upon insights into strategic cultures and display empathy.* One specific option is cooperation in peacekeeping, counter-piracy etc., another to further the contribution to governance by the BRICS through Denmark's pragmatic embrace of concerts like the G20. In any event, it is critical to be aware of issue linkages regarding what Denmark otherwise does. Being a small state, Denmark may not succeed in cultivating a day-to-day dialogue with the BRICS on substantive matters, so this is why the indirect options are vital. Nevertheless:

– *Our BRICS and second-wave powers diplomacy must experiment with 'Stille Diplomatie',<sup>132</sup> i.e. behind-the-scenes diplomacy on sensitive domestic and world order issues.* Silent diplomacy must aim at nudging the BRICS towards forward-looking and responsive policies at home and abroad. Proceeding from Popper's principle of piecemeal social engineering, the target countries and Denmark itself must do more to empower existing institutions like the IMF and the UN, including the Security Council. Utopian views regarding reforms must be abandoned.

– *Upgrading intelligence gathering on the developments in and around the BRICS and key second-wave powers* involving open source intelligence/OSINT as well as non-OSINT intelligence. This is a measure that presupposes strengthening intelligence cooperation with other democracies in this field.

The overall idea in the above list of policy recommendations is to add an urgent strategic dimension of high politics to Denmark's already successful low politics BRICS diplomacy. In other words, we should ensure that the

otherwise holistic and pragmatic Danish strategic culture fully embraces the existential small-state interest in furthering *raison de système* conduct by great powers, the ultimate aim being to uphold the fairly benign liberal post-Cold War order.



# Notes

- 1 Mette Skak, Ph.D. Associate Professor at the Department of Political Science and Government, Aarhus University.
- 2 *Espersen, 2010*; translated into English by the author.
- 3 *Kurs mod 2020, 2010*.
- 4 Regeringsgrundlaget, 2011.
- 5 Analysts disagree on the issue of US decline, and some are optimists on behalf of the West. The US remains the world's absolute military superpower both quantitatively and qualitatively, the country is still a magnet for talented immigrants, it has the lead in several civilian high-tech branches of production and, lastly, the fracking technology may once again turn the US into an energy superpower (Slaughter, Anne-Marie (2013). See 'The Coming Atlantic Century', *Project Syndicate*, 21 February, <http://www.project-syndicate.org/commentary/europe-and-america-come-roaring-back-by-anne-marie-slaughter>). Yet the preeminence of the US in world affairs is bound to decline due to the growing share of world GDP originating outside the US and the EU (on GDP as a key indicator of power potentials, see Wohlforth, 1999: 11 fn. 22). Already, there have been several cases when the US has abstained from leading international intervention into serious crisis, as in Libya and Mali, and it is showing curious restraint towards Syria.
- 6 Popper, 1971.
- 7 Watson, 1992.
- 8 Watson, 2010: 14.
- 9 Wolfer, 1962: 72.
- 10 This and most of the following builds upon the in-depth analysis of the BRICs I edited and co-authored in *Fremtidens stormagter* (2010). I chaired a team of social scientists who studied the actual globalization strategies and performances of all four original BRICs (2006-2010).
- 11 Glosny, 2010.
- 12 *Times of India*, 'PM pitches for close cooperation among BRIC nations', 16 April 2010.
- 13 Cooper (2006).
- 14 Transparency International, 2012.
- 15 O'Neill, Jim (2012), 'South Africa's presence drags down Brics', published 23 March by *Mail & Guardian* at <http://mg.co.za/article/2012-03-23-sa-presence-drags-down-brics>
- 16 Ibid.
- 17 Bhadrakumar, M.K. (2011). 'China BRICS up Africa', *Asia Times*, <http://www.atimes.com/atimes/China/MA04Ad02.html>
- 18 Ibid; see also Skak, 2011.
- 19 O'Neill, 2012.
- 20 *Kurs mod 2020, 2012*.
- 21 Cooper, 2006.
- 22 Transparency International, 2012.
- 23 Layne, 2012.
- 24 Ibid.: 206.
- 25 Layne, 2012: loc. cit.

- 26 Loc. cit.; cf. Mearsheimer, John (2005), 'The Rise of China will not be peaceful at all', *The Australian*, 18 November 2005.
- 27 Kennedy, 1987.
- 28 Skak, 2011; *Fremtidens stormagter*, 2010: 215.
- 29 Krasnik, Martin: 'Tilbage til Reagan', *Weekendavisen*, 8 April 2011; Mearsheimer, 2011.
- 30 Johnston, 1999: 282 ff.
- 31 Ibid.: 284, 295.
- 32 Ibid.: 284.
- 33 Watson, 1992.
- 34 Layne, 2012: 212.
- 35 Buzan, 2010.
- 36 Ibid.: 6.
- 37 Ibid.: 11.
- 38 Ibid.: 13.
- 39 Ibid.: 15.
- 40 Ibid.: 34
- 41 Interestingly, Buzan, 2010: 23, treats the influential hard-core neorealist US thinking as part of the problem associated with China's rise and recommends that the mirror-image Chinese neorealist community do its utmost not to feed its US counterpart.
- 42 Ibid.: 35.
- 43 Danish National Intelligence Council, 2012.
- 44 Ibid.: 3.
- 45 Ibid.: 7.
- 46 Ibid.: 63.
- 47 Ibid.: 102.
- 48 Ibid.: 17.
- 49 Ibid.: 74.
- 50 Ibid.: 80.
- 51 Ibid.: 74.
- 52 Ibid.: 62.
- 53 Loc. cit.; 96.
- 54 Danish National Intelligence Council, 2012; Ries, 2012a.
- 55 Watson, 1992.
- 56 Adapted from Ries, 2012a: 31.
- 57 Loc.cit.
- 58 Ibid.
- 59 Watson, 1992: 14.
- 60 Ibid.
- 61 Cf. *Fremtidens stormagter*, 2010: 114-160; I know North Korea well from a three week-stay in the country in 1984 and from having taught courses ON the North and South Korean political systems at Aarhus University. North Korea is obviously the world's least globalized and hence most closed country.

- 62 Ries, 2012: 33.
- 63 Ibid.: 34.
- 64 Ibid.: 36.
- 65 Ibid.: 24.
- 66 2010: 13.
- 67 Lantis and Howlett, 2010.
- 68 Skak, 2011.
- 69 Some might object to labeling Russia authoritarian, as there are obvious qualitative differences between Communist one-party rule IN China and the pluralism of Russia, irrespective of the virtual one-party rule exercised by Putin's United Russia party. Since Putin's decision of September 2011 not to let Medvedev run for president, however, the burden of proof regarding the non-authoritarian nature of Russian politics rests with the Kremlin.
- 70 Lantis and Howlett, 2010.
- 71 Johnston, 1995.
- 72 Watson, 1992: 238 ff.
- 73 Watson, 1992: 289.
- 74 Ibid.: 290.
- 75 Buzan, 2010.
- 76 Johnston, 2009: 4.
- 77 *The Economist*, February 9, 2013.
- 78 *The Economist*, April 7, 2012: 13.
- 79 For the Chinese reinterpretation of R2P, see Ruan Zongze, 'Responsible Protection: Building a Safer World', in *China International Studies*, No. 34, May/June 2012: 36-47, [http://www.ciis.org.cn/english/201206/15/content\\_5090912.htm](http://www.ciis.org.cn/english/201206/15/content_5090912.htm) /. For the Brazilian one, see Matias Spektor, 'Humanitarian Interventionism Brazilian Style', <http://www.americasquarterly.org/node/3791>. I am grateful to Steen Fryba Christensen at Aalborg University for having drawn my attention to Brazil's and China's own R2P doctrines. See also Mengazzi (2012).
- 80 *Fremtidens stormagter*, 2010: 265-268; Skak, 2011.
- 81 Renard, 2012: 43.
- 82 Ries, Tomas (2012b). E-mail correspondence with Tomas Ries of December 11 about his appearance on radio in DR's *P1 Orientering* 28 November on Nordic security policy etc. The surprising reforms of Russia's armed forces during the tenure of the recently sacked Defense Minister Anatoly Serdyukov has helped to push Russia away from its Cold War preoccupation with NATO towards a more rational focus on local flash points in Russia's southern neighborhood. Serdyukov wanted Russia to build up mobile reaction forces capable of fighting limited wars. Demography alone will force Russia to give up its target of having an army of a million men.
- 83 Ries, 2012b.
- 84 Brudny, 1998.
- 85 Skak, 2011.
- 86 Russia entertains an insincere approach to the Council of Europe, but Strasbourg has forced the Kremlin to abandon the death penalty and introduce various other improvements. Multiple cases at the European Court of Human Rights stem from citizens of Russia who do seem aware of it.
- 87 Fledes, 2007.

- 88 Skak, 2011; *Fremtidens stormagter*, 2010: 181-182.
- 89 Slaughter, 2013.
- 90 Menon, 2012: 3.
- 91 Bajpai, 2002.
- 92 Ibid.
- 93 Ibid.; *Fremtidens stormagter*, 2010: 176-178.
- 94 *Fremtidens stormagter*, 2010.
- 95 Menon, 2012: 9.
- 96 Jordaan, 2010.
- 97 Renda, 2011.
- 98 Ibid.
- 99 Renard and Biscop, 2012: 193.
- 100 [http://en.wikipedia.org/wiki/2012\\_BRICS\\_summit](http://en.wikipedia.org/wiki/2012_BRICS_summit)
- 101 Espersen, 2010; Kurs mod 2020, 2010.
- 102 Ministry of Foreign Affairs of Denmark, 2012.
- 103 Ibid.: 5.
- 104 The drivers behind this remarkable BRICS orientation of Danish export promotion appears to be the Trade Council of the Danish Ministry of Foreign Affairs and ultimately the business lobby represented by DI (The Confederation of Danish Industry). The latter coined the idea of rendering support to medium-sized firms seeking to gain a foothold in the original BRICs through so-called OMIs.
- 105 Ministry of Foreign Affairs of Denmark, 2012.
- 106 Ibid: 5.
- 107 Rosecrance, 1986.
- 108 Cf. Vedby, 2005.
- 109 Cf. FE, 2012.
- 110 E.g. Grube, 2012; 2011, 2010.
- 111 Grube, 2010.
- 112 Ibid.: 20.
- 113 Kurs mod 2020, 2010: 2.
- 114 Grube, 2011: 40.
- 115 Grube 2012: 25.
- 116 Ibid: 40.
- 117 Glennie, Jonathan (2011), 'Busan has been an expression of shifting geopolitical realities', at <http://www.guardian.co.uk/global-development/poverty-matters/2011/dec/02/busan-shifting-geopolitical-realities>
- 118 Grube, loc. cit.
- 119 Ibid.
- 120 Løj, 2006.
- 121 Grube, 2011: 25.
- 122 Grube, 2012: 23.

- 123 Bhagwati, Jagdish (2011). 'The Too-Quiet American', *Project Syndicate*, 22 July 2011, <http://www.project-syndicate.org/commentary/the-too-quiet-american>
- 124 Grube, 2011: 20; the G20 was born in 1999 following the Asian financial crisis of 1997 as a forum of finance ministers and central bank governors from the strongest economies in the world: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, the UK, the US and later a representative of the EU bringing the number up to 20. In late 2008, the G20 was upgraded as a forum of economic crisis management when it was convened at the level of heads of state and government.
- 125 Grube, 2012: 23.
- 126 Watson, 1992.
- 127 Grube, 2012: 20; 2011: 18; Vestergaard, 2011.
- 128 Grube, 2010: 19.
- 129 Kurs mod 2020, 2010.
- 130 Buzan, 2010.
- 131 NIC, 2012; Ries, 2012a.
- 132 *Stille Diplomatie* is a typical feature of German diplomacy whenever extra face-saving is deemed necessary for the other party. For small states it may be the only path to efficient dialogue on thorny issues with the BRICS – e.g. demographic imbalances between genders – due to their in-built pride as great powers.

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# The Fiscal Compact, Euro-Reforms and the Challenge for the Euro-Outs

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## Introduction

Major reforms of the European Union (EU) have historically always been the product of crisis. For example, the massive political upheavals of 1989 and the resulting need to bind a unified Germany closer into Europe contributed to producing the Treaty of Maastricht, which was a significant integrative step in terms of both expanding the scope of policy areas dealt with at the EU level (especially EMU and foreign policy), and how the EU adopted decisions (more majority voting and the introduction of EP co-decision, where the European Parliament became a co-legislator with the Council of Ministers). Given that the EU is currently in the throes of the most serious economic crisis it has faced since its creation, with the survival of the Euro at stake, it is not surprising that 2012 has seen major reforms of EMU adopted, in particular the Fiscal Compact, along with serious negotiations on major changes in EMU, including issues like creating a bank union, euro-bonds and other mechanisms to assist member states that are adversely affected by asymmetric economic shocks.

This article focuses on the negotiation of the Fiscal Compact in late 2011 and early 2012, analyzing the negotiation process and discussing what it tells us about power in the EU today. It argues that Germany enjoyed substantial power in the negotiations and was able to dictate the terms of the agreement to other states. Yet the only reason that Germany was able to dictate terms in the issue of strengthened rules is because it was linked in a quid quo pro relationship with the issue of increased assistance to countries in crisis (transfers). Therefore the article puts the Compact into the broader context of two inter-linked issues: strengthened rules for state fiscal behavior, and reforms of the mechanisms to assist countries facing asymmetric economic shocks,

mostly in the form of temporary or permanent transfers. Given that both strengthened rules and transfer mechanisms are seen as essential for effective economic union in other currency unions, the article describes the historical lessons that can be drawn from cases like the US.<sup>2</sup> The article then traces the linkage politics that have taken place in 2012, where the Compact was only a small part of the overall issue of strengthening the rules (discipline), an issue that was linked in a quid quo pro relationship with reforms of the mechanisms to assist countries facing asymmetric economic shocks (transfers).

The article concludes with a discussion of the challenges of this rapid deepening of integration within the Euro-zone for non-Euro member states like Denmark. As members of the Euro gradually forge a genuine economic union among themselves, there is the risk that non-members lose influence in the EU and are potentially shunted out into second-class membership, or even exit. While this is commonly portrayed as a major risk in much current commentary, the risks of exclusion for countries like Denmark are much lower than is widely portrayed, in particular due to the strong interests that all EU member states have in an effective single market, and due to German interests in avoiding marginalizing otherwise natural allies like Denmark and Sweden.

## The Negotiation of the Fiscal Compact and what it tells us about Power in the EU

Governments started the process of strengthening the rules for fiscal behavior by member states in March 2010, when they created a task force led by European Council President van Rompuy to explore possible reforms of the Stability and Growth Pact (SGP). However, in September 2010, only a few weeks before the task force was to present its report to the European Council, the Commission put forward a package of six legislative proposals that were to eclipse van Rompuy's efforts. The Commission proposals came to dominate discussions on EMU reform throughout 2011 and were adopted as the so-called 'Six pack' in late 2011, encompassing five regulations and one directive that amended the SGP.

However, Germany was not satisfied that the strengthened rules proposed by the Commission would actually be complied with unless they *also* were embedded into national budgetary procedures at the constitutional

level.<sup>3</sup> The idea behind this was the German constitutional *Schuldenbremse* (debt brake) that had been adopted in 2009 in response to the lessons that the Germans had learned from their post-reunification experiences. The thinking behind a debt brake is that, to avoid excessive public debt, strict budgetary rules for the size of the structural deficit should be inserted into the national constitution, thereby constraining future politicians. The debt brake builds on the 'ordoliberal' school of economic thought – a widely held and influential set of ideas in Germany.<sup>4</sup> 'Ordoliberalism' as it manifests itself in Germany rejects the use of expansionary fiscal and monetary policies to stabilize business cycles, focusing instead on supply-side policies to restore growth and enable countries to adjust to shocks.<sup>5</sup> The conventional wisdom in Germany was that these supply-side ideas were vindicated by German economic performance post-2000, when a series of structural reforms in the early 00's were seen to have resulted in strong, export-led growth in the late 00's, pulling Germany out of the post-reunification malaise of high budget deficits and low growth and enabling it to weather the financial crisis in 2008-2009.<sup>6</sup> Therefore, any mechanism to assist countries facing asymmetric economic shocks should only be used in the last resort due to the risk of moral hazard, and the terms of assistance must be very strict to keep pressure on countries for structural reforms in place.

However, we also need to look at the German domestic political scene to understand the German motivation for pushing for the incorporation of strict budgetary rules into national constitutions. There was strong opposition amongst German voters and political elites (especially FDP leaders) for any German concession on the transfer issue, which was seen as a form of assistance to peripheral countries like Greece, Italy and Spain. Here the view was that assistance in effect amounted to bailing out profligate countries that had borrowed money to finance spending they could not afford,<sup>7</sup> even though temporary aid packages were to be paid back with interest rates higher than normal market values. The popular discourse in Germany could be distilled into the widely heard question, 'Why should German taxpayers pay for Greeks to retire at 50?' and fed particularly strongly into German opposition to any form of debt forgiveness for Greece, but it also affected views regarding assistance to all peripheral countries.

As the Euro crisis worsened in the fall of 2011, the very survival of the Euro was at stake.<sup>8</sup> Interest rates for Italian and Spanish ten-year state bonds rose to unsustainable levels, with the risk that financial markets could push both countries into insolvency. High interest rates reflected market skepticism about whether peripheral countries could stay the course and im-

plement the austerity measures and structural reforms necessary to stabilize their economies without some form of temporary and/or permanent transfers to assist reform efforts through infrastructure spending, and to help governments alleviate some of the social costs of reforms (for more on this, see below).

German political elites therefore began to acknowledge behind closed doors that they would have to accept some transfer mechanisms that could assist the peripheral countries in coping with their economic crises in order to avoid the collapse of the Euro.<sup>9</sup> Therefore, to enable Germany to adopt more conciliatory positions on the domestically unpopular issue of transfers, the German government suggested the introduction of a national debt brake at the EU level in order to convince German taxpayers that any form of assistance to other member states would not involve throwing German tax Euros down the drain, but would be linked with very strict rules for future fiscal behavior in peripheral states to ensure that once they pulled themselves out of the crisis they would not just sink back down into a new debt crisis. We return to this issue linkage in the next section.

### Setting the Agenda

The idea for a debt brake alongside SGP reforms was put forward in a joint Franco-German letter on 'economic governance' that was submitted to van Rompuy on August 16, 2011, immediately after a Franco-German summit. The letter insisted that strict budgetary rules must be enshrined in national constitutions, and suggested that Eurozone summits at the heads of state and government level be held biannually. That France should decide to work together on strengthening the rules with Germany is on the face of it surprising. Economically France has more in common with peripheral countries like Italy and Spain in terms of its balance of payments deficits, structural rigidities in its labour market and a strong need to engage in budgetary reforms to shore up its fiscal position – all countries that can be termed 'Euro-losers' if we compare their relative levels of competitiveness and the balance of payments deficits that they have partially produced with Germany's. In contrast, Germany enjoys large balance of payments surpluses and has engaged in significant structural reforms (at least in the export sector) that have improved its competitiveness vis-à-vis the periphery – therefore Germany can be termed a 'Euro-winner'. Relative economic positions as 'Euro-winners' (Germany) and 'Euro-losers' (France, Italy, Spain) push countries to take certain positions, with Euro-winners supporting strengthened discipline, whereas Euro-losers support reforms that create mechanisms

to assist them in their domestic restructuring (see below for more on transfer mechanisms).

Franco-German cooperation is commonly misunderstood as being the product of their *agreement* on key issues. However, France and Germany are in fact only able to act as an effective leader for Europe when they *disagree*, and when a Franco-German *compromise* is able to *bridge* the cleavages *splitting* member states on key issues. When France and Germany are on the same side of an issue and they put forward proposals advocating their position, this is often seen as a Franco-German *diktat* that will spark negative reactions from other member states due to their fear of being dominated by a Franco-German axis. This type of negative reaction was, for instance, seen in the negotiation of the Constitutional Treaty in the spring of 2003. France and Germany as large states were on the same side of the issue of reforming voting weights, supporting a system that gave greater weight to larger states. When they put forward such a proposal, smaller states revolted against Franco-German leadership.

In the case of the Euro reforms, while paying lip-service to the goal of stricter discipline, France was willing to compromise on the issue of strengthened rules in order to achieve a long-held French goal of creating a more intergovernmental, European Council-centered EU, and if possible, among a smaller core of countries in which France was expected to wield more relative power.<sup>10</sup> Further, France was able to secure the insertion of the term 'economic governance', another long-held French position aimed at securing a stronger political input into economic policy-making at the EU level.

The October 2011 European Council Summit Conclusions agreed to work towards the 'adoption by each euro area Member State of rules on balanced budget in structural terms translating the Stability and Growth Pact into national legislation, preferably at constitutional level or equivalent, by the end of 2012.'<sup>11</sup> However, significant opposition remained to Merkel's plans,<sup>12</sup> and the parallel statement from the Eurozone leaders was more cautious, stating that, 'An interim report will be presented in December 2011 so as to agree on first orientations. It will include a roadmap on how to proceed in full respect of the prerogatives of the institutions. A report on how to implement the agreed measures will be finalised by March 2012.'<sup>13</sup>

While van Rompuy worked on preparing an interim report for the December summit, Merkel worked in parallel behind the scenes to speed up the process and succeeded in pushing reticent governments to accept some treaty changes.<sup>14</sup>

The emerging consensus that the Franco-German compromise should form the agenda for the summit was momentarily disturbed by the publication of a Green Paper at the end of November by the Commission that explored the practicality of introducing euro-bonds.<sup>15</sup> European Council President van Rompuy echoed this in his report on the eve of the summit in stating that euro-bonds should be explored.<sup>16</sup> However, the issue of euro-bonds was rejected out of hand by the German government (see below, however, for more on the linkage between euro-bonds and strengthened discipline). Of greater importance was van Rompuy's suggestion that treaty changes did not need a full-blown Article 48 treaty change, but only a change to Protocol 12, which dealt with the Excessive Debt Procedure (EDP).

France and Germany reiterated their commitment in a joint Franco-German letter immediately prior to the December 2011 European Council Summit and called for treaty changes to introduce the reforms. However, the problem arose as to whether the UK would accept a change in the EU Treaties. UK PM David Cameron signaled before the summit that the UK could accept treaty changes, but only if the UK was guaranteed exclusion from any regulation of the financial sector through such changes, along with unpalatable demands such as the re-negotiation of the Working Time Directive.<sup>17</sup> Cameron was particularly concerned that he would be unable to secure ratification of any new EU Treaty domestically due to the strong and growing Euro-skepticism in his own Conservative Party. However, UK demands were dismissed by Germany, with CDU politicians openly stating that the British demands were 'a massive attempt at blackmail', and Merkel signaled that she did not want to leave any room for national exceptions, which she viewed as a potential Pandora's box that could undermine the effectiveness of the strengthened rules.<sup>18</sup>

Given the need for unanimity for any change to the EU Treaties, the days before the summit therefore became dominated with finding a way around British opposition to treaty changes, resulting in a mad scramble for creative legal fixes that would enable legally binding rules to be adopted but at the same time would avoid the need to change the EU Treaties. Germany was isolated in the demand for a new treaty, but Merkel strongly pushed the issue immediately before and during the summit, and supported by Sarkozy, was successful in bypassing British opposition by proposing to adopt an international treaty in a manner similar to the Schengen Treaty instead of changing the EU Treaties themselves.<sup>19</sup> When other non-Euro member states were asked at the summit whether they would participate, all but the UK said they

wanted to sign up (though several countries stated that their participation depended on parliamentary approval).<sup>20</sup>

At the December summit the discussion focused on what the Fiscal Compact should include, with the exact details of the legal form being postponed until the question of the content had been settled.<sup>21</sup> It was agreed amongst Eurozone leaders that the basic points on the agenda would be the introduction of a new fiscal rule coupled with some form of debt brake that should be introduced into national constitutions. The fiscal rule called for a maximum structural deficit of 0.5% of GDP per year. The Commission and ECJ would play a role in supervising and enforcing the new rules, although the legal details of how either could play a role outside the EU Treaties were still up in the air. It was agreed that the negotiations would be completed by the March 2012 European Council summit. Interestingly and wholly exceptionally, this agreement was put forward as a statement from the Eurozone's heads of state and government instead of being in the actual December European Council conclusions.<sup>22</sup>

### **The Negotiation of the Fiscal Compact: Much Ado about Nothing?**

After the summit, an ad hoc working group on Fiscal Stability was created to translate the statement into a legally binding agreement. The group was built on the Eurogroup, but included MEPs and Commission representatives who took part along with observers from non-Euro members. Four meetings were held at the civil servant level to discuss draft texts (20th December, 6th January, 12th January, and 23rd January), followed by meetings at the ministerial level and the final summit between heads of state and government on January 30, 2012. The UK abstained from the process, and the Czech government in the end decided to not sign the Compact.

Table 1 illustrates the major differences between the first draft and the final Fiscal Compact.<sup>23</sup> The actual negotiations dealt with relatively minor issues in comparison to the already settled questions of whether a national debt brake should be introduced, the terms of the fiscal constraints on national budgets, and the legal form it should take. Another issue that was settled in the first draft was the introduction of a 'reverse QMV' principle for voting on a Commission proposal to initiate an Excessive Deficit Procedure against a member state (Art. 7), changing the dynamic from one where the Commission needs a supporting majority for its proposal to succeed to one where it only needs to avoid a blocking majority.



Four particularly salient issues in the negotiations dealt with 1) the type of national legislative instrument that should be used to adopt the debt brake rule, 2) the role of non-members and the EP in the new Eurozone summits, 3) the role of the Commission in overseeing the agreement, and 4) the role of the ECJ.

First, due to fears in both the Eurozone (Finland, Ireland) and non-Euro countries (Denmark and Romania) about possible changes to national constitutions that could spark referendums, the text on how the debt brake rule should be incorporated into national law was made more flexible during the negotiations, while still respecting the key German demand that the rules should be binding on national budgetary procedures, which was the very *raison d'être* of the Fiscal Compact. Germany had originally wanted the provisions incorporated at the constitutional level, but settled for the phrase 'binding force and permanent character, preferably constitutional, or otherwise guaranteed to be fully respected and adhered to' (Art. 3.2.)

Table 1. Comparison of First Draft Text with Final Fiscal Compact.

Issue	First draft (16th December)	Fiscal Compact
Debt brake incorporated into national constitution?	Art. 3.2. 'introduced in national binding provisions of a constitutional or equivalent nature'	Art. 3.2. 'provisions of binding force and permanent character, preferably constitutional, or otherwise guaranteed to be fully respected and adhered to throughout the national budgetary process.'
Role of the Commission in overseeing agreement	Art. 8. contracting parties that consider that another contracting party has failed to comply with Art. 3.2. can bring the matter before the ECJ	Art. 8. Commission invited to present report on state compliance with Art. 3.2. If COM concludes that the party has not complied, the matter will be brought to the ECJ by one or more Contracting Party. Cases can also be brought independently of COM report if a party feels another has not complied
Enforcement tools available to ECJ	Art. 8. The judgment of the ECJ shall be binding on the parties, which shall take the necessary measures to comply. No fines mentioned	Art. 8.1. ECJ judgment binding Art. 8.2. If either contracting party or Commission considers that another contracting party has complied with ruling of ECJ, a contracting party can bring the case before the ECJ. If found not complied, ECJ can impose either lump sum or penalty payment to not exceed 0.1% of GDP. Fines payable to ESM if euro-member, otherwise to EU budget
Role of the EP	Art. 13.4. The President of the Euro Summit will also inform the EP of the outcome of summits	Art. 12.4. The President of the EP may be invited to be heard prior to summit – President of Euro Summit shall present a report to the EP after each Euro Summit
Role of non-member heads of state and government in Euro Summits	Art. 13.4. President of the Euro Summit shall keep other member states informed of the preparation and outcome of Euro Summit meetings	Art. 12.6. President shall keep other member states closely informed of the preparation and outcome of the Euro Summit meetings

Secondly, the level of participation that non-members and the EP would be permitted in the proposed Eurozone summits was particularly controversial. This pitted French ideas of creating a ‘hard core’ of the heads of state and government of the Eurozone countries that would dominate economic policy-making in the EU (termed ‘economic governance’, or in French *gouvernance économique*)<sup>24</sup> against the interests of non-members like Denmark and Poland, who wanted to avoid being marginalized in a two-speed Europe where an increasing number of economic policies that have EU-wide ramifications are decided by the smaller Eurogroup of countries. In between these two positions was Germany, who wanted to avoid marginalizing natural allies like Denmark and Sweden on many economic issues, as well as Poland, an increasingly important trading partner.

The first draft stated that the heads of state or government of Eurozone members, together with the Commission President, shall meet informally in Euro Summit meetings at least twice a year. Non-Euro states and the EP would be kept ‘closely informed’. The text remained unchanged until the final fourth draft at the end of January, when some modest concessions were given to the EP, with the President of the EP being ‘invited to be heard’ before summits and the President of the Eurosummit presenting a report to the EP after each Euro Summit (Art. 12.5.). In contrast, no change was made in the text regarding the participation of non-Euro countries, although the final preamble signaled that the biannual Euro Summits would be held immediately after normal European Council Summits, thereby partially alleviating the Polish fear that the Euro Summits would supplant the normal summits.<sup>25</sup>

The lack of concessions to non-members illustrates the limited clout they held in the negotiations, despite intense pressure that included threats by Polish PM Tusk to not sign the Compact if they were denied access to the Summits.<sup>26</sup> However, as with the Euro-plus pact from March 2011, non-Euro countries were at least allowed to join the Compact by pledging through their ratification to bind themselves to comply with the rules of the Fiscal Compact despite not being in the Euro.

The third salient issue was the role the Commission should play in overseeing the agreement. In the first draft, the Commission had no role in overseeing compliance with the national debt brake (Art. 3) or bringing infringement actions to the ECJ. The Commission itself wanted a very narrow treaty, including only the debt brake rule and the ‘reverse QMV’, using the argument that other measures could be done using the preferable route of EU law.<sup>27</sup> The Commission fought strongly to ensure that the oversight

and enforcement of the debt brake rule looked as much like the Community method as possible in order to avoid the creation of a mechanism in which governments had too much discretion. Political discretion, on the other hand, was the very reason that France wanted to restrict the role of the Commission in the agreement.

However, the French were fighting an uphill battle given the history of Euro decision-making, especially the political decisions on the SGP in 2003-2004. Germany in particular wanted to see a strengthened role for the Commission.<sup>28</sup> The second draft (January 5) even opened up the possibility of the Commission bringing infringement actions for non-compliance with the debt brake rule on behalf of the Contracting Parties (Art. 8). This was removed in Art. 8 of the third draft (10.01.12), which, however, strengthened the Commission role in overseeing compliance. Here the Contracting Parties could either bring non-compliance directly to the ECJ or invite the Commission to issue a report on the matter. If the Commission confirms non-compliance, the case goes directly to the ECJ ('will be brought').

While not allowing the Commission to bring actions against states for non-compliance with the debt brake rule to the ECJ, the final text strengthened even further the Commission's role in overseeing the debt brake rule (see Table 1 for the text). This can be interpreted as a careful compromise between the Commission's and the German position that the agreement should follow the Community method as much as possible, with oversight of the agreement by the Commission being similar to the SGP, and the French position that governments should enjoy political discretion in the agreement, with infringement actions being brought only by the Contracting Parties. Given the political costs of bringing enforcement actions against other countries, governments historically have almost never brought cases to the ECJ against each other, and given the extreme political costs that this would have involved in such a sensitive issue, it is highly likely that the provision will remain a 'nuclear option', one never to be used except as a threat in order to pressure governments to comply.

Finally, linked with the previous issue was the role of the ECJ. Despite the questionable legality of relying on the ECJ to enforce an international agreement outside the EU Treaties, delegations concentrated on whether the ECJ should be able to use sanctions against non-compliant countries. The first draft merely stated that ECJ judgments are binding, but did not state what would happen if a country did not comply with an adverse ECJ ruling. It was only in the final draft that sanctions were introduced (see Table 1) following German demands, although there is a certain amount of political

discretion involved, as it is only a Contracting Party that can bring another party to the ECJ for non-compliance with a ruling. The fines are quite draconian: either a lump sum or penalty payment not exceeding 0.1% of GDP, payable either to the ESM or the EU budget for non-Euro countries.

### Lessons Learned

What does the negotiating process and outcome tell us about power and governance within the EU? The main conclusion is that it illustrates German power, and in particular that of Chancellor Merkel. In the words of Peter Ludlow: ‘There are indeed few parallels in EU history to the way in which she almost singlehandedly brought the other member states into line in the weeks preceding the Council’.<sup>29</sup> One permanent representative observed that, ‘if that is what Germany wants, that is what we will have to do. That is the way the Union works nowadays.’<sup>30</sup>

Yet to understand German power, we need to recognize that Germany was only able to dictate terms because introducing stricter discipline was *linked* with the issue of transfers (either temporary in the form of aid packages, or permanent in the form of euro-bonds that transfer economic resources between member states). It is to this question that we now turn.

## The Broader Context: Discipline and Transfers

Germany had the power to dictate the terms of the Fiscal Compact because peripheral countries (i.e. Euro-losers) are dependent upon German acquiescence in accepting different forms of assistance to help them cope with the economic crises affecting them. While Germany as a ‘Euro-winner’ in 2010 and 2011 enjoyed relatively strong export-led economic growth due to large balance of payments surpluses, peripheral ‘Euro-loser’ countries like Greece, Ireland, Italy and Spain were hit by an asymmetric economic crisis and were dependent upon Germany accepting different forms of transfers (either temporary assistance or permanent transfers).

To understand German power, we therefore need to understand how these two issues are linked in currency unions. The history of currency unions throughout the world suggests that the issue of strong rules for the fiscal behavior of constituent states is intimately linked with the issue of transfers, understood as any form of mechanism that can assist states that are impacted

by asymmetric economic shocks, be they temporary aid packages or permanent fiscal transfers. The reason the two are linked can be understood using the theory of Optimal Currency Areas (OCA).<sup>31</sup> If a currency union is an OCA, it has such a high level of economic convergence among its constituent states that there is no risk that states or regions will be hit by asymmetric shocks – for example, due to a loss of competitiveness – removing the need for assistance mechanisms.

When a currency union is not an OCA, there is the risk of asymmetric shock, for example, if a state or region loses competitiveness and therefore faces a severe economic downturn. A state impacted by an asymmetric shock could attempt to use counter-cyclical fiscal policies, stimulating the economy through public spending to return to growth. To avoid the risk that states facing asymmetric shocks borrow too much money, declare bankruptcy and then expect to be bailed out by the other states in the currency union (the moral hazard problem), strong rules for fiscal behavior need to be in place in a currency area. In the US, a number of states ran into debt problems due to excessive spending in the early 1840s. To avoid the moral hazard problem, the federal government declined to bail them out, creating a no bail-out precedent. At the same time, state-level politicians introduced balanced budget rules to avoid future debt crises.<sup>32</sup>

However, once strong rules tie the fiscal hands of constituent states, they are vulnerable to downward economic spirals if they are impacted by an asymmetric economic shock. If an economic downturn impacts the whole country (a symmetric shock), then the federal level can respond by stimulating the economy. However, counter-cyclical policies are denied the constituent states in a currency union due to strict rules for fiscal behavior, creating the risk of a downward spiral with increasing social costs and ever worsening economic prospects. For example, with falling revenues due to increasing unemployment, constituent states are forced to cut expenditures further to comply with balanced budget requirements, thereby increasing unemployment still further and worsening the economic crisis.

The literature on OCAs suggests that when states have tied their fiscal hands mechanisms need to be introduced that can help them cope with asymmetric economic shocks.<sup>33</sup> These include 1) flexible price and wage levels to restore competitiveness, 2) a mobile labor force that can move to areas not affected by the crisis, or 3) different forms of either temporary or permanent transfers, termed ‘fiscal federalism’.

Experience suggests that, even in highly integrated currency unions like the US, the first two mechanisms are not enough to restore growth in affect-

ed states or regions and help cope with the social costs of the crisis.<sup>34</sup> As a result, in the US fiscal federalism was introduced under the Great Depression in the 1930s when it became evident that states were unable to cope with the enormous social costs of mass unemployment due to strict fiscal rules.<sup>35</sup>

In the current EU, the financial crisis and changes in the relative levels of competitiveness have resulted in an asymmetric economic shock negatively impacting peripheral countries like Greece, Italy, Ireland and Spain, whereas Germany has enjoyed relatively strong economic growth. The 'Euro-losers' in the periphery of the Eurozone in 2009-2012 suffered from large balance of payments deficits, stagnant or falling GDP and rising levels of unemployment.

To face this asymmetric economic shock, the issue of transfers in the EU context has had three (partially overlapping) manifestations. First, states such as Greece and Ireland that were facing insolvency requested aid packages from the EU (and IMF) that could help them avoid default while they attempted to restore the balance. Secondly, financial markets had increasingly lost confidence in countries like Italy and Spain due to a combination of increasing expenditures and stagnant economic growth because of a relative loss of competitiveness vis-à-vis German industry. In the fall of 2011 both countries faced a liquidity crisis as the costs of government borrowing rose to unsustainable levels, creating a strong need for external assistance to lower the costs of governmental borrowing. In the short-term, through different market operations the ECB helped lower their borrowing costs. More permanent mechanisms that could assist countries included proposals for the mutualization of all or part of member state debt through the introduction of euro-bonds.

Finally, and overlapping with the first two, there was a strong need for increase assistance to help countries plagued with high unemployment rates cope with the high social costs of the economic crisis, while at the same time assist their recovery by restoring competitiveness through increased rates of infrastructure spending

German power is therefore based on the need for German acceptance for any form of transfer. German acceptance is necessary given that Germany is the largest contributor to aid mechanisms and because of the centrality of Germany in EU decision-making in general. Yet there are also clear limits to the ability of Germany to exploit this veto power. If Germany did not accept the aid mechanisms benefiting countries like Greece, there would be the very real prospect that the Euro itself would collapse following Greek bankruptcy, resulting in huge economic losses for the German economy, and in particular

German banks exposed in peripheral markets. Therefore, paradoxically the ability of peripheral countries to push Germany on the issue of transfers was strongest when the crisis was at its worst. Once market pressures on peripheral countries receded, they were no longer able to use the argument 'Unless we receive help, we will go bankrupt and the Euro will collapse'.

German leaders had already acquiesced in the creation of a temporary assistance mechanism (the European Financial Stability Facility, or EFSF) to help countries facing bankruptcy in May 2010. Germany also tacitly accepted that through its operations the ECB had lowered bargaining costs for peripheral countries, for example, through the Target system of interbank transfers, which has had the effect of acting like temporary euro-bonds for peripheral countries, substantially lowering their borrowing costs.<sup>36</sup>

Due to the need for German acceptance of transfers, Germany was able to dictate the terms of the Fiscal Compact. Yet even here there was an explicit quid quo pro, with peripheral governments stating during the Compact negotiations that once Merkel got 'her' Compact, it was Germany's turn to make further concessions on issues like euro-bonds.<sup>37</sup>

We can see this quid quo pro in the discussions on the issue of euro-bonds in the statement issued by the European Council in December 2011.<sup>38</sup> While strongly opposed by Germany, peripheral states were able to include a reference to future reforms in the final statement that implied some form of debt mutualization. The text read, 'For the longer term, we will continue to work on how to *further deepen fiscal integration* so as to better reflect our degree of interdependence. These issues will be part of the report of the President of the European Council in cooperation with the President of the Commission and the President of the Eurogroup in March 2012. They will also report on the relations between the EU and the euro area.'<sup>39</sup>

Another example of the quid quo pro between the German demands for a Fiscal Compact and increased transfers can be seen in the link with reform of the Eurozone's aid mechanisms. When leaders agreed to replace the ad hoc EFSF with the European Stability Mechanism (ESM), the new provisions were originally planned to enter into force in 2013. However, while the negotiation of the Fiscal Compact was still underway, peripheral governments pressured Germany to accept that the ESM would enter into force one year earlier than planned.<sup>40</sup> In return, it was agreed that countries that wanted to receive aid from the ESM must have signed the Fiscal Compact.<sup>41</sup> However, peripheral governments were not successful in pressuring Merkel to accept an increase in the size of the funds available to the ESM.<sup>42</sup>

At the time of writing, the final form of either issue is not settled, with negotiations still ongoing. Regarding discipline, the Fiscal Compact has entered into force, and there are efforts underway to supplement it with further EU secondary legislation (the 'two pack'). Developments on the issue of transfers are more uncertain. In the summer and fall of 2012 it seemed as if major treaty reforms might be initiated, with Germany, for example, signaling that it could accept permanent transfer mechanisms such as euro-bonds if further progress was made on rules by collectivizing fiscal policy-making.<sup>43</sup> The Commission in November submitted a very ambitious blueprint for a 'deep and genuine economic and monetary union'.<sup>44</sup> Van Rompuy presented his final report on the same issue a week prior to the December 2012 European Council Summit,<sup>45</sup> which foresaw a three-stage process. 2013 would witness the completion of the strengthening of fiscal rules, coupled with the introduction of an EU-level supervisory mechanism for banks and of transfers in the form of an EU-level resolution and deposit guarantee framework for banks.<sup>46</sup>

The issue of increased transfers was to be tackled in stages two and three (2013-2014). In stage two, 'temporary and targeted' flexible support would be established to help countries facing asymmetric economic shocks undertake structural reforms using funds outside the normal multiannual financial framework. Stage three would include, 'Establishing a well-defined and limited fiscal capacity to improve the absorption of country-specific economic shocks, through an insurance system set up at the central level', coupled with an increasing degree of 'common decision-making' on national budgets and strict adherence to rules for fiscal behavior.

However, the December European Council Summit put major reform of transfer mechanisms on the back-burner, and van Rompuy's report was not even mentioned in the final Summit conclusions.<sup>47</sup> This underlines the importance of the risk of peripheral economies collapsing for their negotiating power. As market pressures on peripheral countries receded in the fall of 2012, the ability of these countries to press Germany on the issue of further transfers has receded with them.



## Conclusions

The negotiation of the Fiscal Compact has clearly revealed the extent of German power in the current EU. At the same time, we must recognize that strong German influence was only possible because other governments were dependent upon German acceptance of the issue of transfers. Further, the ability of peripheral countries to push Germany towards a quid quo pro acceptance of some form of transfer mechanism was paradoxically at its greatest when there was a sizable risk of them going bankrupt, which could have resulted in the collapse of the Euro.

We now turn to the question of whether we should expect the EU to bifurcate into a strongly integrated Eurozone and a less integrated group of non-Euro countries that in time could even lead to their exit from the EU into looser forms of association like Norway's. We have already witnessed an increasing number of economic decisions being taken *de facto* within the Eurogroup, and the prospect of a further strengthening of EMU in the form of transfers, coupled with the introduction of Eurogroup summits, raises the very real prospect of a two-speed Europe, where important economic decisions are *de facto* made by Eurozone members alone.

Yet there are several reasons why we should not expect non-euro countries like Denmark to move gradually into looser forms of association with the EU. First, all member states share the desire of protecting the flagship of European integration – the Single Market. While the Single Market can function effectively when loosely associated states without much say in policy-making like Norway and Switzerland are the exception, it is difficult to see the Single Market surviving if the equation is reversed so that a large number of participants are excluded from key decisions. Secondly, while France has traditionally been interested in a smaller (intergovernmental) Union, Germany has no interest in being locked into a tighter, exclusive cooperation with Euro-losers like France, Italy and Spain, thereby excluding stronger economies like Denmark and Sweden, both of which are otherwise natural allies in many different economic policy areas of the EU. Therefore we see the desire to avoid a two-speed Europe expressed in the December 2012 European Council Summit conclusions, which state clearly that, 'The process of completing EMU will build on the EU's institutional and legal framework. It will be open and transparent towards Member States not using the single currency. Throughout the process the integrity of the Single Market will be fully respected ...'<sup>48</sup>

The conclusion is that the risks of exclusion for countries like Denmark are, at least in the short and medium terms, much lower than widely portrayed. Efforts by the Danish Presidency in the spring of 2012 to ensure that non-Euro states were not excluded from reforms of the EMU were therefore like kicking in an open door. Further, we should expect that any exclusion of countries that does take place will be purely voluntary, with a country like UK potentially choosing exit over accepting the inevitable deeper economic integration that we should expect in the next couple of years as the EU recovers from the Eurocrisis.

# Notes

- 1 Derek Beach Ph.D is an Associate Professor at the Department of Political Science, University of Aarhus.
- 2 It is important to iterate that the argument that a currency union must have both strict discipline and rules and some form of transfer mechanism to assist countries facing asymmetric economic shocks does not mean that the EU is destined to become a fiscally federal United States of Europe, or even that the scale of transfers within fiscal federalism will ever approach anything like the scale seen in the US or Canada.
- 3 Even more far-reaching ideas were aired by German leaders in the fall of 2011, including the introduction of mandatory supervision by the Commission of deficit countries that broke SGP rules, undertaken by an 'austerity' Commissioner with powers to intervene in national fiscal policies (Spiegel, 2011b, 2011c). However, these ideas were very unpalatable politically in peripheral countries, and provoked a strong negative reaction that led Germany to quietly shelve them.
- 4 Dullien and Guérot, 2012.
- 5 Ibid.
- 6 The German version is only one side of the story of recent German economic success. Germany's structural reforms were also effective because they were undertaken in a period when Germany's major trading partners enjoyed strong economic growth. In contrast, the economic context in which peripheral countries like Spain are implementing structural reforms is much less beneficial, thereby also undermining the effectiveness of structural reforms, at least in the short term.
- 7 *Spiegel*, 2011a, 'Will Merkel's Coalition Hinder Euro Rescue?', Spiegel Online, August 18, 2011.
- 8 *The Economist* had on the cover of its November 26, 2011 issue the caption 'Is this the end?' with a picture of the Euro going down in flames.
- 9 *Spiegel Online*, 24 November 2011, 'Euro Bonds Debate: German Resistance to Pooling Debt May Be Shrinking.'
- 10 *The Economist*, 'Is anyone in charge?', 1 October 2011: 26.
- 11 European Council Summit Conclusions, 2011.
- 12 Ludlow, 2012.
- 13 Euro Area Statement, October 2011.
- 14 Ludlow, 2012: 8-9.
- 15 COM, 2011: 818 final.
- 16 van Rompuy, 2011.
- 17 Ludlow, 2012: 17-18.
- 18 *Spiegel*, 'Chancellor Merkel's Difficult Battle in Brussels', Spiegel Online, December 8, 2011.
- 19 *Economist*: 'Game, set and mismatch', 17 December 2011: 43-46; Ludlow, 2012.
- 20 Ludlow, 2012: 32.
- 21 Ibid: 23.
- 22 EUCO 139/1/11, REV 1

- 23 *The Daily Telegraph* obtained scanned versions of all four drafts of the Compact. The analysis in the following is based on these four drafts. The first draft can be found on the homepage: <http://www.scribd.com/doc/75877614/New-Treaty>.
- 24 *The Economist*, 'Is anyone in charge?', October 1 2011: 24-26; Hodson, 2012: 189.
- 25 *Agence Europe* (2012a), 'EURO: 25 endorse fiscal compact after Czech refusal', 31 January 2012.
- 26 *BBC* (2012), 'Euro summit tension over debt crisis plan', January 30, 2012. <http://www.bbc.co.uk/news/world-europe-16795673>.
- 27 *EU Observer*, 'EU Commission pushing for narrowest possible treaty', 13 December 2011.
- 28 *Spiegel*: 'Critics Question Merkel's Fiscal Pact Proposal.', *Spiegel Online*, 27 January 2012.
- 29 Ludlow, 2012: 40.
- 30 quoted in Ludlow, 2012: 9.
- 31 Mundell, 1961; Flemming, 1971; McKinnon, 2004.
- 32 Wallis, 2005; Gilette, 2012.
- 33 Flemming, 1971; Eichengreen, 1990
- 34 Eichengreen, Obstfeld and Spaventa, 1990; Blanchard and Katz, 1992.
- 35 Henning and Kessler, 2012: 23-24; Darvas, 2010.
- 36 *The Economist*, 'Casting a Spell', September 15, 2012; Sinn and Wollmerschäuser, 2012.
- 37 Ludlow, 2012: 40.
- 38 EUCO 139/1/11, REV 1.
- 39 Article 7, EUCO 139/1/11, REV 1, italics added.
- 40 *Spiegel*, 'Merkel Eyes Constitution Revamp to Boost EU Powers.', *Spiegel Online*, 14 November 2011; Ludlow, 2012: 26.
- 41 *Ibid.*
- 42 Ludlow, 2012: 27.
- 43 *Spiegel*, 'German Politicians Call for Changes to EU Treaties', *Spiegel Online*, 14 October 2011.
- 44 Commission, 2012.
- 45 van Rompuy, 2012.
- 46 The EA single resolution and guarantee mechanism is a form of transfer in that banks in states or regions affected by asymmetric economic shocks will be more likely to require assistance than banks in other areas, thereby resulting in a transfer of economic resources from regions that are doing well to those that are impacted by economic crisis.
- 47 EUCO 205/12, 14 December 2012.
- 48 *Ibid.*

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# Denmark Between Venus and Mars: How Great a Change in Danish Foreign Policy?

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## Introduction

The conspicuous change that Danish foreign policy has undergone in recent decades has been characterized in various ways. Most frequently it has been called a shift from a relatively passive stance to a policy with a clear activist bent. This change has often been linked with the perception that Denmark has left behind a longstanding cautious and adaptive policy typical of small states.<sup>2</sup> More specifically, the focus has been on what has been called the militarization of foreign policy,<sup>3</sup> also referred to as Denmark making a shift from a civilian to a strategic actor.<sup>4</sup> Using a metaphor from the international literature, the development has also been characterized as a movement from Venus to Mars.<sup>5</sup> Other ways of describing this shift have included a movement from soft activism in the 1990s to hard activism in the 2000s,<sup>6</sup> from institutional activism to military activism,<sup>7</sup> and from 'activist internationalism' to 'international activism'.<sup>8</sup> Finally, in focusing on the traditional cornerstones of Danish foreign policy, there has been talk of slipping from a UN-based to a US-based course.<sup>9</sup>

There is no doubt that all this terminological inventiveness reflects a real change in the overall policy trajectory of Danish governments. In a wide range of areas, Denmark's foreign policy today has a different content than just a few decades ago regarding its new tasks, new priorities and new opportunities. Above all, the new opportunities have been seized with a speed and a tenacity that has blurred the prevailing image of Denmark as a cautious and to some extent introverted nation when it comes to involvement in international politics.

However, and that is the main thesis of this article, there has been a tendency to misinterpret this change in kind and therefore also to exagger-

ate it in degree. Its main features have to a large extent been misconceived due to interpretations based on excessively narrow and one-sided historical and political perspectives, as well as misleading use of central concepts like activism and change. It will be shown that, by broadening the perspective and clarifying the content of the two concepts just mentioned, the changes in Danish foreign policy since the end of the 1980s will appear less dramatic and less surprising than they usually seem. Denmark has not replaced Venus with Mars, and present policies cannot be characterized only by change but may also convincingly be explained by continuity.

Thus, the article starts by specifying what the two concepts of 'activism' and 'change' should mean when they are applied to an analysis of developments in Danish foreign policy in recent decades – hopefully without plunging into too many superfluous theoretical sophistications. This is followed by a short historical overview reaching back to the nineteenth century in which the Danish foreign-policy tradition is presented in a more complex manner than is usual. It will be argued that activism has all along been part of the tradition, and that in most accounts of the Danish past this activist aspect has not been given the priority it deserves, not least when viewed in the light of ongoing developments in the international system.

The historical presentation forms one aspect of the background for placing recent changes in Danish foreign policy in a proper perspective. Another aspect, dealt with in the subsequent section, has to do with effects of external changes, starting with the end of the Cold War and the emergence of a new unipolar international system with the US as the only superpower. The impact of this change will be analyzed in more detail by discussing how the new opportunities fitted in with elements of the Danish tradition as described in the preceding section. Then the relative impact of internal changes and their relationship with external changes will be discussed in seeking to underpin the article's main thesis about the minor extent of the internally driven thrust for change. This was less the case in the years after the change of government in 2001, but it will be argued that changes in this period were due less to new foreign policy thinking than to domestic political considerations and that their permanence may be questioned. The increase in militarization after 2001 may nevertheless signal the beginning of a modification of a long-maintained small-state strategy that in many ways has served Denmark well. This discussion will be taken further in the concluding remarks, which revert to the two concepts of 'activism' and 'change'.



Given the many elements of continuity that will be pointed out, to what extent is it possible to speak of a change in Danish foreign policy, and does activism form part of this discussion at all?<sup>10</sup>

## Clarifying Central Concepts: 'Activism' and 'Change'

Obviously, these two concepts have a much wider usage than is relevant in a foreign policy context. What follows is an attempt to specify how they may be applied in a meaningful way when analyzing foreign policy, especially in dealing with small states.

### Activism

As already mentioned, 'activism' has become a catchword – probably the central one – when trying to explain the essence of present-day Danish foreign policy, not only in scholarly research but also in public debate.<sup>11</sup> However, no one seems to bother much about the exact meaning of the term.<sup>12</sup> And since in general it has acquired a positive connotation, advocates of quite different views on foreign policy issues are trying to monopolize its use, which is hardly conducive to enlightened debate. Thus, while the policy of the former government of Prime Minister Anders Fogh Rasmussen was – both in its own self-understanding and in large segments of informed public opinion – characterized as highly activist, not least due to its willingness to engage in controversial and to some extent risky military operations, the same policy was seen by its opponents as a new version of old-time adaptive behavior, pleasing a dominant superpower and disregarding the opportunities of active interaction with nearby friends.<sup>13</sup> This kind of interpretation was not only supported by members of the political opposition, but also by scholars of history and international relations.<sup>14</sup>

Attempts to redress this highly politically infused discourse on activism are probably in vain. But in an academic context it should be possible to provide the concept with a more specific meaning which hopefully will reduce but probably not eliminate its value-loaded connotations. A first step could be to liberate the concept from its close association with what are usually termed the hard instruments of foreign policy, i.e. first of all military means. With regard to its broader usage in political and social life, activism mostly refers to activities that are not characterized by a resort to violent methods.

In foreign policy as well, activism may take many forms, including many peaceful ones. Therefore the tendency in political discourse to equate the increased use of military means with increased activism should be avoided in scholarly analyses, especially when dealing with small states, which, due to their relative weakness, are at a disadvantage when it comes to the use of physical power.<sup>15</sup>

This, however, does not mean that military means may not be part of an activist strategy. On the contrary, by acquiring and applying such means small states too may find better opportunities to conduct an active foreign policy. The point is that use of military means does not amount to a necessary condition for an activist strategy, and furthermore, that a foreign policy emphasizing the military aspect might just as well be indicative of a more passive stance, either by putting oneself in a better position to avoid entanglements in international politics or by making it possible to reassure dominant allies.

Instead of militarization, two other criteria should be seen as directly related to the essence of the concept: independent initiatives and a willingness to bear costs.

Being active and not passive means that you are prepared to take initiatives and – if this is deemed appropriate – to do this on your own. The opposite would be a foreign policy whose main features are attempts to adapt to developments and demands outside of one's own territory. When a country instead carries on a policy that, through independent initiatives, seeks to change its environment and these initiatives go further than would be necessary as part of an adaptive behavior, then activism seems to be the correct label.<sup>16</sup> So, perhaps not surprisingly, the essential element in activism should be seen as a deliberate desire or inclination to make a difference in international affairs and to a certain degree to be able to do so. This difference might further the interests of an activist country, but it could also be directed at less selfish goals like humanitarian relief or the consolidation of international law. For small states, national and international interests will often be in harmony with each other.

However, independent initiatives must go hand in hand with a willingness to bear costs since otherwise initiatives may be dismissed as just empty gestures. This is most obviously the case where no opposition, internal or external, is encountered against steps taken. Everybody agrees, no one is offended, and no one experiences encroachment upon their interests. But also costs of a physical kind may be relevant. Activism must take into account the possibility of failing, whether politically or in terms of efforts invested.

Including this criteria also points to the determination in behavior which characterizes an activist and not just an active policy (cf. note 16).

Both independent initiatives and a willingness to bear costs are closely linked to the goals that activism is meant to fulfill. Militarization, on the other hand, has to do with the instruments that are regarded as useful, even necessary, when pursuing an activist strategy. Although of secondary significance when defining the concept, the availability of adequate instruments – be they military, economic or diplomatic – is obviously a precondition for practicing foreign policy activism. Their primary role is to determine the degree of goal attainment, and in this respect two more factors should be included as relevant, especially when analyzing small state activism.

One is the advantage of working in a multilateral context. Small state activism is seldom successful without the backing of like-minded states (larger states, even superpowers, have increasingly had a similar experience). Such backing could come in the form of some kind of small state cooperation (e.g. Nordic cooperation in the case of Denmark) or of influencing and being supported by relevant international organizations like the EU, NATO and the UN. Hardly any Danish foreign minister since World War II has neglected to stress the importance of multilateralism when dealing with the country's possibilities on the world scene and in regional affairs.

Another factor in securing a successful activist policy is the existence of a coherent and/or long-term foreign policy strategy. Activism may not be taken seriously by other states if it is not part of a deliberate effort to change conditions in the external environment, since such changes are seldom accomplished in the short run, not least when they are pursued by a small state. An isolated policy move risks being regarded as a blow in the air and as a reflection of domestic rather than international considerations.

Altogether we thus have five criteria that may be considered important when evaluating a foreign policy as being activist. Three of them – adequate instruments, multilateralism and a long-term strategy – pertain to goal attainment; the other two – independent initiatives and a willingness to bear costs – are an integral part of the concept of activism itself.<sup>17</sup>

## Change

By adhering to the conceptualization set up by the American scholar Charles F. Hermann, we may limit the clarification of this concept to a distinction between various degrees of change and how these degrees should be applied in the Danish case.<sup>18</sup>

According to Hermann, changes in foreign policy may take place on four levels, which – listed according to increasing degrees of change – are labeled adjustment change, program change, problem/goal change and international orientation change. At the lowest level, adjustment change refers to minor changes concerning only the degree of effort invested in a specific policy. By program change he refers to a change in means and methods, but with the basic goals unaltered. In the next step, changes in goals and objectives are called problem/goal change. Finally international orientation change refers to a fundamental change in the entire orientation towards world affairs.

In the concluding section an attempt will be made to apply these four levels to the changes that have been examined in the article. This can only be done in the form of a sketch, and no theoretical endeavor is intended. But two problems in applying the scheme should be mentioned at the outset.

First, it is important to delineate which policies and behavior you want to include when characterizing a change. In the present analysis the focus is on change in Danish foreign policy since the end of the Cold War. But as is already apparent from some of the terminological distinctions mentioned above, it seems appropriate to split the period into two, with the year 2001 as a dividing line.<sup>19</sup> In the concluding discussion the two periods will therefore be kept separate when defining the degree of change, although it will also be shown that this separation has less validity in the light of the overall thesis of the article, namely the relatively limited degree of change when Danish policy is viewed in a longer time perspective.

Secondly, the scheme proposed by Hermann seems more applicable when analyzing change in large states than in small ones.<sup>20</sup> Compared to larger states, small states usually have less freedom of action when choosing a course of foreign policy, which means that external factors tend to play a greater role in decision-making. This has an impact on how a change should be evaluated, which is not accounted for by Hermann's or other existing schemes. When external conditions change, especially when the change is of a profound nature, a small state may have to alter its foreign policy in a very conspicuous way without actually altering the premises on which the policy has hitherto been based. The end of the Cold War represents such a profound change, and, for a country like Denmark, many of the subsequent steps taken, including those apparently signaling a very new course, should be seen rather as a way of accommodating to the external change on the basis of the prevailing policy rather than the pursuit of an entirely new policy. How this problem should be dealt with more precisely will be discussed in sections 4 and 5 below, as well as in the concluding section.

## Adaptation and Activism as Part of the Danish Foreign Policy Tradition

The past behavior of sovereign states normally exhibits certain recurrent traits that characterize a particular foreign policy tradition. This is especially observable with regard to the great powers, but, although they are restrained by less freedom of action, foreign policy traditions also are discernible in most small states, often associated with their striving for security in the light of menacing great power neighbors. Denmark fits this pattern well.

The mainstream interpretation of the Danish tradition usually takes as its point of departure the traumatic experience of 1864, which until recently haunted both Danish foreign policy makers and the Danish public. The country's defeat in a war against Prussia, in part unleashed by an overoptimistic assessment of Danish strength and of the possibilities of outside assistance, not only led to a reduction of Danish territory by one third, it was instrumental in laying the foundation for a united Germany a few years later, thereby creating a longstanding threat to the very survival of the Danish state. The result was a complete overhaul of Danish policy which from then on was focused on avoiding any involvement in great power politics and on giving in to demands from its southern neighbor.

Officially neutrality was, as before 1864, the key guideline for maintaining this course in foreign policy, but neutrality now acquired an unmistakable German orientation. By pursuing this policy, Denmark managed to steer clear of participation in World War I. In spite of a continuation of the same policy, in an even more marked form, it proved impossible to ward off German occupation during World War II. After the war neutrality was more or less discredited, but confronted with a new great power threat, now in the guise of the Soviet Union, Denmark carried on with key elements of its previous policy. Although a founding member of NATO, deterrence was not given the same priority in its foreign policy as was the case in most other member states: defense costs were held at the lowest level possible, and the permanent stationing of foreign troops and nuclear weapons on Danish territory was banned.<sup>21</sup> Also the so-called footnote -policy of the 1980s (see 'The Militarization of the Social Liberals Section' below) was founded on a relatively low estimate of NATO's deterrent strategy, thus presenting another illustration of the persistence characterizing the old foreign policy thinking.

These are some of the main elements in the narrative on the basis of which a Danish foreign policy tradition has been formulated. Accordingly

the tradition is seen as cautious, adaptive and introverted. There is, however, another, quite different and more activist side of past foreign policy behavior by Denmark which has received far less attention and therefore does not form part of the mainstream interpretation. By neglecting or downplaying this other side, politicians, observers and analysts are contributing to upholding and constructing an image of the past which, seen from a contemporary perspective, appears way too narrow.

Various interests are behind explaining the persistence of the established interpretation of history, but the primary reason for its prevalence stems from the fact that, in the period from 1864 until the end of the Cold War, Denmark had a fundamental problem of survival.<sup>22</sup> Consequently, the focus in historical research as well as in public interest was until recently on security policy in a narrow sense. Not surprisingly, the focus has been on ways and means of handling security threats and how Denmark managed or did not manage to stay out of European wars. The impulse to concentrate on such matters is also stimulated by their often dramatic and conflict-ridden character.

It seems only natural that the immense increase in foreign policy options now available as a consequence of the turn of history in 1989<sup>23</sup> and Denmark's gradual accommodation to a more benevolent external environment have given an impetus, usually politically motivated, to a more critical look at the country's past behavior. At the same time, however, this increase has also created renewed attention to policies that may be regarded as the forerunners of present policies, but which hitherto have to a great extent been subdued as part of past foreign policy history.<sup>24</sup>

Policies belonging to this early period of Danish activism may in general be characterized as expressions of far-reaching endeavors to alter the very basis on which international relations between states have traditionally taken place. In that sense it transcends what is called the realist paradigm in the study of international politics. At the center of such endeavors stands the ambition to replace the anarchical features of the international system with international law or other principles that resemble the kind of order characterizing many nation states, that is, justice and equality. An appropriate term for such policies may thus be 'order policy'.<sup>25</sup>

Not surprisingly, a small state like Denmark is a warm proponent of order policy, since, if successful, the policy will reduce the disadvantages that small states face in regard to their relative lack of physical power and possibly eliminate threats to their survival. In the case of Denmark the historical record – even going back to the eighteenth century<sup>26</sup> – shows a remarkable and

continuously strong commitment to foreign policy goals which order policy is meant to fulfill. In the twentieth century a strong commitment to this kind of policy was shown by the long-term (1929-1940) Danish Foreign Minister Peter Munch, leader of the Social Liberals – an indication of the double character of the Danish tradition since he, in the established version, is regarded as one of the principal representatives of a Danish stay-put policy.<sup>27</sup>

Munch's 'activism' may from today's perspective be seen as the first cautious steps in a much broader struggle for the goals constituting 'order policy'. In the post-war period up until 1989 Denmark was engaged in this struggle in a number of multilateral forums, first of all in the UN and in NATO. Denmark's UN policy bears witness to the high priority given to order policy, especially in three areas: peacekeeping operations, anti-colonialism and development assistance. In all three areas Denmark has pursued a high-profile policy and often has taken the lead when new steps were in the pipeline. Moreover, Denmark has not refrained from opposing the interests of its great power allies in NATO, especially concerning the issue of colonialism.<sup>28</sup> Inside NATO, Danish order policy has been less known and is referred to less in the literature. But a closer look at the records shows that since the middle of the 1960s Denmark took a number of independent initiatives and displayed behavior that often collided with her strongest ally, the United States. Most important in this respect was a continuous Danish drive for détente and bridge-building between east and west with Social Democratic Foreign Minister Per Hækkerup (1962-66) as the main initiator. In retrospect the most conspicuous achievement of Danish détente policy in the 1960s and 1970s was undoubtedly the convening in 1973 of the Conference on Security and Cooperation in Europe (CSCE), in whose preparation Denmark played a very active role.

At the time of implementation, as well as later, Danish order policy has mostly been seen as belonging to the fringes of what foreign policy was all about and in many cases has even been ridiculed. From a contemporary viewpoint, however, there are reasons for reconsidering this tendency to downplay the importance of past order policy. Although we are still very far from an international system built mainly on international law, since 1989 there has undoubtedly been a development towards a greater acceptance of certain norms of behavior and certain standards of governance in the world at large, not least in Europe.<sup>29</sup> This development may indicate that policies which in the past seemed far-fetched and unrealistic are today increasingly becoming part and parcel of everyday international politics and sometimes even reach the top of the agenda.<sup>30</sup>

If we accept that order policy should be seen as an integral part of former Danish foreign policy and as such deserves a greater place in its study, we are – at least in hindsight – also able to endow this policy with a rationality that is mostly neglected. These two sides of Danish policy, adaptation and activism, were not contradictory and not a sign of a lack of coherence. Adaptation served the immediate purpose of survival, whereas activism was meant to fulfill goals to be attained in the future, but similar goals to those striven for in a shorter-term perspective. Given developments sustaining the fulfillment of the long-range goals, the rationale behind this dual-track policy seems more convincing today than in the past.<sup>31</sup>

Finally, it should be noted that the general tendency for order policy to loom larger on the international agenda is intrinsically intertwined with changes in threat patterns since at least the end of the Cold War. Whereas earlier security policy was almost exclusively preoccupied with military threats, the range of threats that must be taken into account today is much larger. So-called ‘broad security policy’ encompassing threats emanating from such diverse origins as flows of refugees, climate change, cyber attacks and financial crises are increasingly at the center of security concerns in most advanced countries. The new security threats are closely linked to the ever stronger process of globalization and are seldom targeted at just one single country. Therefore, they tend to be taken up in multilateral settings and as such apt to strengthen the impetus to establish a more robust international order.

## Accommodation to Unprecedented External Changes

What has been argued in the preceding section on the one hand is that foreign policy activism in the form of order policy<sup>32</sup> has been deeply rooted in the Danish tradition and at the same time somewhat suppressed considering the high priority given to the question of short-term survival. On the *other* hand, general trends in the international system concerning both norm acceptance and the spectrum of threats have upgraded the importance of this kind of policy, which therefore deserves greater attention as part of past Danish policies. Today it appears easier to understand that adaptation and activism, the two sides of the foreign policy tradition, instead of contradicting each other, work together, thus forming a dualistic pattern based on a logic



comprising two time dimensions: adaptation pertaining to the short-term dimension, activism to the long-term dimension.

We now move on to consider the impact on conducting foreign policy in Denmark – not of general trends in the international system, but of the system change which occurred simultaneously with, and was interwoven with, the demise of the Cold War. This change from a bipolar to a unipolar world had far-reaching consequences for all European states. For Denmark, seen from a long historical perspective, the implications of the system change could hardly be exaggerated. Thus it has been argued that, for the first time in its more than a thousand years of history, the Danish state today is not confronted with any direct foreign threats to its survival.<sup>33</sup> Along the same lines, the Danish Defense Commission of 1998 emphasized in its report the ‘unprecedented security’ Denmark enjoyed following the end of the Cold War, pointing out not only the disappearance of the Soviet threat, but also the benign security environment created by the EU and NATO.<sup>34</sup>

Against this background, it is fair to say that the external change in 1989 belongs to an even heavier category than the one in 1945. After World War II Denmark got rid of one neighboring great power threat only to discover that the old threat had been replaced by a new and similar one a few years later. After the Cold War no such threat was in sight, not even below the horizon. Under these circumstances it seems difficult to challenge the proposition that Denmark *had to* reorient its foreign policy in one way or the other. The hitherto dominant part of its foreign policy tradition, the cautious, basically passive stance vis-à-vis great power threats, was suddenly void of content.

However, this is not to say that the course of Danish foreign policy was predetermined after 1989. The tendency to adopt a rather passive role concerning security threats could have continued under a new guise. Denmark did the opposite, which has sparked off quite a bit of research pointing to a variety of explanations, both internal and external. Before turning to the former, I will show how far the system change itself explains the new direction which Danish foreign policy has taken since the end of the Cold War.

First of all it is important to stress that, compared to bipolarity, unipolarity creates new conditions and new possibilities for the use of military force. It may be argued that the wars of the 1990s in the Persian Gulf and in former Yugoslavia and the subsequent wars of the 2000s in Afghanistan and Iraq would and could not have happened during the bipolarity of the Cold War. While military means under bipolarity primarily served the purpose of deterrence, under unipolarity they suddenly regained their previous usability as a relevant instrument of foreign policy. This was not only the case for great

powers, but also for small powers in Europe, which, for a long time, had given up any ambition to play an active, military role in world affairs.

Besides this general observation, three specific features of the systemic shift are relevant when analyzing how Danish foreign policy developed after the end of the Cold War.

*First*, superpowers are not alike, and not least from a Danish point of view it mattered a lot that the US ended up as the only superpower in the new unipolar system. A strong cultural affinity accounted for that, but even more important were a number of geopolitical factors.<sup>35</sup> As will have become evident from the foregoing account of recent history, Denmark's experience with European great power politics has not been a happy one, which to a great extent explains its somewhat hesitant approach to European integration. Great Britain has traditionally been regarded as the power capable to a certain degree of counterbalancing Denmark's heavy reliance on continental political and economic exigencies. But with Britain's waning post-war weight in European and global affairs, its role as a counterbalance was increasingly taken over by the United States. So, during the Cold War the US was not only seen as undeniably the most important provider of security for NATO members, but for Denmark itself it became a mantra to support the maintenance of US troops on European soil and avoid the creation of a joint western European substitute. Moreover, in spite of its rather low-geared military commitment to NATO, Denmark was ready to allow the US to establish an important base in Greenland, which, with high-level Danish acceptance – but without the knowledge of the public – was equipped with nuclear weapons. For the United States this Danish responsiveness to vital American strategic interests counted more than Danish reluctance in other military areas.<sup>36</sup> As will be shown below, for Denmark the counterbalancing role of the US did not diminish after the end of the Cold War, but rather the opposite.

A *second* feature is closely related to the new role of the US. During the East-West confrontation of the Cold War, Denmark's position as a front-line state led to increased vulnerability but also increased the status of the country in the eyes of the superpowers, whereby it was able to enjoy certain privileges.<sup>37</sup> But after the end of bipolarity Denmark had lost its former status, with in security terms negative consequences for relations with the United States. And because these relations were no less important under unipolarity, Denmark had to undertake new and independent initiatives as a means to make herself heard and thus compensate for her reduced status.<sup>38</sup>

*Thirdly*, the disappearance of great power tensions in Europe and elsewhere, combined with the dominance of a superpower with liberal inclina-

tions, greatly improved, at least in the first phase, the potential for multilateral decision-making. The UN Security Council was no longer blocked in its ability to act in the same way as previously, and in Europe the completely altered relations between East and West endowed both NATO and the EU with new active roles in the security field. Furthermore, the OSCE was created as an all-European forum for consultations and as a means for preserving – and possibly further improving – the enhanced security situation. All four mentioned organizations became actively involved in Europe's greatest security challenge in the 1990s, the wars in former Yugoslavia.

It is not difficult to trace a line from the consequences, described above, of the late twentieth-century system change to some of the main new features that characterize Danish foreign policy in the 1990s.

Danish 'activism' in that decade is normally associated with the following three major steps: early Danish recognition of the independence of the Baltic states and a subsequent push for their integration into the West's military (NATO) and economic (EU) organizations; participation in the Gulf War of 1990-91 by sending, for the first time in modern history, a battleship outside Danish territorial waters; and a strong military contribution to UN and NATO operations in ex-Yugoslavia after the outbreak of war, first in a peace-keeping role, and later, in both Bosnia and Kosovo, in a peace-enforcing role.<sup>39</sup> The first step may be linked to Denmark's reduced status and the need to exhibit 'hard work' (cf. note 37), the two others to the enhanced relevance of military means and the greater political and military power exercised by international organizations. All of them may be related to the Danish interest in keeping or strengthening relations with the United States, now the sole superpower.

The demonstration of a close correlation between system change and foreign policy choices is not the main point here: understanding foreign policy requires a much broader analytical framework.<sup>40</sup> However, the correlation demonstrated above is hardly accidental but reveals how far it is possible to explain the new turn in Danish policy in the 1990s by the impact of external factors, and not by the sudden dominance of new foreign policy thinking.<sup>41</sup> Rather, it seems that external factors interacted with foreign policy thinking that had already been established. No doubt, a whole range of new internal factors are also relevant, but – as will be shown in the following section – their influence is often overstated, and their interplay with the external ones more intricate than mostly presented in historical analyses. This is especially the case for the period after 2001.

## The Relationship between Internal Factors and Foreign Policy Change

The role of internal factors in explaining changes in Danish foreign policy in the post-Cold War period has been the object of much analysis, and their impact has often been considered great if not crucial.<sup>42</sup> However, this mainstream view often neglects to emphasize the importance of the system factors dealt with above, and tends to disregard elements of continuity in the way major decision-makers perceive their environments and Denmark's role in it.

In this section two examples of the impact of internal factors will be taken up. They are both thought to demonstrate the limited influence of new foreign policy thinking among political parties, but instead they demonstrate the importance of including the historical dimension, current conditions in domestic politics and the overall interplay of internal and external factors. The first example concerns the adaptation of a foreign policy with heavy reliance on military instruments by a political party with a strong, past commitment to an anti-militaristic policy. The second example is about the intensification of militarism after 2001, its legitimization and the degree to which it is rooted in a new approach to foreign policy.

### The 'Militarization' of the Social Liberals

One of the apparent paradoxes of Danish foreign policy in the 1990s is the ease with which the new kind of activism was continued after the shift of government in 1993. Foreign Minister Uffe Ellemann-Jensen, of the center-right government which had been in office since 1982, was the main initiator of military activism and a strong supporter of full Danish commitment to NATO. His successor in the center-left government, Niels Helveg Petersen, belonged to the Social Liberals, who were known for their long anti-militaristic tradition. The famous slogan 'What's the use of it?' was an offshoot of the fight against Danish militarism in which the party and its founders had been the leading force at the end of the nineteenth and the first half of the twentieth centuries.<sup>43</sup> In 1949 the party voted against Danish membership of NATO (but accepted it upon participating in a coalition government in 1957), and in the 1980s it formed part of the parliamentary majority that forced the liberal-conservative government to oppose NATO resolutions on nuclear rearmament (the so-called 'footnote policy').

Although forming part of a government headed by the Social Democrats, who to a large degree had left their anti-militaristic past behind, it was remarkable that the first Social Liberal foreign minister since P. Munch in the 1930s became a prominent practitioner of Danish activism in which military

power played a decisive role. This was apparently a strong indication of the shift in attitudes that gives credence to the view that internal factors also matter in explaining the change in foreign policy after the Cold War.

But again, this type of interpretation misses the essence of traditional Danish foreign policy thinking, of which the Social Liberals had been the most conspicuous spokesmen, and it therefore also tends to overlook those elements of continuity that help to explain why the change of government in 1993 did not lead to a change in foreign policy.

Only a few of those who had long propagated the slogan ‘What’s the use of it?’ were genuine pacifists. Their main concern was the German threat, and their message was tied to the security situation prevailing at the time. Thus, the slogan reflected a pragmatic way of thinking. After 1949 it lost much of its justification and after 1989 almost the rest. Whereas the use of military power as a Danish foreign policy instrument might have been questioned previously, in the totally altered international order and strongly improved external setting – and in the same pragmatic logic – there was reason to reconsider their usability. This was not least the case for the Social Liberals since now, quite unlike the past, they could tie their application to attempts to further long-held foreign policy goals.<sup>44</sup> Thus, for the Social Liberals, and in some respects also for the Social Democrats, ‘militarization’ is a misleading term in trying to understand the evolution in their foreign policy thinking. The militarization of policy practice is not the same as the militarization of policy mind. Rather, the new practice reflected the interplay between external changes and deeply rooted foreign policy aspirations.<sup>45</sup>

### Changes Caused by the Change of Government in 2001

A quite different analysis is required when we try to understand how the right of center parties, the Liberals and Conservatives, reacted to external changes and how their impact on the course of post-Cold War Danish foreign policy should be evaluated. This is especially true with regard to the new turn in militarization which took place after 2001 when the two parties again formed a coalition government and brought Denmark in the forefront of the ongoing war in Afghanistan and the subsequent one in Iraq. External events of that year, the installation of the Bush Administration and the attacks of 9/11 to a large extent shaped conditions for foreign policy-making in the years that followed, but from neither a European nor a Danish perspective could they be compared in importance with the changes to the international system that had occurred ten years earlier. As a consequence, and since a change of policy was by no means inevitable, it seems evident that internal

factors – that is, the change of government in November 2001 – are mainly accountable for the increased militarization of Danish foreign policy.<sup>46</sup>

However, what will be argued here is that the change in foreign policy that can be ascribed to the outcome of the 2001 elections is primarily due to circumstances that were extraordinary and that did not signify a durable change. These circumstances relate to the peculiar domestic political situation at the time, to a strongly felt need on the part of the government parties to humiliate the center-left on value issues, and to the remarkable personality of the then Prime Minister. All three circumstances were more or less interrelated.

The significance of the domestic political situation stems from the fact that in 2001, for the first time in modern Danish history, the right of the political spectrum gained an absolute majority in Parliament. This majority was based on mandates won by the newly created ‘Danish People’s Party’ (DF), which until then had been frowned upon by the other parties and kept rather isolated due to its nationalistic and xenophobic rhetoric. However, the new Liberal–Conservative government accepted the DF as a close partner and made its own survival dependent on continued support from this far-right party – a political constellation that lasted for nearly ten years.

There is ample evidence that the right of center government regarded its take-over of power in 2001 – on political premises that had been out of reach until then – as an opportunity for a full-scale encounter with some fundamental tenets of past Danish policies, both domestic and foreign.<sup>47</sup> In various political fields the government soon succeeded in carrying out its intentions, for example, in tax policy, environmental policy and educational policy. An overall indication of this was the new emphasis on what were to be labeled ‘value policies’. Here the assault on the existing, rather liberal Danish immigration laws was in the foreground, strongly influenced by the government’s close cooperation with the DF.

Foreign policy also became subject to revision. A high degree of consensus had existed among the main governmental parties in the greater part of the post-war period, both with regard to NATO and EU membership and on questions pertaining to order policy. And in the 1990s the new opportunities created by the system change were seized with the same vigor on both sides of the political spectrum. Nevertheless, the two leading right of center parties – and especially the Conservatives – had on certain specific issues adhered to a more militant and more West-oriented foreign policy than a majority in Parliament had wanted to endorse.<sup>48</sup> Now, in 2001, was the time to carry these long suppressed foreign policy goals into practice. In this sense the internal change in 2001 is directly related to the foreign policy change.

What is remarkable, however, is the fierceness with which these deviations from the traditional, highly consensual foreign policy line were articulated and sought to be implemented. When studying the way the new foreign policy line was legitimized, it becomes apparent that foreign policy was drawn on as a focal point of the government's mainly domestically generated value policy, mentioned above.<sup>49</sup> Past behavior on the part of political opponents was regarded as a sensible topic and therefore became an important battlefield. Not only were accusations against opposition parties for a lack of solidarity during the final phase of the Cold War (the 'footnote policy') repeated, but investigations were undertaken to uncover the possible existence of foreign agents among citizens belonging to leftist parties.<sup>50</sup> And when arguing in favor of concrete decisions, the Prime Minister did not refrain from recalling past humiliations of Denmark caused by what in his judgment were the timid and cowardly policies of former governments.

No doubt the most spectacular move on the part of the government was the decision to throw Denmark into a war in Iraq in 2003 on the basis of a slight parliamentary majority, against fierce domestic opposition, without the backing of some of its main partners in the EU, and with only four other states actively supporting the US militarily. Never before had a democratically elected Danish government taken such a controversial and vital foreign policy decision. It seems hard to imagine a repetition of this kind.<sup>51</sup> But the arguments put forward in support of the decision were also remarkable. When defending Danish participation in the war, Anders Fogh Rasmussen saw it as the antithesis of Danish submissiveness during World War II. His foreign policy was meant to restore Denmark's image as a country that is ready to fight for its own freedom and security and not give in to threats, whether emanating from great powers or from terrorists.<sup>52</sup> At the same time, he was able to criticize his political opponents for having traditionally represented an opposite policy. This kind of value-based rhetoric and the unwillingness to consider counter arguments was repeated during the so-called cartoon crisis in 2005-06<sup>53</sup> and was in line with public statements made by US President George W. Bush following the attacks of 9/11. It was no coincidence that Fogh Rasmussen was able to cultivate close relations with the American President during his tenure in office. There seemed to be a correspondence of minds, which the Danish Prime Minister liked to expose.<sup>54</sup> But by tying Danish foreign policy to Bush's war on terror and his value-driven neo-conservative course in the Middle East, he was no longer in touch with even many of his own political supporters.<sup>55</sup>



Foreign policy thus became an integral part of an overall fight against the opposition on current issues and was therefore in large measure decoupled from the premises it previously had relied on. At the same time, its legitimization became tied up with past behavior in a very contrastive and – at least for many historians – simplified manner. As a consequence, existing differences were blown out of proportion, which in itself may have become a motive for reinforcing them in actual practice.<sup>56</sup> What this all adds up to is an attempt to exhibit a fight over foreign policy that had its roots in a very specific domestic political situation and that external circumstances were suited to backing up this situation. In the final section I shall discuss to what extent the steps taken in the 2000s signify a more general shift in Danish foreign policy.

## Concluding Remarks: Change and Activism in Danish Foreign Policy Since 1989

### Foreign policy change

Compared to mainstream interpretations, a red thread in the previous sections has been the limited degree of change that a closer look, taking into account historical perspectives and domestic political controversies, seems to reveal. From the foregoing analysis we may recapitulate these main points.

Order policy, as defined in section 3, has been an integral but rather neglected part of the Danish foreign policy tradition. When a new international system came into being after the end of the Cold War, space was created to bring this part to the fore, whereas the hitherto dominant, more passive and cautious part of the tradition became more or less superfluous. The new focus on an activist policy, which the system change had cleared the way for, was heavily supported by an overall upgrading of the role assigned to international organizations, of common norms and values among states and of the non-military aspects of security ('broad security'). The concrete direction of Danish activism reflected these external changes and fitted well with the requirements of a US-dominated international system. Finally, it was argued that political parties adjusted long-held positions to the changed environment, although the 2000s saw an intensification of such positions and, to some degree, a deviation from them. However, until developments suggest a different interpretation, these deviations should be regarded pri-



marily as a consequence of an extraordinary domestic political situation, and thus – compared to the most frequent assessments – with a more limited impact on Danish foreign policy viewed in a longer term perspective.<sup>57</sup>

It is the inclusion of a historical dimension and – concerning the period after 2001 – domestic conditions not directly related to the conduct of foreign policy that make possible the above conclusion, emphasizing continuity rather than change. But carrying out the analysis on these premises also calls for objections. The following supplementary remarks will therefore attach further nuances to the conclusion.

With regard to the historical dimension, the specific content that the foreign policy tradition has been attributed may be questioned. However, more open to objection is probably the underlying assumption that a tradition can survive even the most dramatic external upheavals and therefore influence behavior under circumstances which require totally different responses. This assumption is based on the belief in the very existence of traditions and their long-lasting character. Nevertheless, it is part of the overall picture that traditions are also subject to alterations and modifications. And it seems quite plausible that this is exactly what has been at issue since the end of the Cold War. Taking in the other premise about the importance of the domestic political situation, one could claim that the tradition is changing, or at least being modified, in two different respects.

*First*, it seems hard to maintain that the conspicuous militarization of policy which has undoubtedly taken place without reservations – notwithstanding the special circumstances of the 2000s – can be included within the established tradition. It has been argued that this militarization, at least in its initial phase, should be seen as an offshoot of the internationalist part of the tradition, which after 1989 became adapted to an entirely altered external environment. This seems true in so far as militarization – as already indicated in the introduction – reflects a change of means and not of goals. But considering the significant space that anti-militarism has occupied in the Danish tradition since 1864, the renewed emphasis on military instruments in the conduct of foreign policy represents more than an ordinary change of means.<sup>58</sup> Therefore, and because of the nature of these instruments, it could be regarded as a step that might eventually lead to a revision of the tradition. Once the use of military instruments has become habitual, it might easily encourage decision-makers to set new goals, since the state will then tend to view its role on the international scene in a new and more influential way.<sup>59</sup>

The *second* comment pertains to the extraordinary domestic political circumstances after 2001. Although all circumstances are unique, be they in-

ternal or external, it was argued that those that arose after the parliamentary elections of 2001 were so unusual, especially concerning foreign policy, that not all of the decisions taken in the period can be considered representative of a long-term change of policy. But even assuming that this argument is valid, the situation in the 2000s calls for a general observation, which points to a need to revise the content of the Danish tradition. At least in one respect the circumstances of decision-making in this period are not unique, namely the increased blurring of foreign and domestic policies in many countries – a tendency that is especially evident in EU member states. The difficulty of separating the two kinds of policies may have only limited negative consequences, if any, in the realm of ‘low politics’, but with regard to ‘high politics’ states might be faced with more serious problems. This holds true not least for small states like Denmark, with limited, although recently enhanced manoeuvrability and great dependence on the external environment. For a small state a foreign policy based on a domestic agenda of little relevance for its international position may have irreparable, negative consequences.<sup>60</sup> It may very well be on this general level, and not so much in respect to the concrete decisions taken, that the 2000s signify an evolution in the Danish tradition.

Together the two comments above raise a rather worrisome question as to the modifications which the Danish foreign policy tradition apparently is undergoing at present. Whereas the tradition in the dualistic interpretation given in section 3 altogether represented a politically and logically coherent set of doctrines, the changes that seem discernable today represent almost the opposite.

If militarization continues on the road laid out at the beginning of this century, i.e. no longer rooted in the established internationalist part of the tradition, it loses its legitimization as an effective small state strategy. Although developments may have relieved Denmark from part of its former small state status,<sup>61</sup> she still belongs to the category of weak powers in the global hierarchy. And as such Denmark has no interest in upgrading the importance of military instruments in relations between states, and not at all when used without the explicit backing of an international organization. States of the status occupied by Denmark have a built-in interest in stressing soft rather than hard instruments of foreign policy.

Likewise, the present intermingling of domestic and foreign policy undermines the coherence that has characterized the tradition until now. In the past the creation of an expanded welfare state was regarded as a corollary to a security policy based on a very limited military defense capability. A strong

cohesion in the population compensated for the lack of physical measures to prevent foreign encroachments on Denmark's sovereignty.<sup>62</sup> In this way domestic and foreign policy was directly and convincingly connected, at least for those who favored this kind of soft security policy. But today the connection between the two types of policy is either non-existent or the two do not support each other.

Regarding change, we are thus left with the conclusion that it no longer seems appropriate solely to apply the Venus label when categorizing Denmark's foreign policy, but since changes altogether are rather limited, the Mars label is not a fitting one either. A movement in the direction of Mars has begun, but without convincing durability. However, by positioning itself between Venus and Mars, Denmark risks falling into a trap in which the advantages of a hitherto successful small-state strategy embedded in her dualistic foreign policy tradition disappears.

Reverting to Charles Hermann's typology presented in section 2, the analysis has shown that the changes that Danish foreign policy has undergone since the Cold War by far match the upper category of change in international orientation, a conclusion that deviates from what appears to be the predominant view. Denmark has maintained a strong attachment to other European powers through her membership of an enlarged EU,<sup>63</sup> and although relations with the US have been markedly strengthened, this westward orientation basically represents a continuation of a long-held foreign policy aspiration, while its greater fulfillment is to be seen primarily in the light of changes in the international system that have left the US as the sole superpower and to a lesser degree in the light of internal changes. A similar conclusion seems valid with regard to Denmark's global orientation. Finally, activism, which will be dealt with below, has been an integral part of past policies and as such does not represent a totally new orientation, as is often claimed. What is new is the greatly enlarged opportunities for practicing activism and in doing so a strong inclination to make use of military means. This adds up to the conclusion that, in Hermann's terminology, changes should be categorized as program change rather than as problem or goal change, that is, as not even attaining the number two level of change. Considering the possible modifications of the foreign policy tradition discussed above, however, goal changes may also be on their way, which further underlines the difficulties in applying the typology proposed by Hermann.

## Foreign Policy Activism

Further investigation is necessary to substantiate the above conclusion concerning the degree of change, but if valid the degree of activism also has to be reconsidered. A final discussion of this issue has to include a comparison of the period before and after the end of the Cold War, a comparison which, on the basis presented in this article, risks becoming somewhat superficial. But by applying the criteria set up in section 2, a few preliminary conclusions may be attempted.

Section 3 has reviewed a number of Danish policy steps before 1989 – and even before World War II – which qualify as an expression of activism as defined in this article. It is remarkable how continuously Denmark has followed a small-state strategy, which on one hand has at times led to extreme restraint in participation in traditional international power politics, but on the other hand has resulted in initiatives in the realm of order policy with sometimes rather far-reaching consequences. Danish order policy up to 1989 seems rooted in a long-term strategy, and apparently isolated steps, like unwillingness to yield to NATO pressure regarding the Greek coup of 1967, should be interpreted as manifestations of such a strategy. Moreover, on some specific issues like the CSCE it is possible to discern a policy line that has been assiduously maintained for several years and over several governmental terms, notwithstanding neglect by and opposition from alliance partners. When finally we add the emphasis Denmark has continually laid on working within international organizations, all the criteria for characterizing the internationalist part of the Danish foreign policy tradition as activism seem fulfilled.

On the same basis it would not be difficult – but also non-controversial – to characterize post-Cold War Danish foreign policy as activist. One conspicuous sign of this activism has been the Danish push to draw the newly independent Baltic states closer to the West by helping to prepare their entry into NATO and the EU. With Uffe Ellemann-Jensen as foreign minister, and continued by his successors, Denmark was not only a frontrunner on this issue, but – very much at variance with her immediate past – did not hesitate to stand up to her great-power neighbor to the east, Russia. If anything, Danish Baltic policy in the 1990s signaled a willingness to bear costs, and this time costs incurred by her until then primary adversary on the international scene.<sup>64</sup>

In comparison, the often stressed militarization of Danish foreign policy after 1989 may not be characterized quite as unequivocally as activism in the sense defined in section 2. During the 1990s militarization should first of all

be seen as a corollary of the intensification of traditional Danish order policy which the international system change had opened up. As such it provided decision-makers with new and effective means to pursue an activist policy, but, as emphasized earlier, it was not in itself an expression of activism. When militarization then took a new form after the turn of the century, another yardstick became necessary to evaluate the degree of activism involved. Still, militarization was a way of equipping decision-makers with more effective instruments, though in the case of the Iraq War these instruments could no longer be seen as an unambiguous part of the traditional order policy. Rather they became part of a new US-oriented hard security policy, as an integral component of which militarization acquired an importance it had not had before. Evaluating the degree of activism thus hinges on the delicate political question of how one should interpret the motives and implications of this new, but maybe short-lived direction in Danish foreign policy.

Finally it should be stressed that, like the degree of change, the degree of activism has to be evaluated against the background of the unprecedented external changes that took place around 1990. During the Cold War and earlier, the action space for Danish foreign policy was very circumscribed, partly because the costs involved in launching independent initiatives could be very heavy. When initiatives of this kind were nevertheless taken in this period, as demonstrated in section 3, they may not have been as spectacular as in the later period, but can still be regarded as activism at an equivalent level.

It is tempting to conclude that activism in the present period differs primarily from activism in the previous period because of the external circumstances that have given this part of the foreign policy tradition a more prominent position; and because new foreign policy instruments, mainly military power, have been upgraded without fully considering the possibly negative implications of this process for the continuation of a long-term successful small-state strategy.

### Three Phases in the Evolution of Danish Foreign Policy:

	Cold War and earlier	1990s	2000s
Activism	Order policy (internationalism) as part of a dualistic small-state tradition, UN-based (League of Nations) and inside NATO	Continuation of traditional activism, adapted to US unipolarity	Activism continued, value-based with stronger leaning to the US, traditional small-state strategy challenged
Militarism	Anti-militaristic tradition, modified but not abandoned after giving up neutrality in 1949, UN peacekeeping	Increased militarization as UN peace-making + humanitarian intervention without UN mandate, EU defense opt-out	Strategic instead of civilian military actor, US coalition instead of UN mandate, defense opt-out retained
Political basis	High degree of consensus – except for footnote period in the 1980s	Consensus continued	Activism and militarism partly on a narrow basis, domestic agenda influential
Kind of change	↓ UN-based and humanitarian militarization, program change		↓ US-oriented militarization, non-durable goal change

# Notes

- 1 Former external lecturer, University of Copenhagen, and former project researcher at DIIS. The author is grateful to Morten Kelstrup, Thorsten Borring-Olesen, Poul Villaume, Mikkel Runge Olesen and an anonymous reviewer for many useful comments on earlier versions of this article.
- 2 For a detailed account of recent Danish foreign policy history, see Petersen, 2004. For an English version, see an early attempt to analyze the general change of policy in Due-Nielsen and Faurby (eds.), 1995.
- 3 Originally applied by Heurlin, 1994.
- 4 See Rynning, 2003. Here the change primarily refers to the shift after 2001; see section 5 below.
- 5 See Jakobsen, 2012. The metaphor was originally used by Robert Kagan to illustrate differences in the approach to international politics by Europe and the US (Kagan, 2004).
- 6 Branner, 2010.
- 7 Wivel, 2005. The movement from Venus to Mars is also discussed in this article.
- 8 Borring Olesen, 2008 and Brun Pedersen, 2012.
- 9 Dealt with in Petersen, 2004; see also Branner, 2011. The word 'cornerstones' refer to distinctions between global (UN), Atlantic (NATO), European (EU) and Nordic pillars originally made in a book by former foreign minister Per Hækkerup, 1966.
- 10 For reasons of space, Danish EU policy has been left out of the analysis; cf. note 62 below.
- 11 In official rhetoric, however, the word has been downplayed. Former Foreign Minister Per Stig Møller (2001-09) explicitly dissociated himself from seeing it as an apt characterization of Danish foreign policy during his tenure in office, whereas Prime Minister Anders Fogh Rasmussen was more willing to use it (see Fogh Rasmussen, 2006).
- 12 In Denmark, attempts to establish a definition have been made by Kelstrup, 1990 and Holm, 1998 and 2002. For an earlier Swedish discussion of the concept, see Elgström, 1983.
- 13 E.g. former foreign minister Mogens Lykketoft (Social Democrat) stated in a newspaper article: 'When the Prime Minister [...] chooses to join Washington's dictates [in the decision to invade Iraq] rather than the possibility of a dialogue through a joint response from Brussels, the term 'activism' becomes a false trade mark. In such cases, it amounts to foreign policy adaptation in a classical sense: Denmark seeking shelter from the dominant power and evading any initiative that challenges the established world order.' Lykketoft, Mogens (2003), 'Fogh dyrker falsk aktivisme' in *Berlingske Tidende*, 21 May 2003.
- 14 E.g. Villaume, Poul, 'Aktivisme eller tilpasning til USA' in *Information*, 9 June 2006; also Branner, 2003.
- 15 Activism is very explicitly identified with the use of military power by Vedby Rasmussen, 2005: 'Activism means that Denmark had begun to think of armed intervention as a natural part of its foreign policy and to organize its defense accordingly.' Vedby Rasmussen: 82. This definition forms part of an attempt to interpret Danish activism as the result of a change in strategic culture whereby the author tends to blur important differences in activism between the 1990s and the 2000s; see section 5 below.
- 16 Being *activist* and not just *active* entails, according to standard dictionaries, the pursuit of specific and well-defined goals by an actor. In foreign policy it seems less relevant to make a distinction along these lines, but the degree of goal attainment and awareness of goals is inherent in the criteria mentioned below.

- 17 It should be added that taken together the criteria are by no means sufficient to determine whether a policy should be categorized as activist or not. A lot of questions remain to be answered. What kinds of initiatives are relevant? How should costs be measured? What does 'long-term strategy' mean more precisely? Within the limits of this article a satisfactory answer to such questions cannot be given; cf. the conclusions in section 5.
- 18 Hermann, 1990. His complete analytical scheme also includes a distinction between various sources of foreign policy change and the decision-making system as an intermediate variable. See Gustavsson (1999) for a discussion and critique of the scheme presented by Hermann and five others and for his own proposal for an alternative model.
- 19 No attempt has been made to include the period after the change of government in 2011 in the analysis.
- 20 Cf. Branner, 2000a: 375-78.
- 21 For an in-depth analysis of reservations in Danish NATO policy up until 1961, see Vil-laume, 1995.
- 22 Cf. vol. 4 of *Danish Foreign Policy History* written by Bo Lidegaard and entitled 'The Survivor', 2003.
- 23 See section 4 below for its exceptional impact on Denmark.
- 24 It is not the intention here to list all the evidence in support of such a reinterpretation of the main characteristics of past Danish foreign policy. Many of the details may be found in vol. 3-5 of *Danish Foreign Policy History*, published in the first half of the 2000s, especially vol. 5. Gram-Skjoldager (2012) is an in-depth study unraveling early Danish activism. Branner, 2000a is an attempt to redress previous neglects, while at the same time trying to identify two parallel and mutually interdependent aspects of the Danish foreign policy tradition.
- 25 This term is used by Petersen, 2010. It corresponds roughly to what I have called the internationalist part of the foreign policy tradition; see Branner, 2000a; cf. Gram-Skjoldager, 2012; 19-20.
- 26 See Holbraad, 1991.
- 27 Munch's 'small state activism' was thoroughly analyzed by Karup Pedersen, 1971, who regarded it as the main element in what he called Munch's 'policy of demonstration'. See also Sjøqvist, who cites the following statement by Munch: 'Mutual interdependence, mutual relations between states, have now been created in the world calling for an active foreign policy in small as well as in large states. As a member of the League of Nations, Denmark must do its part of the work. [...] Together with other states which have no part in the kind of interests pursued by large states, Denmark must contribute its share in carrying out the tasks that the League of Nations was established to solve' [my translation] (Sjøqvist, 1976: 167); cf. Branner 2000a: 207.
- 28 See the in-depth analysis of Danish positions in Midtgaard, 2005.
- 29 Signs of this development are not least the use of humanitarian interventions, agreement on the UN Millennium Development Goals, and the increased awareness of global interdependence, by great powers, and not only in military matters. As a consequence a less strict adherence to the concept of formal sovereignty is observable in, at least, many Western states. In this respect European integration within the EU is the most advanced example.
- 30 For an interesting account of how and why Denmark and the other Scandinavian countries have contributed as norm entrepreneurs in international politics, see Ingebritsen, 2002.
- 31 In a number of publications I have developed and elaborated on this dualistic interpretation of Danish foreign policy history, most thoroughly in Branner, 2000a. Danish-language versions are to be found in Branner, 2000b, 2007 and 2010. Gram-Skjoldager, 2012 has applied the dualistic approach as a theoretical basis for her dissertation.



- 32 see the concluding section for a discussion of how the practice of order policy fits the definition of activism given in section 2 above
- 33 Petersen, 2010: 340. Cf. former Foreign Minister Niels Helveg Petersen in the Folketing in 2009: 'for the first time in its history as an independent kingdom Denmark today is in the situation of not being threatened territorially from any corner' (Runge Olesen, 2013: 63).
- 34 Forsvarskommissionen (Danish Defence Commission) of 1997, 1998: 7. In general terms it was argued that the 'direct' threat had now been replaced by 'indirect' threats, which were liable to be taken up by multilateral institutions like the ones mentioned. This also entailed that the main purpose of the armed forces should no longer be territorial defense, but instead preparation to counter the new indirect threats.
- 35 A discussion of motivations for Denmark's Atlanticist orientation after the Cold War is given in Mouritzen, 2007.
- 36 See DIIS, 2005: Ch. 25.
- 37 Heurlin, 1996: 97-98. Acceptance by the US of Danish reservations regarding NATO should, according to Heurlin, be explained largely by Denmark's position as a front-line state.
- 38 This interpretation has especially been put forward by Birthe Hansen, who uses the term 'hard work' for the initiatives small states need to take under unipolarity. See Hansen, 1996.
- 39 See Holm (1998) for a more detailed presentation of Danish activism in the 1990s; also Petersen, 2004.
- 40 Recent research indicates that system change is insufficient and the concept of 'hard work' misleading when trying to explain Danish activism towards the Baltic states; see Runge Olesen, 2013, especially pp. 354-356.
- 41 A similar correlation follows from so-called adaptation theory, where 'influence capability' (here, activism) is said to be increased when 'stress sensitivity' (here, system change) is reduced; cf. Mouritzen, 2006: 115.
- 42 A striking example is Brun Pedersen, 2012, in which the Liberal Party's new dominant position in Danish politics is seen as the decisive factor in explaining the changes. For an analysis stressing the new 'value options' for Denmark after the Cold War, see Seidenfaden, 2006. In Borring Olesen, 2010, an attempt is made to reach more general conclusions about the impact of domestic politics on the foreign policy behavior of Danish political parties in the post-war period.
- 43 'What's the use of it?' (in Danish: 'Hvad skal det nytte?') was coined by the Social Liberal leader Viggo Hørup during a parliamentary debate in 1883 and hinted at Denmark's alleged military impotence vis-à-vis the newly united Germany.
- 44 According to Gram Skjoldager, former Social Liberal foreign minister P. Munch actively supported the idea of equipping the League of Nations with military means (Gram Skjoldager, 2012: 344-350), which points to a continuity in thinking by the party. Vedby Rasmussen conveys a different interpretation of the evolution in foreign policy thinking by the Social Liberals when he argues that in the 1990s the party adapted a totally new 'strategic culture' (Vedby Rasmussen, 2005: 81).
- 45 In Ministry of Foreign Affairs, 1993, the emphasis was still on soft instruments – military instruments were only considered as additional but subordinate. It is remarkable that even Foreign Minister Per Stig Møller (2001-09) of the Conservative Party in 2002-03 argued in accordance with traditional Danish foreign policy priorities when he stressed institutional rather than military activism; see Wivel, 2005. Cf. Rynning, 2006 on Danish priorities as a member of the Security Council 2005-06.
- 46 See especially Rynning, 2003, who points to the new goals which militarization has served since 2001; cf. the discussion in section 5. Halskov and Svendsen deliver an interesting

- account of how already in late 2001 the new government pressed for a new militarized and US-oriented foreign policy and was willing to go ahead without the backing of the opposition parties (Halskov and Svendsen, 2012 84 ff). Vedby Rasmussen, 2005, tends to downplay the impact of the change of government in 2001 since his article focuses on the advent of a new strategic culture encompassing the greater part of the political spectrum already in the 1990s. Instead he suggests a distinction between cosmopolitan and defencist activism and draws in globalization when interpreting the evolution in Danish foreign policy since the end of the Cold War.
- 47 One former prominent MP from the Danish People's Party, Søren Krarup, has kept calling the change in 2001 not just a change of government, but a change of systems. Although not using the same terminology, spokesmen for the government parties seem to have welcomed this characterization.
  - 48 The existence of rather deep-rooted differences in the foreign policy views of the political parties is the main thesis in Runge Olesen, 2012. See also Petersen, 2004: 573 ff. on 'a bourgeois foreign policy'.
  - 49 Cf. Petersen, 2009: 157. The change in foreign policy is here seen as an integral part of the government's attempt to establish a bourgeois hegemony in Danish politics by relying on a pronounced conservatism in matters of value policy. For a similar interpretation stressing the domestic motivations, see Branner, 2007. A thorough analysis assessing the relative weight of different motivations behind the change is still lacking.
  - 50 A detailed account and examination of the struggle over Denmark's past foreign policy history is to be found in Petersen, 2009, and Østergaard, 2009. See also Borring Olesen, who quotes the following statement by Fogh Rasmussen: 'There must be a reckoning with those forces which, during the Cold War, played the games of the Soviet Union and the Warsaw Pact – a reckoning with those who were not able to distinguish between friend and foe' (Borring Olesen, 2006: 88).
  - 51 The new center-left government of 2011 has outlawed future decisions on participation in war without a 60% majority.
  - 52 See Fogh Rasmussen, 2003a, 2003b, 2006. Cf. Mouritzen, who also tends to emphasize the uniqueness of the decision: 'It seems, in other words, that the prime minister had a personal educational 'project' (Mouritzen, 2007: 161).
  - 53 This crisis erupted after the Danish newspaper *Jyllands-Posten* published a number of cartoons depicting the Islamic prophet Muhammed. Ambassadors from Muslim countries protested, and it led to violent demonstrations and riots in the Muslim world during which Danish flags were burned and Danish embassies attacked.
  - 54 Fogh Rasmussen and Bush held yearly meetings in the White House and met for the last time in 2008 on Bush's farm at Crawford, Texas.
  - 55 Considering Fogh Rasmussen's later appointment as Secretary General of NATO, 2009, it has been suggested that personal motives also lay behind his cultivation of relations with Bush. It is also worth noting that Fogh Rasmussen's at times very forthright statements were not always shared by Foreign Minister Per Stig Møller; cf. note 44. On the extent to which Danish 'super-atlanticism' in the 2000s was repaid in the form of concrete advantages accruing to Denmark, see Henriksen and Ringsmose, 2012.
  - 56 See Borring Olesen, 2010, for a discussion of how contrasting political views on foreign policy have been reinforced by historical studies, especially by the report on Denmark during the Cold War (*Danmark under den kolde krig*, 2005).
  - 57 Rynning, 2003, 2006, also argues that in its new form after 2001 militarization will most likely turn out to be short-lived. Besides the domestic factor he stresses the consequences of the Danish EU defense opt-out (see note 62) and lack of continued popular support for US foreign policy.
  - 58 Cf. Vedby Rasmussen, 2005, whose main thesis is the change in strategic culture which occurred after the Cold War.

- 59 The decision in January 2013 to send a military cargo aircraft in support of the French intervention in Mali may signify such a tendency. Only a few other western countries were on short notice ready to participate in the war.
- 60 The cartoon crisis in 2005-06 has been interpreted as showing a connection of this kind (Branner, 2007).
- 61 Denmark's status as a small state and its consequences for past behavior were an important issue in the foreign policy fight of the 2000s; cf. Fogh Rasmussen, 2006.
- 62 See Lidegaard, 2003: 635-36.
- 63 Although important in evaluating the impact on possibilities for Danish activism, a discussion of Danish EU-policy has been left out of this article. The Danish opt-outs, especially the one on defence matters, have often been stressed as a barrier to activism (see Holm, 2002), but they are less relevant when evaluating the degree of change. The opt-outs were introduced after the original Danish no-vote to the Maastricht-treaty in 1992 and include besides non-participation in EU defence policy and defence operations reservations regarding monetary union, justice and home affairs and common citizenship. Despite promises to the contrary, no referendum on their abolition have been held since 2000.
- 64 In Mouritzen the two central elements of activism, independent initiatives and a willingness to bear costs, are likewise stressed in his analysis of Danish Baltic policy in 1989-91 (Mouritzen, 2006: 137).

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# Chapter 2

## Selected Documents

### **Danish Domestic and Foreign Policy · 169**

Prime Minister Helle Thorning-Schmidt's address to the Annual Meeting with Ambassadors in Denmark, Copenhagen, 19 April 2012

### **European Affairs · 176**

Prime Minister Helle Thorning-Schmidt's speech at the conference, 'Building the Europe of the Future: Post-Crisis Reflections', 11 May 2012

### **The Danish EU Presidency · 183**

Prime Minister Helle Thorning-Schmidt's speech at the European Summit for Government Transformation, 'The Danish EU Presidency: a transformative agenda for Europe', June 27 2012

### **Asia · 190**

Minister of Foreign Affairs Villy Søvndal's speech at the University of Copenhagen's conference, "Rising Asia, Anxious Europe", 2 May 2012

### **Human Rights · 196**

Minister of Foreign Affairs Villy Søvndal's speech at the United Nations' Council on Human Rights, 29 February 2012

### **Long-Term Development Aid Strategy · 199**

Address by the Danish Minister for Development Cooperation, Christian Friis Bach: 'Danish Presidency priorities in the area of humanitarian aid,' to the Development Committee of the European Parliament, 20 February 2012



### **Danish Humanitarian Aid Priorities and the EU Presidency · 205**

Speech by Minister for Development Cooperation Christian Friis Bach at the fiftieth anniversary of Danida, 'Development Policy in a Changing World', 19 March 2012

### **Danish EU Presidency Priorities · 211**

Speech by the Danish Minister for European Affairs to the Irish think-tank 'The Institute of International and European Affairs' (IIEA), 10 February 2012

### **International Trade Policies and Green Growth · 218**

Speech by the Danish Minister for Trade and Investment, Pia Olsen Dyhr, at the Brookings Institution, 26 April 2012

### **Investment and Trade Policies and the Danish EU Presidency · 224**

Danish Minister for Trade and Investment Pia Olsen Dyhr's speech in the European Parliament (INTA) on the results in trade policy during the Danish EU Presidency, 20 June 2012

### **Climate · 231**

National Statement at COP18 from Martin Lidegaard, Danish Minister for Climate, Energy and Building??, 5 December 2012

### **The Environment and the Danish EU Presidency · 234**

Speech by the Danish Minister for the Environment, Ida Auken, to the OECD's Meeting of the Environment Policy Committee: Making Green Growth Deliver, 29 March 2012

## Prime Minister Helle Thorning-Schmidt's Address to the Annual Meeting with Ambassadors in Denmark, Copenhagen, 19 April 2012

Ambassadors, Your Excellencies,

Thank you all for coming today. I am very happy to stand here before you, representing a new government and new visions for Denmark. And I look forward to discussing with you the key challenges facing not only Denmark and Europe but the international community in general.

I will focus on four issues: 1) The Danish EU Presidency, 2) The EU as a global actor focusing mainly on the Arab spring and the green agenda, 3) Our new priorities for Danish development cooperation, and 4) Denmark's global security engagement. But first some remarks on a key denominator – not only for Denmark but for the whole world: The Economy.

Only a few months ago many were asking: Is the EU doing enough to stem the debt crisis and restore growth?

Tough decisions have been taken in Europe since then. European leaders have shown the will to confront the challenges. Over the past months we have taken a number of steps that redefine the economic governance of the European Union. These steps have marked a turning point.

Growth prospects are still dim but there are positive signs. Positive growth is expected to return to the euro area in the second half of 2012, but with significant variation among countries.

However, this is not a juncture for complacency. We have mapped a path out of the crisis. But it is far too early to call off the crisis.

We must make sure that the decisions are fully implemented. This is a key priority for the Danish EU Presidency. Entrenching the gains in economic confidence and the trust in the new rules of economic governance depends on full implementation and enforcement of these new rules.

Like many other countries, Denmark is still marked by the crisis. The economy stagnated in the second half of last year and economic growth is expected to be modest this year and in 2013.

However, Denmark has a relatively good starting point compared to other EU countries. With a large balance of payments surplus, moderate unemployment and a level of public debt well below 60 per cent of GDP.

The economy is supported by very low interest rates. This owes to the investor confidence enjoyed by the public finances in Denmark. Danish government bonds, and to a large extent also Danish mortgage bonds, have for some time been regarded as a safe haven amid the international financial turmoil.

Within tight limits and respecting the EU's recommendation to reduce our deficit by 2013, we are supporting growth and jobs through a targeted kick start of the economy.

The kick start frontloads public investments to underpin growth and job creation in 2012 and 2013. It boosts investments at a time when demand is weak and it will wane in 2013 when the economy is expected to be in a better shape.

Measures to stabilize the economy in the short-term are followed by reforms to ensure growth and jobs, also in the longer term.

And reforms are necessary. Danish competitiveness has declined markedly in the past years and productivity growth has been mediocre. Without reforms labor supply is set to decline over the coming years. This puts our economy under pressure.

Reforms and a responsible economic policy create the basis for a strong and sound Danish economy and thereby a strong and sound welfare state.

Our reform agenda includes a fully financed tax reform, reforms of the labor market and social benefits and negotiations involving unions and employers with the aim of increasing labor supply.

In addition, we have put forward a proposal on a budget law which enshrines a prudent and medium-term oriented budget policy. This proposal is of course closely linked to the Fiscal Compact that Denmark intends to ratify before the summer break. Denmark will participate not only in 'the shell' but intends to join all paragraphs open for non-Euro countries. We

thereby send a clear and strong signal that Denmark will continue to conduct a sound and responsible economic policy.

We need reforms if our welfare state is to survive. Reforms will strengthen our social model based on core values of solidarity, safety nets and equal opportunities. The proposals for reform will dominate the political agenda in Denmark in 2012.

Now, allow me to turn to the Danish EU Presidency.

We are now more than half way through our term. Compared with the very bleak outlook three and a half months ago, things are looking brighter. As I have already mentioned, it is still far too early to call off the crisis – but the EU has taken a number of very important steps in the last few months.

The signing and finalization of the Fiscal Compact, the second loan agreement to Greece, and the increase of the firewall have all contributed to enhancing the stability and confidence in Europe.

This has also enabled us to turn our attention from almost day-to-day crisis management to other agendas. First and foremost the European growth and employment agenda, which is at the very core of the Danish Presidency.

The very reason why the EU has been so preoccupied with the financial crisis is that only by restoring confidence in our economies can we create the foundation for new growth and jobs.

I was very pleased that we were able to place growth and job creation high on the agenda of the European Council both in January and in March. We have outlined a number of initiatives both at the EU-level and in Member States to continue this agenda. These actions serve the overall goal of protecting our unique European social model.

The aim for our Presidency has from the start been to help deliver the concrete results that will make a difference for European citizens by creating growth and jobs.

One such result is the finalization of the European Market Infrastructure Regulation which will increase transparency and efficiency in derivatives markets. Derivatives play an important role in the economy but the financial crisis showed that they are also associated with certain risks. These risks will be mitigated by the new regulation which will help to establish a safer and sounder regulatory framework.

Another area where the Presidency has secured agreement is the Roaming regulation which will ensure consumers significantly lower prices on communication across EU countries. Most citizens will feel the effects of this already this summer when they go abroad for their vacation.

Finally, I think it is noteworthy that the prospect of EU membership is still a key driver for progress, peace and democracy in our neighboring countries. I am therefore delighted that we agreed to grant Serbia candidate status. I think it illustrates very clearly that the EU is so much more than economic crisis management. A strong European economy is also the foundation for a strong Europe on the global scene.

The political world map is being redrawn. The emergence of new global actors is a historic opportunity for the European Union. More nations will be assuming responsibility for shaping global politics in the 21st century. This is good news for Europe.

The European Union must expand its relations with these emerging global partners, based on common interests and mutual respect. Yet we must also recognize that our world views sometimes differ.

The establishment of the European Foreign Service under the leadership of Catherine Ashton has been an important step forward towards Europe speaking with one voice.

We see a demand for Europe – calls from people in our neighborhood to support their aspirations for freedom and prosperity.

And nowhere has the call for freedom and prosperity been stronger than in North Africa and the Middle East. Today, developments in the region are still unpredictable: Will the Arab Spring turn into summer or, as some fear, a cold winter? I think that what we are seeing is not a passing season, but a new political climate:

- *Firstly*, political institutions have been empowered to play a real role in politics. Today, parliaments, political parties, trade unions and media are turning into actors and platforms for political debate. This creates a new dynamic in its own right.
- *Secondly*, citizens demand that governments must be responsive and accountable in ways that were unthinkable before.
- *Thirdly*, elections in Tunisia, Egypt and Morocco have shown that the public has a high degree of confidence in political actors from the Islamic groups and parties. We do not yet fully know which political agenda these new actors will pursue. But we expect them to respect the democracies that brought them to power. To promote the rule of law. To protect human rights, including women's rights and the rights of minorities. We will cooperate with the new democracies on this basis.

Overall, the transitions in the Middle East and North Africa may be chaotic and sometimes unstable. But this should never prevent the EU from supporting positive aspirations for democracy. Nor should we ever waiver in our pressure on leaders who ignore the legitimate demands of their people and choose the path of repression and violence. Syria is a horrendous example and the situation calls for swift action.

In respond to the UN's request last week Denmark has agreed to transfer Danish military observers in the United Nations Truce Supervision Organization [UNTSO] to the new UN Military Observer Mission in Syria. I am proud that Denmark once again can respond quickly to the UN's request.

And also the EU has acted firmly and demanded that the regime stops the violence. And we have introduced strong sanctions against the regime.

Another area with a strong European voice is the green agenda. Ensuring green growth and sustainable development is another pressing challenge we must address together. The world population passed 7 billion last year. By 2050 we expect that count to rise to 9 billion people. In the course of the next twenty years it is estimated that the global demand for resources will grow 40-60 per cent. The pressure on our global natural resources and ecosystems will be enormous.

Denmark has demonstrated that economic growth does not necessarily lead to an increasing use of resources. During the past three decades the Danish economy has grown significantly while energy consumption has remained virtually constant. Since the 1980's the share of renewable energy has been steadily rising and now amounts to approximately 22 per cent.

We have recently reached a broad-based and very ambitious political agreement on a new national energy strategy. Our goal is that Denmark's energy consumption will be 100 per cent renewable by 2050.

But unilateral action is not enough. We need to act on a global level. The EU sees the Rio+20 Conference as a unique opportunity to ensure political commitment to sustainable development.

The EU has been proactive in advancing an ambitious agenda for Rio+20 and will continue to do so as Heads of State and Governments meet in Rio in June. Not only is the EU pushing hard for momentum in the negotiations. The EU has also proposed a green economy roadmap as an operational outcome in Rio.

But governments cannot advance a global green transition alone. I believe that the private sector and civil society play key roles in delivering green growth and promoting sustainable consumption.

That is also why I'm hosting the second Green Growth Forum (3GF) in Copenhagen in October where focus will be on public-private partnerships and innovation as a driver for green growth.

Strengthening Danish development policy is a key priority for my government. We see our development policy as a central part of our foreign policy and a way to strengthen our international alliances and take responsibility for development beyond our own borders.

This year, as we are celebrating the fiftieth anniversary of Denmark's development cooperation – also known as Danida – we are preparing a new development cooperation strategy. Poverty reduction will remain at the centre of our efforts.

We will focus our actions in four targeted areas: 1) promoting human rights, democracy and good governance, 2) green growth, 3) social development, and 4) support for stability and protection in fragile states.

We want to move away from the traditional donor/recipient relationship. Instead we want to further engage in mutual partnerships and use our assistance to empower governments and people in developing countries, so that they can promote and protect peace, democracy and human rights.

Denmark will also continue to play a central role in international stabilization and crisis management efforts – both in terms of military contributions and applying a comprehensive approach to crisis management.

We were among the first to respond to the UN Security Council resolution in the spring of 2011, calling for the international community to take measures to protect the civilian population in Libya. In less than 30 hours the Danish Parliament agreed on the need for swift action. The following morning, we had fighter aircrafts in the air.

The operation proved the importance and value of international partnerships in times of crisis. We continue to stand by the Libyan people in their efforts to build a new future.

Denmark remains fully committed to a strong engagement in Afghanistan up to and after 2014. Denmark is currently providing 720 troops to ISAF operating in the challenging Helmand Province. And Danish police officers are training and mentoring Afghan police forces.

In line with the gradual transfer of security responsibility to the Afghans, Denmark is refocusing from combat to training.

In order to ensure the necessary Afghan capacity needed for a successful transition, Denmark has worked hard on creating a coalition willing to commit to long-term funding of the *Afghan National Security Forces*. This 3C

Initiative – Coalition of Committed Contributors – has gathered substantial support.

Afghanistan is a good example of our comprehensive approach, where we combine military, civilian and development assistance. And we continue our strong civilian engagement in Afghanistan, providing substantial development assistance to the Afghan people. Afghanistan is now the second largest recipient of Danish development aid and will stay a top priority in the coming years.

Another security priority for Denmark is the international fight against piracy off the Horn of Africa and in the Indian Ocean. Piracy threatens our seafarers, disrupts commercial interests and trade and challenges the stability in the region.

We contribute to counter-piracy with a comprehensive package of instruments. On the military side, we deploy naval vessels and patrol aircraft to NATO's *Operation Ocean Shield*. We also play a leading role in the international efforts to find legal solutions to the challenges posed by piracy. And finally we assist Somalia and the region with building up capacity to better counter the challenge.

I have mentioned a selected handful of our priorities. If time had allowed, I would also have touched upon the Arctic, the Nordic Cooperation and the new emerging markets.

Allow me one last remark. As the world is rapidly changing and new global challenges occurs, international cooperation is key. I believe this is the only way to find sustainable and legitimate solutions for the 21st Century.

Diplomacy and dialogue are the focal points of Danish foreign policy and I will use this opportunity to thank you all for the excellent and invaluable cooperation with my government. Your contributions are highly appreciated.

I thank you for your attention and I look forward to your questions and comments.



## European Affairs

### The Prime Minister Helle Thorning-Schmidt's Speech at the Conference 'Building the Europe of the Future: Post-Crisis Reflections', 11 May 2012

Distinguished friends of Europe,  
Ladies and gentlemen,

First of all, allow me to thank the offices of the European Commission and the European Parliament here in Copenhagen for making this conference possible.

I have been looking forward to speaking to you today.

It is always great to speak to a room full of people interested in European Union affairs.

I hope that the discussions you have had today have left you with some fresh ideas and new insights on the state of the European Union.

My speech today will focus on two simple questions that I believe are important to ask ourselves today:

The first question is this: "Has the European Union – at this moment in time – done enough to combat the crisis?"

The second question is almost as simple: "How do we restore the people's trust in the European project?"

Both questions lie at the very core of the topic of this conference.

So, have we done enough to combat the crisis?

Some have criticized the European Union for not doing enough and not taking appropriate action when action was called for.

Others have claimed that the EU does not have the right tools – or institutions even – to combat the crisis.

I strongly oppose these views.

The actions over the last months have shown that the Member States are willing to – and capable of – acting together and in solidarity with one another.

Within the last six months alone, Member States have signed a Fiscal Compact that ensures significant improvements in their fiscal policy and discipline.

They have secured a major loan package that to this day serves as a life-line, saving Greece from an uncontrolled bankruptcy which would have devastating consequences for the Greek people. We are of course all hoping that Greece too will fulfill its end of the bargain.

The Member States have also strengthened the Eurozone's firewall which has helped calm the financial markets.

And on top of this, key structural reforms are under way at the national level in many Member States to help underpin the steps that have been taken at the European level.

These are all examples of the EU and its Member States' willingness to take necessary, far-reaching decisions.

And let's not forget: these are decisions that hardly anyone thought possible just a few years ago.

Should anyone still harbor doubts about the magnitude of these decisions, then ask yourselves this:

“What international organization – in the whole history of human kind – has ever been able to do anything like what the EU has done in the past six months?”

None.

It has never happened before.

In the Member States there is a general recognition that the answer to the current challenges facing us is more Europe, not less. History might tell us that in times of crisis, governments tend to go down the road of protectionism, nationalism and self-serving policies. But we cannot allow that to happen this time around!

The crisis has strengthened integration and cooperation among Member States in key policy areas. Because that has proved to be the only adequate response.

Today, there is widespread acknowledgment among Member States that by pulling together politically and economically at this difficult point in

time, Europe might actually be able to come out stronger on the other side.

The lesson that we must keep in our collective memory is that whatever one country chooses to do – it will affect the rest.

Therefore, our solutions must be carried out in coordination with one another. And all Member States must keep their own house in order. Not only for themselves, but also for the sake of the whole.

Our individual sovereignty, our individual room for maneuver, depends on the actions of others with whom we share trade, borders and values. It has always been like this – but the crisis has made it even clearer to us.

Our economies, our companies and our populations have become so dependent on one another that the thought of individual isolationism should be considered both outdated and obsolete.

And in contrast, when we act in common, we are able to protect our common values of solidarity, social safety nets and equal opportunity for all.

These are the values we have built our social model upon, and the values which make Europe stand out in the world.

When we have taken tough decisions and when we pull ourselves through hardship, we do it in the service of protecting this model.

But of course we cannot only ask ourselves whether or not we have done enough to combat the crisis at this point in time – we must also ask ourselves if there is more to be done.

And of course there is.

If we take a look at the European landscape, we will find that growth is either absent or dangerously slow in most Member States and unemployment is much too high – especially among young people.

Statistics released last week reveal that unemployment in the Eurozone is now the highest in fifteen years!

In the EU, a total of five and a half million young people under the age of 25 are unemployed with a mind-boggling 51% youth unemployment rate in Spain and in Greece.

Together, we must do all we can to avoid losing a whole generation.

As governments, as politicians, as business leaders, we have a duty to prevent that from happening.

This is one of the reasons why the European Council will have an informal meeting on the 23rd of May to discuss how we strengthen our efforts to restore growth and to create new jobs.

It will also be the first occasion to hear the views of François Hollande, the newly elected French president, on this matter.

The Danish Presidency remains fully committed to boosting growth and

promoting jobs in Europe and we welcome the opportunity to take further steps in May and June in this direction.

Of course, we take on this task in a broad-based effort spanning across many different policy areas. Europe needs to become more productive and more competitive.

From the outset, the Danish Presidency has been pushing negotiations on twelve initiatives that aim to modernize the Single Market and improve the business climate in Europe.

These proposals will provide real benefits to businesses and consumers through easing administrative burdens and lowering prices.

We need more home-made growth in Europe, and the Single Market must be updated and digitalized in order to achieve that.

A good example of this is the roaming directive, which we managed to reach agreement on last month.

With lower prices for cell phone usage, the directive extends a helping hand to companies that want to do cross-border business.

We are also close to concluding negotiations on a regulation to improve the European system of standardization.

This will help the spread of new technology in Europe and will reduce administrative burdens on companies.

Very soon, we also expect the Council to adopt a Commission proposal on venture capital that will increase access to capital for small and medium sized European businesses.

Easy access to capital is a necessity if we are to stimulate innovation, economic growth and job creation in the private sector.

Let me also add that we are working hard to build a consensus in favor of allocating more funds toward growth-enhancing areas like research, education and infrastructure in the on-going negotiations on the next EU-budget.

And in relation to the EU's cohesion policy, we want to ensure that the EU achieves a bigger impact in the Member States for the billions of Euros spent each year.

The EU's massive potential in stronger trade relations with third countries must also not be overlooked.

This is why we are working on increased trade between the EU and a number of strategic partners.

Boosting trade means boosting growth in Europe.

These are some of the steps that will help us tackle the crisis and prepare our European economy for the times ahead.

And in the end, these are also initiatives that in a concrete way will im-

prove the lives of the ordinary citizens of the EU.

So to answer the question of whether or not the EU has done enough to combat the crisis, I will say that we have indeed made a remarkable effort which no one could have predicted possible only a few years ago.

But at the same time, we have much more to do before we have steered clear of our common challenges.

Ladies and gentlemen, let me now turn to the other fundamental question that I posed in my introduction:

“How do we restore the peoples’ trust in the European project?”

Answering this question must be at the heart of any present-day debate about European affairs. Because public trust rests at the very core of the European project.

In fact, public trust is the lifeblood of all politics. Be it national or European politics.

Widespread lack of public trust in the European project is poison to our common effort in combating the crisis.

But how do we regain this trust?

I believe the answer lies not in new symbols of grandeur or new supranational institutions of power.

Rather, the public’s trust in the EU lies in its day-to-day ability to make real and meaningful decisions that positively affect the daily lives of its citizens.

The basic relationship between trust and performance is even echoed in the words of one of the founding fathers of the European Union.

Two days ago we celebrated Europe Day. This is the day when – in 1950 – Robert Schuman announced the following, and I quote:

“Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a *de facto* solidarity...”

These words are as true today as they were when Schuman put forward his declaration 62 years ago.

Concrete results – ladies and gentlemen – this is the real source of legitimacy in the EU. And it has always been like that.

This is what binds us together in solidarity.

Results equal more trust. Because the very definition of trust is to believe that the one who is trusted, will do what is expected.

Ladies and gentlemen, looking at the remaining two months of the Danish Presidency, we have a multitude of important items on our agenda.

We are working hard on all fronts, but let me just briefly mention four of the really big ones that I believe can make a real difference.

The first area is the proposal to strengthen capital and liquidity requirements for European banks.

Europe needs to upgrade its financial regulation and supervision in order to minimize the risk of another financial crisis in the future.

Such an upgrade must also help to provide more transparency and more certainty for the markets with regard to the regulatory framework in the future.

We are working hard to get an agreement in the Council and with the European Parliament on this important proposal.

Another big item on our agenda is the so-called ‘two pack’.

The ‘two pack’ includes initiatives aimed at strengthening economic and budgetary surveillance of Eurozone countries in financial difficulties.

It will also enact stronger monitoring of budgetary plans drafted by members of the Eurozone.

We are hoping to obtain final agreement on these measures no later than in June.

Thirdly, we are working very hard to push forward the difficult negotiations on the Energy Efficiency Directive.

We need an ambitious and robust piece of legislation that will help us achieve our objective of reaching 20 % energy savings by 2020.

In addition to conserving energy, the Commission has estimated that this directive could lead to the creation of two million jobs in the EU.

This is what we mean when we call for ‘green growth’ in Europe.

Finally, let me also mention the importance of agreement on a unified EU Patent.

The situation today is as follows: Businesses across Europe are required to submit applications to 27 different national patent authorities in order to acquire an EU wide patent protection.

I believe one application should be enough!

These are some of the files we will continue to work on for the remainder of the Danish Presidency.

Because this is what the Danish Presidency is all about. We are dedicated to building a healthy and green economy as the foundation for creating growth and new jobs in Europe.

Allow me to conclude by reflecting on the headline of today's conference: 'Building the Europe of the Future – Post Crisis Reflections'.

To be perfectly honest, I find the concept of 'Post Crisis Reflections' perhaps a bit premature at this particular point in time.

Unfortunately, Europe is not yet in a situation where we can safely say that the crisis is behind us.

The volatile and fragile situation in Greece proves this point.

And one must expect many more hurdles in the way. But while we all hold our breath, we must continue to vigorously pursue the important task of restoring growth and creating jobs.

Because the answer to leaving the crisis behind us and regaining the trust of the citizens is in fact the same.

We need to do it through concrete results, through hard work and not least through joint action.

Wrestling our way out of the crisis is perhaps the most crucial and most difficult challenge of our generation.

But I firmly believe that Europe can do it. It is within Europe's capacity to do it.

Thank you very much.

# The Danish EU Presidency

## Prime Minister Helle Thorning-Schmidt's Speech at the European Summit for Government Transformation, 'The Danish EU Presidency: A Transformative Agenda for Europe', June 27, 2012

Thank you for the kind introduction.

Rector Demaret,  
Chief Executive Noordende,  
Dear students, ladies and gentlemen,

First of all, let me say that I am delighted to be here today to perform this year's Jean Monnet lecture. It is a pleasure and a privilege.

I was once a student at the European College myself. It was a fantastic experience in all sorts of ways. It provided me with a European outlook and it gave me a solid understanding of European integration that I would not be without. So to the students out there who are with us today – count yourselves lucky. Although you might feel the pressure from an upcoming exam, please do appreciate the fact – at least once in a while – that you are attending one of the best institutions of higher learning that Europe has to offer.

Today, I would like to reflect on the Danish Presidency of the Council of the EU, and talk a bit about what we have managed to achieve during our term. I will also say a few words about tomorrow's meeting of the European Council and about some of the important tasks that lie ahead of us.

But before turning to European politics, allow me to address directly the main topic of this conference, and share some of the Danish experiences with modernization of the public sector.



Ladies and gentlemen, we live in a time of great challenges. And from a public policy perspective, one of the most important challenges is the need to improve our public finances. I am sure this has been a main theme in your discussions today.

Part of the solution is a dedicated effort to improve the organization of the public sector. We must provide better public services for each euro or kroner we spend. Innovation and better management of public resources is called for.

It is not an easy task. It requires a broad based effort. One approach I would like to bring forward today is that of digitalization, which we have very good experiences with in Denmark.

Digitalization is not just a buzz word. It's efficiency. And it also means better services to the citizens.

We have decided to make digital communication between public authorities and citizens mandatory in Denmark. By this December, if citizens want to change address or enroll their children in public school, it must be done online.

And by the end of 2014, citizens will receive all their mail from public authorities through a secure digital mailbox. This is a tremendous release of public resources that can be used elsewhere for more important tasks. Of course, people without the necessary computer skills will be assisted.

We will also apply more digital solutions in areas such as education and health care. For instance some chronically ill patients can have their condition monitored from the living room rather than having to drive to the hospital.

These are of course just examples of the way in which digitalization can ensure better services to the citizens as well as reduce pressure on the public finances.

Whenever there is potential to modernize, do something smarter than before and save money on top of it – one must seize the opportunity.

On this point, allow me to turn to the European agenda.

A Jean Monnet lecture is a most excellent opportunity to travel back a bit in time and look at how we ended up with the Europe we see today.

Amid the ruins and the economic despair caused by the Second World War, Jean Monnet saw that if Europe were to be reborn, incremental steps and tangible results were necessary. Not a new dose of grand ideologies or utopian blueprints for the future. Europe's path to become a co-operative, prosperous and democratic continent at peace with itself and with the wider

world consisted of piecemeal engineering.

This vision, this radical break from the immediate past of two horrific world wars is Jean Monnet's fantastic achievement. Incremental steps and tangible results that made Europe great during the subsequent fifty years.

And – ladies and gentlemen – incremental steps and tangible results is what will help Europe overcome the current economic crisis too.

If anything can restore growth and prosperity to Europe again – it is this method. The 'Jean Monnet method'.

By a determined focus on obtaining specific incremental results – be that in the shape of EU-legislation, political decisions or new treaty-based mechanisms – Europe will be able to wrestle its way out of our current challenges.

Tangible results are also what the Danish Presidency has been all about for the past six months.

Tomorrow's meeting of the European Council will be the last during our Presidency. It will be a European Council squarely focused on economic growth and job creation. This is what Europe needs more than anything else today and it is what we have been working for as a Presidency since the beginning of our term.

We will also discuss the report from the President of the European Council on ways to strengthen the Economic and Monetary Union. As you know, Denmark is not a Euro zone country, but nevertheless the discussion will have significant implications for all of us. This will not be the meeting where we solve the Euro crisis – let's be frank about that. But we will embark on a process which hopefully down the line will lead to further strengthening of the Euro.

I would like to elaborate a little bit today on our Presidency agenda and the specific results that we have achieved so far. Under our programme headline 'Europe at Work', we have worked vigorously to build agreements and construct compromises among the Member States in a constructive collaboration with the European Parliament and the Commission.

And the overall aim of all of this has been to utilize the platform of the Presidency to harness one of the EU's most unique capacities as an international organization. The inherent power of the EU to transform our way of thinking, our way of acting and our common understanding of what must be done.

The many tangible results delivered during our Presidency are not only good progress in themselves, they will also serve to transform the EU – incrementally, step-by-step – into a more modern, a better managed and a more green community of 27 European countries.

With regard to the need for a more modern and growth-tuned Europe, let me mention a few of our achievements.

Firstly, I am extremely pleased that we managed to adopt the roaming regulation, which will lower prices significantly on cell phone usage across Member States.

This will ease movement in Europe as well as reduce administrative burdens on our companies. In short, it will contribute to growth.

Another piece of legislation which will modernize the Single Market is the regulation on a European system of standardization.

This agreement will help the spread of new technology in Europe and reduce administrative burdens on companies. It will also make it easier for European companies to participate in the development of new standards and it will shorten the distance between an idea and its transformation into a product that can be bought and sold.

Thirdly, an agreement was reached in the Council three weeks ago on the establishment of a Connecting Europe Facility, which is a facility to finance a more effective European infrastructure with transportation, energy and communication. It will target large cross-border projects with a significant potential to boost economic growth – in particular by supporting the building of bridges, railway lines, tunnels, broadband cables and gas pipelines across Europe.

With regard to ensuring better management and reforms in Europe – I am extremely pleased that the Danish Presidency has implemented the first full European Semester.

The Semester is the overall framework for ensuring stronger economic co-ordination in the EU, where the situation of each individual Member State is evaluated in order to determine any imbalances or dysfunctions of national policy.

This is exactly the type of capacity in the EU that can help transform Member States by pushing them in the right direction and ensuring their progress.

The Semester is our common instrument. It helps all of us achieve the objectives spelled out in the EU's growth strategy, Europe 2020.

I am in no doubt that we will witness more political accountability and stronger budget discipline thanks to these surveillance-measures.

Besides better economic co-ordination, it has been a key priority for the Danish Presidency to get a bigger impact in Member States for the billions of Euro spent each year through the EU's budget.

In a time marked by austerity and shrinking national budgets we need

to get more value for money. According to a study by the Commission, the discrepancies between Member States in terms of the impact obtained at the national level of structural funds are simply too glaring. We really must obtain better spending.

As a third major priority in our efforts to arrive at better management, we have been working hard to stream line the next EU-budget for growth!

All Member States need to allocate more funds toward growth-enhancing areas like research, education, energy efficiency and green technologies.

Measures that will inspire growth and stronger job creation has been a mantra of the Danish Presidency for the past six months, and I am pleased to note that the tomorrows' meeting of the European Council will put a strong emphasis on this burning issue.

How we make the EU-budget more oriented towards the growth and job creation will form an important part of the discussion at the summit.

Finally, with regard to the third objective of ensuring a greener Europe, I want to highlight the extremely important deal we cut with the European Parliament on the Energy Efficiency Directive.

Apart from lowering costs on energy and increasing our competitiveness, the agreement will create up to 400.000 new jobs in the EU by 2020.

In a time where resources are scarce and the environment is under pressure, there is an economic benefit for those who chose to follow a path towards green growth.

In this respect, the directive is a crucial stepping-stone for Europe to achieve our two inter-related goals of transforming Europe into a competitive low-carbon economy and increasing our energy security.

This is an excellent result and this is exactly what I mean when I say that the EU has a unique transformative capacity that runs all the way down to the local level of the Member States!

Additionally, in relation to the green agenda, let me also mention our agreement with the European Parliament on slashing sulphur emissions from ships by 90%. This is also very welcome news.

Ladies and gentlemen, our Presidency remains committed to its growth and jobs agenda till the very end the term, and at the European Council tomorrow, I am confident that the 27 Member States will be able to sign off on a Growth Pact.

I expect the Growth Pact to focus on growth-enhancing actions both at EU and national levels.

The Pact will include a mixture of new measures as well as existing instruments recalibrated or refocused to address our current needs.

In this respect, it will be most crucial to strike the right balance between ambitious initiatives and realistic ones.

The Pact will likely include project bonds, improved access to lending for small and medium sized companies as well as better use of structural funds to boost growth and employment. In that respect, we must also ensure the redeployment of EU budget funds to improve Europe's productivity and competitiveness.

This is all crucially important, because Europe's recovery from the current economic crisis must walk on two legs. It must contain significant and far-reaching fiscal consolidation at the national level as well as European measures to promote growth and jobs. The Pact must strike the right balance.

Ladies and gentlemen, during the past six months the EU has been under tremendous pressure from a number of very difficult challenges.

But with every crisis comes great opportunity. And in the midst of this, the Danish Presidency has sought to move Europe in a more modern, better managed and green direction.

But the EU has also taken a number of significant steps to address the situation.

Since January alone, 25 Member States have signed a fiscal compact with significant implications for budget discipline. A major loan package to support Greece has been decided. The financial firewall between Euro countries has been strengthened tremendously. And the banks of Spain have been given a strong helping hand.

These are important and far-reaching decisions, but like so many other actions at the EU level, their true implications go more or less unnoticed.

These decisions are signs that we did not give up on each other. We showed solidarity and stepped up to the fact that we have to help each other.

Our societies and our economies are firmly rooted in the core values of solidarity, social safety nets and equal opportunity for all.

These values make Europe stand out in the world.

When Europe has taken tough decisions and pulled itself through hardship, as we are working to do right now, we have done it exactly to protect the values we believe in.

I am a great believer in the European social model and the way we have organized our societies in Europe. Historically, Europe has been able to simultaneously promote sustainable economic growth and social cohesion.

In the backdrop of the crisis, Member States have recognized that the

answer to the current challenges facing us is more Europe, not less.

The economic crisis in combination with the pressure from financial markets has strengthened the solidarity, the discipline and the cohesiveness of the European Union.

And if we dig a bit deeper and ask ourselves, why Member States have decided to strengthen the European project rather than allow it to unravel in the pursuit of their own national solutions, I believe that the answer is this: Because EU countries are so connected and so integrated as they are today, viable alternatives to common solutions and joint actions at the European level simply do not exist.

When we act in common as we have done for the past six months, European governments stand a fighting chance to regain the confidence of the markets and make progress.

The EU has a special ability – through dialogue and debate – to create a common understanding in countries all over Europe about the necessity of change. Because the EU is much more than just the sum of its Member States. It is the common instrument through which we can ensure a sustainable transformation of our societies, if we chose to use it correctly.

Ladies and gentlemen, I said at the beginning of my address that the Jean Monnet method of incrementalism and piecemeal engineering can make Europe great again. I firmly believe that, and I also believe that the European Union gradually, perhaps even a bit reluctantly, has applied this method through the past months of crisis management.

I am not saying that all is well now and that Europe's governments can just lean back and let the Brussels machinery work its wonders. Far from it! The economic crisis remains very much on our agenda, and there is continued need for a steady hand and strong political guidance.

But I firmly believe that the European project – which Schuman, Monnet, Spaak and others helped to construct – is robust and will weather the current crisis.

It is within Europe's own capacity to wrestle our way through the crisis.

We can do it our self, if we work and act in common.

Let's prove to ourselves, to the world at large and to the future generations that we are up to this challenge of getting Europe back on track.

Thank you.

## Asia

### Minister of Foreign Affairs Villy Søvndal's Speech, 'Why the Rise of Asia is our Business too' at the University of Copenhagen's Conference, "Rising Asia, Anxious Europe", 2 May 2012

Let me begin by thanking the University of Copenhagen and the organizers of this conference for giving me the opportunity to address you. It is a privilege for me to be here. And I confess that the title of the conference made it impossible not to come.

Sixty per cent of the Earth's population call Asia their home. While economies in the West are struggling with debt and low growth, Asia has taken charge and is today the driver of the World economy. In 2010 Asia's share of the world economy was 27 per cent. Economists are estimating that Asia will account for half in 2050 – almost double in forty years. These are tectonic changes that will affect all of us.

However, instead of mourning the demise of the old order of things, Europe should remind itself that the old order – and our enormous global influence – rested on the fact that billions of people lived in absolute poverty. Economic growth in Asia over the last decades has pulled hundreds of millions of people out of poverty. Twenty years ago more than half of Asia lived in absolute poverty. Today this has been reduced to one fifth. This is a fantastic development and a richer Asia does not make Europe poorer. On the contrary – as the growth of Japan has demonstrated – it has the potential to make us richer. And a stronger Asia need not make us less secure.

But there is no guarantee that we are looking at a win-win situation instead of a zero sum game. We must recognize that the rise of Asia carries with it enormous challenges for us in Europe. These challenges can seem overwhelming and they are a source of insecurity. For politicians and those

we represent. That we are struggling with problems of our own does not make it any easier.

A French Political Scientist – Dominique Moisi – has said something that I think hits the mark perfectly in terms of how Europeans feel about the global changes. In Moisi’s words: “Today, when we westerners look eastward, we are all too uncomfortably aware that we may be glimpsing our own future, one that is beyond our control.” This feeling is understandable. It is regrettable, but it is also – and that is my main message today – crucially important that we overcome this sentiment. Because if we do not, it might easily become a selffulfilling prophecy.

We should be confident. Europe has survived many doomsday prophets announcing ‘Der Untergang des Abendlandes’ and the rise of Asia should not make us tremble in fear. Instead it should make us – Denmark, Europe and the Western world in general – eager to explore the opportunities and keen to address the challenges.

Let me give you three simple reasons why this is so. Firstly, because it is in our own interest to be part of Asia’s fantastic growth. Secondly, because it is in the global interest that we engage with Asia and with emerging powers in Asia. So we may address global challenges and shape the changes to the global system together. And thirdly, because Asia needs us. It is in Asia’s interest to trade with us, to face the global challenges with us and to draw on our knowledge and to learn from our experiences – just as it is in our own interest to learn from Asia.

As the organizers of this conference put it: “The rise of Asia is not an event confined to Asia alone”. I completely agree. And you could add: The rise of Asia is not just Asia’s business, it is our business too.

But first we need to recognize that change is unavoidable. And that the fundamental question is whether we want to be part of shaping the change.

Then we must realize that Asia and the emerging powers are challenged as well. Because of their impressive growth rates, countries like China and India have acquired new foreign policy muscles – and are at the same time faced with new foreign policy challenges. They are at a record breaking pace growing in to new and unfamiliar roles and expectations, challenges and responsibilities. Nationally, regionally and also globally.

We need to cooperate with emerging powers to shape the changes – rather than fight the changes. To use a metaphor, there is no point in arguing against gravity. But this doesn’t mean that we should be less ambitious with our foreign policy or the objectives that we pursue. We can and we should expect emerging powers to contribute to the solution of global challenges,



but our approach and our posture need to be different. It must be constructive and cooperative – and be so with confidence. At least, if we want our policy to produce results. And we need to be honest about this. Also – or perhaps especially – when we discuss foreign policy with our domestic constituencies.

Within this approach, rests of course a recognition that the days, when Europe and the US could almost dictate the terms of the international order, are quickly coming to an end. But if we are to avoid a dangerous fragmentation of world affairs, where nobody has the power nor the inclination to look after the world, then we need to find new ways to strengthen cooperation. This is not an easy task in a situation where the world is in flux and the scales are shifting.

There has been a lot of talk about a stronger American presence in and preoccupation about Asia. Over the last year Obama and Clinton have further outlined US policy on Asia and followed it up with concrete action. This has been welcomed in Asia by those seeking increased US engagement and it has caused some concern among those who do not. This policy has also in some parts of Europe been seen as the US turning its back on Europe. This is not how I see it. As the US adjusts the Asia-Pacific aspects of its foreign policy, it will need to continue to strengthen its transatlantic partnership with Europe. Just as Europe will need to nourish and develop its transatlantic partnership with the US while we are increasingly looking eastward ourselves. In fact, working together on – and with – Asia should only strengthen our partnerships.

And Asian countries for their part will need and many will want Europe and the US to cooperate. As I mentioned, the explosive growth and rapid development in Asia have brought many challenges to Asia as well. Environmental challenges, growing inequality, social tensions and other challenges, where we in the West have experiences – good and bad – as well as expertise and knowledge to share.

Let us not forget that Asia continues to be the region in the world with the largest number of poor people. Asia's own development bank has just recently pointed to growing inequality as the biggest threat to Asia's future economic growth. Europe – and countries like Denmark – has something to offer here. Not only in terms of development assistance, technical cooperation and political dialogue – but also in terms of business approaches. To mention a specific case in point: A country like China, who has witnessed massive growth over the last three decades, could very well be interested to learn about our experience with Corporate Social Responsibility or CSR,

and how Danish companies have managed – with a little help from politicians – to make CSR an integral part of their business strategy rather than regard it as an unnecessary drag on their bottom line.

And there are numerous challenges in Asia related to both traditional and non-traditional security concerns. Serious and diverse challenges like non-proliferation and piracy that have a direct bearing on Asia – and on the rest of the world. Here, both the US and Europe have something to offer. And here Asia seeks our engagement, in fact, as I have just experienced during my recent trip to South East Asia, where I met with colleagues from the countries in ASEAN.

As an organisation of countries at the heart of the evolving regional architecture in Asia, ASEAN is a natural partner for Europe in many areas. And in a way, an obvious point of entry for a stronger European engagement in Asia.

Rapid economic development in Asia has also given rise to increasing expectations from people in many Asian countries. Expectations that economic growth is accompanied by reforms, by rights and by governments that are increasingly accountable to its people. In this area too, Denmark and Europe have something to offer with our long tradition for popular participation, democratic accountability, human rights and social responsibility. We need to translate this into an ever stronger cooperation with Asia. And we must do so through an engagement that is – on the one hand – true to the values and norms that we believe in and – on the other hand – firmly based on a respectful dialogue, clear views, a credible presence and active cooperation. Not by preaching from what we believe to be the moral high ground but by engaging in an equal partnership while remaining true to our beliefs.

So is Europe up to the task? Will the EU prove to be as decisive a foreign policy player in Asia as it has been in other parts of the world – not least closer to home? Good questions – I must admit – but also without clear answers.

In my view we have too little confidence in ourselves, our economies and social model. Europe may lose its status as the World's largest economy and trading partner, but we have every opportunity to remain the innovative and competitive leader in the green technologies of the future just as our inclusive welfare societies based on freedom, equal opportunities and solidarity remain an inspiration for billions of ordinary people around the world.

This does not mean that Europe can lean back and wait for Asia to come to us. We must engage much more actively and with a much stronger sense of purpose. It has taken us much too long to realize this, but there are some indications that we are gradually getting on the right track.

Last week I took part in a meeting between EU foreign ministers and for-

eign ministers from South East Asia. This is a meeting that takes place every two years. This year the meeting was held in Brunei, which for Europeans requires a lengthy journey. Two years ago the meeting was held in Madrid within easy reach of every EU capital. I have been told that less than 10 EU foreign ministers bothered to show up in Madrid – sending civil servants to take their place. Not to say something bad about civil servants. This year in Brunei more than half of my colleagues showed up. So while there is still some way to go, Europe is gradually beginning to give Asia more of the attention it deserves.

So: what do we need to do? There are actually a lot of good things to build on and many good experiences to expand on. One concrete area is negotiating and concluding cooperation agreements with Asia.

In a couple of months we celebrate the first anniversary of the EU-Korea Free Trade Agreement and the political agreement that came along with it. EU is making progress in the negotiations with India over a free trade agreement. It has also been a key priority for the Danish EU presidency to open negotiations with Japan on a free trade agreement and a political framework agreement. Likewise, free trade negotiations with Singapore are well under way, and political agreements have already been concluded with Vietnam and Indonesia with negotiations on free trade agreements with these two countries appearing on the horizon.

Denmark has experiences of its own to share in this respect. Last year we concluded a strategic partnership with South Korea with green growth at its core. This has translated into not only strong bilateral cooperation, but has also become a central pillar in our international initiative Global Green Growth Forum which brings hundreds of international companies, governments and institutions together to discuss common challenges and joint solutions in our quest for a low carbon transition. Our strategic partnership with Korea has expanded to other areas like development assistance, where we share our long experience as a donor with South Korea that just a few years ago joined the community of international development donors – and where we work together on bringing green solutions to developing countries. And our partnership with Korea has further spread to more traditional security areas like nuclear issues, where the Danish Prime Minister as the first Danish Prime Minister ever participated in the Nuclear Security Summit in Seoul a little over a month ago.

We need to continue faster and deeper along these lines. It is not only a matter of economics, of expanding trade and securing jobs and investments in the long run. It is about bringing Asia and Europe closer together.

Because the bottom line is – ladies and gentlemen – that there exists a profound need to bring Asia and Europe even closer together in the coming years. This is necessary if Europe wants to be part of shaping the changes. And especially, if we want to do it with a constructive and determined approach based on confidence and cooperation rather than on a timid or suspicious approach based on fear and insecurity.

Such an approach must also be based on popular support. It must be founded in the knowledge that our own constituencies – the European citizens in other words – are able to see the challenges and spot the opportunities that are coming. And it means that people, institutions and companies across Europe need to have a stake.

For this reason – and for many other reasons – Europe's engagement in Asia and Asia's engagement in Europe cannot be left to foreign Ministries. It is much too important for that. We quite simply need more Asians in Europe and we need more Europeans in Asia. We need students and professors from Europe to study and do research in Asia – together with their Asian colleagues. And of course the other way round. That is why I believe that initiatives like the Danish University Center in Beijing and the research cooperation agreements that we are entering into with Korea, India and other Asian countries are critically important foreign policy tools. As are this very conference and the initiative that it is part of.

Not only are their competences and resources needed both in Europe and in Asia. They also give Europe's engagement in Asia a presence and a face – and they give Asia a presence and a face in Europe. And all of this is needed if we are to dispel some of the fear and insecurity in Europe that it is so easy to feel when we look eastward. If we are to change the rise of Asia from being perceived as a risk to being recognized as an opportunity.

The changes taking place in Asia are monumental. Given their size, speed and scope they offer both new challenges and new tensions. For us and for Asia. But the growth of Asia is needed and it brings enormous possibilities and opportunities. For Asia and certainly also for us in Europe. But to realize this potential we need to be a partner with Asia – not to patronize it, nor panic at the sight of it.

This will require leadership, confidence and a willingness to meet the changes rather than resisting them. This is not without risk, but as Nehru once said: The policy of being too cautious is the greatest risk of all.

With these words, I wish you two days of constructive and forward looking discussions focused on the opportunities and mindful of the challenges.

Thank you.

## Human Rights

### Minister of Foreign Affairs Villy Søvndal's Speech at the United Nations' Council on Human Rights, 29 February 2012

Thank you, Madame President,

It is my privilege to take the floor at the 19th session of the Human Rights Council on behalf of the European Union. As such I am acting at the request of the High Representative, Cathy Ashton.

Dag Hammarskjöld once said: "Never for the sake of peace and quiet deny your own experience or convictions".

These words were as significant as ever in 2011, a year in which citizens stood up for their rights, and demanded "freedom from fear and freedom from want," the shorthand of the Universal Declaration of Human Rights for all civil, political, economic, social and cultural rights.

When we met last year, the focus of our attention was on the Arab Spring. In a number of cases throughout the past year, the Human Rights Council has demonstrated its capacity to react to urgent human rights violations. We pay tribute to the important democratic changes and progress on human rights in several Arab countries. Such progress proves that multilateral institutions matter. But as serious concerns still remain in some situations, we should not be satisfied. The Human Rights Council cannot afford to be silent. It needs to speak up and act when confronted with serious violations of human rights.

Madame President,

This is certainly the case with Syria, which remains at the center of the world's attention, and whose government continues to ignore international calls to stop the widespread and systematic violation of human rights. The EU wel-

comes the urgent debate of the Human Rights Council and its expected outcome, the first meeting of the Group of Friends of the Syrian people last week as well as the resolution on Syria adopted by an overwhelming majority of the UN General Assembly on 16 February and co-sponsored by all EU Member States. The human rights situation in Syria must stay high on the agenda of this session, and the Human Rights Council should preserve a strong, effective capacity to monitor the situation.

The Human Rights Council cannot ignore the appeals of those men and women who dedicate their lives to defending and upholding human rights worldwide. The peaceful protests that have been held in many places over the past year in the name of human rights have been driven by strong civil society organizations and free media. In particular, we have all been struck as to how women are increasingly engaged in every aspect of society, from running civil society groups to standing as candidates for election.

In 2011 the Human Rights Council stressed that peaceful protests should not be viewed as a threat and reaffirmed that the rights to freedom of peaceful assembly and of association are essential elements of a democracy. It also stressed that free and unhindered contact and cooperation with individuals and civil society are crucial to enable the UN and human rights bodies to fulfill their mandates. Against these clear statements by the international community, the growing tendency by some states to unduly restrict the work of civil society organizations and human rights defenders shows up more clearly than ever as unacceptable.

Of particular concern are the operations aimed at limiting freedom of expression on the internet, which we see in several countries. One such case is Iran, where the systematic harassment and persecution of journalists and internet bloggers is in clear contradiction of the human rights obligations that the country has adhered to.

Madame President,

The EU has welcomed the political reforms undertaken by the Government and Parliament in Burma/Myanmar, together with its commitment to economic and social development. These actions represent essential steps towards establishing a democratic state under the rule of law. At the same time, serious challenges remain. They must be addressed to improve the human rights situation in the country and deepen its transition to democracy. This Council with the continued support of the Special Rapporteur will need to continue following the situation there closely.

Accountability for past violations must remain high on the Council's agenda. Impunity for human rights violations is an unsolvable debt, which, if unaddressed, is transmitted through generations. No country, no society can afford this. This is true in the case of Sri Lanka, where accountability must be an essential part of any process of national reconciliation. We believe that the Human Rights Council should encourage the authorities to fully implement the recommendations of the Lessons Learnt and Reconciliation Commission, and to engage with the UN on the Report of the UN Secretary-General's Panel of Experts.

Today, I also wish to reaffirm the commitment of the European Union to the entitlement of all people, wherever they are, to enjoy the full range of human rights – and to do so without discrimination. The EU therefore, looks forward to continuing to work with partners to reaffirm this Council's collective response to acts of discrimination, intolerance and violence against persons belonging to religious minorities. Freedom of Religion or Belief is a universal human right that needs to be ensured for everyone everywhere.

Another type of discrimination relates to gender identity and sexual orientation, which continue to be used as a reason for serious human rights violations, often involving extreme forms of violence. We have a collective responsibility to bring such violations to an end.

Madame President,

In a turbulent year for the United Nations, the Council played a key role in placing human rights at the heart of UN action, but more still needs to be done, including through technical assistance and sharing best practices. The EU calls for renewed discussions on possible ways to implement the recommendations stemming from the Universal Periodic Review [UPR], as well as those from Treaty Bodies and Special Procedures.

In conclusion, the EU stands ready to engage and cooperate with countries from all regions of the world to strengthen the role of the Human Rights Council. I wish a good session to you, Madame President, to your staff and to all delegations. Let us all strive to make the outcomes of this session impact directly on the empowerment of our people, and the sustainable development of our States and nations.

I thank you, Madame President.

# Long Term Development Aid Strategy

## Address by the Danish Minister for Development Cooperation, Christian Friis Bach, 'Danish Presidency Priorities in the Area of Humanitarian Aid,' at the Development Committee of the European Parliament, 20 February 2012

Madame la Présidente, honorable members, Ladies and Gentlemen, dear colleagues,

I am very pleased to be here at the European Parliament's Development Committee. My objectives today are to give you an outline of Denmark's EU Presidency work program on humanitarian affairs, and also to engage in discussion on some of the challenges in this subject area that we face today. As you know, Denmark is a committed and generous humanitarian aid donor in our own bilateral work, and Denmark is also keen that the EU is a major actor in humanitarian aid. Rightly, the EU, and specifically DG ECHO, has a good worldwide reputation, but of course this does not mean that we can be complacent – we can always improve, and we continually face new challenges. I have just visited the Horn of Africa – of which I will talk in more detail later – and this experience has once again reinforced my deeply held belief in the vital necessity of humanitarian aid and the need to better bridge the gap between humanitarian aid and development. It has reminded me of the good work that we, as Europeans, do, but also of where and how we can do more.

I would like to cover three main areas today: firstly I will outline the main elements of the Presidency work programme; secondly I will raise broader reform and policy issues such as resilience, humanitarian reform and humanitarian space; and lastly, but by no means least, I would like to touch



upon some of the countries and regions that face major pressing humanitarian challenges – specifically these include the Horn of Africa and the Sahel.

(1. Work program)

Let me start with the specifics of Denmark's Presidency work program for EU humanitarian assistance:

There are a number of ongoing dossiers that need to be taken forward. As you know the European Voluntary Humanitarian Aid Corps – EVHAC as it is known – is progressing, and can add value to the system by encouraging Europeans to volunteer and by demonstrating collective solidarity to communities in need. Three pilots have been initiated and an impact assessment is being made. The legal process should start during our Presidency upon the presentation by the Commission in May or June of a draft proposal. And the first reading is expected to be concluded during the Cyprus Presidency.

I know the European Parliament has a strong interest in this subject, borne out by the seminar on volunteerism you held on 8 November, and the European Parliament will of course have a big role to play in determining the legislation – we trust we can count on your support in laying the foundation for a Voluntary Corps that provides opportunities, is cost-effective, builds on national and international experience without duplicating it, adds-value, and which works.

Another dossier we will deal with is the finalization of the renegotiation of the Food Aid Convention – FAC.

In line with Humanitarian Food Assistance Policy, we have been renegotiating the FAC so that it better reflects modern food assistance tools – cash and vouchers, and not just food aid – we need the FAC to be designed to ensure food assistance reaches the most vulnerable in a more efficient and effective manner. I know that the Parliament is following this issue closely and that you held a one day hearing on 'Food security in developing countries: the challenges to feed the people' in October last year.

We are nearly there – and now need EU and Member State agreement, ratification and signature this year. And of course, European Parliament consent is required.

The third ongoing issue the Danish Presidency will deal with is the Mid-Term Review of the Humanitarian Consensus action plan. Again, I know the Parliament is following this issue closely and generally supports what has been done so far – Madame Striffler's 'own-initiative' report adopted by the Parliament in January last year was very useful.

- In the May 2011 Council conclusions, there were four main priorities:
- continued delivery of humanitarian aid according to humanitarian principles
  - strengthening effectiveness by seeking greater synergies in programming and allocation of funds
  - strengthening synergies with other EU policies, not least development policies (but full respect of autonomy of humanitarian aid decision-making)
  - Leveraging the EU's role and influence in the humanitarian system – more efficiency (e.g. UN reform) and more inclusivity (e.g. outreach to non-traditional donors)

We will continue to take this issue forward. During the Danish Presidency the Working Party on Humanitarian Aid and Food Aid (COHAFA) will take stock of the Humanitarian Consensus action plan.

## (2. Broader policy issues)

Now let me turn to what is termed the resilience or the Linking Relief, Rehabilitation and Development (LRRD) agenda. To my mind these two terms are very similar, and are also linked to Disaster Risk Reduction. Whatever language we use, we are really talking about the fundamental and crucial issue of helping countries: to prepare for; to prevent; and to bounce-back quickly from, disasters and crises.

I know Parliament will be holding a public hearing on LRRD in April which I think is important. I can say that from my recent trip to the Horn of Africa, I have seen very clearly the effects of failing to address these issues and the consequences in terms of loss of life and human suffering. Globally, and as the EU, we can do more and we can do better.

We are putting resilience high on our list of priorities. We will argue for greater priority to be given to these issues and for more flexible financing, particularly from the development side. There is a need for predictability in development funds, but in the past – Haiti is an unfortunate example – we have seen the difficulties of moving funds around quickly post-disaster, and the consequences of this inflexibility. This needs to be addressed and one specific example is ensuring that the new financial regulations for the development instruments – such as the Development Cooperation Instrument – include sufficient flexibility. I know the European Parliament will have a say on these regulations, and I hope will help and support the efforts to make the instruments more appropriate and responsive to need.

Furthermore, at the DANIDA fiftieth anniversary celebrations that we are holding in Copenhagen on 16 March we will devote a good portion of

the ministerial-level meeting to making progress on this issue. We will use the occasion to discuss a greater focus on resilience and the Horn, and link it closely to the International/IGAD led process in Nairobi where we will push for real outcomes – such as new investment. We will push for partnership through a Common programme framework and European Coordination in a larger donor network, and we will push for tangible investments in agriculture, livestock, natural resource management, etc.

We will also pursue continued efforts in the area of Humanitarian reform. This must not stop, but rather be reinvigorated.

As you know a reform of the international humanitarian system was launched in 2005 focusing on four pillars: strengthened coordination structures, strengthened leadership at country level, financing and partnerships. While rapid improvements were made on financing and partnerships the progress on coordination and leadership was less convincing. In early 2011 the Inter Agency Standing Committee of UN agencies reinvigorated the reform process by committing to a ‘transformative agenda’ with a number of more concrete actions.

OCHA must have the leading role in this, and EU and Member States must both pressure and support OCHA. A joint letter from EU and non-EU donors was sent to the IASC in December to reiterate support for the transformative agenda but also calling for action and real delivery.

The IASC responded very constructively and have now committed to a number of tangible steps in 2012, including:

- A new mechanism for rapid deployment of experienced, senior humanitarian leaders at the onset of a major crisis
- Strengthened capacity of cluster leads and adaptation of cluster structures to needs
- Introduction of joint strategic plans at country level to specify collective goals and responsibilities
- Strengthened accountability of the Humanitarian Coordinator and the Humanitarian Country Teams

The UN Emergency Relief Coordinator and Under-Secretary General for Humanitarian Affairs, Valerie Amos, appreciated that donors had kept the pressure on with the joint letter. She also reminded donors that humanitarian assistance is not core business for some UN agencies and consequently not prioritized sufficiently. The EU must continue to work with other donors to pursue this agenda with concerted action and common messages in

their dialogue with the agencies. I hope the parliament will join us in this. Another issue of importance to Denmark, and myself, is the issue of humanitarian space. We all know too well that humanitarian space is shrinking and all too often violated. In order for humanitarians to do their job properly the humanitarian principles must be steadfastly upheld. I ask the Parliament to continue to prioritize and support this issue.

### (3. Geographical issues)

Next, I would like to focus a little bit on one or two specific country – or more precisely regional – cases.

As I mentioned earlier, I visited the Horn of Africa recently – I was in Mogadishu at the beginning of February where I got first-hand experience of the situation on the ground.

Of all the countries I have visited Somalia is clearly the most vulnerable – destruction is widespread and a large part of the population lives in abject poverty.

However, there is reason for cautious optimism and there is a window of opportunity. Al-Shabaab has been pushed onto the defensive and the security situation in the Somali capital is better than I expected. The African Union Mission in Somalia – AMISOM – and the transitional Somali government have pushed Al-Shabaab back and although there are terrorist attacks, such as roadside bombs, there is a unique chance to help Somalia get back on its feet again.

As we – the international community and the EU – increase our engagement, there are without doubt significant risks, but the risks of not doing anything – in terms of increased suffering, growing numbers of refugees, more terrorism and piracy – are far worse.

I would also like to touch upon the Sahel region. In one or two instances in the past we have been accused, rightly or wrongly, of being slow to acknowledge growing problem areas. Right now, the Sahel is one region where we must not only keep a watchful eye, but should already be implementing humanitarian assistance before the crisis worsens. However, humanitarian assistance must go hand in hand with support to prevention, disaster risk reduction and medium to long-term investments in rural development to protect food security and build resilience. Yesterday, the Presidency with the active support of DG ECHO – organized a high-level Council Working Group on Humanitarian Assistance and Food Aid (COHAFA) to raise awareness of the need to act now in order to prevent a new serious humanitarian crisis. DG ECHO have been at the forefront of raising the alarm in

the Sahel and in responding – I applaud them, and it remind us all that the EU must remain committed to this region and to other forgotten crises.

(4. Summary and conclusion)

Honorable Members,

To conclude, I have shared with you the highlights of Denmark's EU Presidency priorities and policies, and I can assure you that Denmark will be firmly committed to progressing the humanitarian assistance agenda. I remain at your disposal to answer any questions that you may have.

Thank you for your attention.

## Danish Humanitarian Aid Priorities and the EU Presidency

### Speech by Minister for Development Cooperation Christian Friis Bach at the Fiftieth anniversary of Danida, 'Development Policy in a Changing World', 19 March 2012

Your Royal Highness, Ministers, Distinguished Commissioners, Executive Directors, Ladies and Gentlemen dear colleagues.

First of all – a warm welcome to all of you. Today I hope we will be inspired by the discussions on the role of development policy in a changing world. I particularly want to thank our key note speakers, distinguished panellists and our moderator for participating.

In 1962, when Danida was born, optimism was sweeping. The early development theories talked about the need for a 'big push' and a quick 'take-off'. We know now that it is not so simple. Many countries did not 'take-off'. Development is difficult, takes time. We have spent the last fifty years trying to improve our development policies, sometimes with success and sometimes with failure. At times, in these days in Syria and, I fear, in parts of Sudan it looks like the Greek legend of Sisyphus pushing a large stone up the mountain only to see it roll-down again on the other side.

But yet, if you look out the global window, the world definitely looks vastly different and much better now than it did in 1962. Growth in Asia, and over the past ten years in Africa and Latin America, has been explosive. Millions of people have worked themselves out of poverty and many countries are reaching middle-income status, most recently Ghana. Finally, we see 'take off'. And new research from UNU-WIDER shows that development assistance does indeed contribute to growth. 25 dollars per capita a year in assistance yields half a percentage point more in economic growth. This is a good investment.

On the global level we are well on the way to achieve a number of the Millennium Development Goals. Also, although there are set-backs, the respect for human rights and democracy is improving. And we see new forms of finance that dwarf official aid flows.

Looking forward towards the next fifty years, the question is therefore – are development policy and assistance becoming obsolete? My answer is no. There will always be a need for international redistribution. Both practice and economic theory tells us that we will never see a world where all countries are equally rich and where all people enjoy equal opportunities.

Although there is increasing global economic convergence, there will be uneven development, and fragile places will be left behind. Even in Denmark we still have quite substantial transfers between the parts of Denmark with high growth and areas with low growth and less opportunities. The same in Europe, where we transfer income through the structural funds, and right now engage in an attempt to rescue the economy of Greece.

Moreover, there will always be international crises, which affect countries in different and sometimes unpredictable ways. The global food crisis is hitting the poorest hardest and has created hardship and unrest from Haiti to Egypt. Climate change is as yet an unimaginable challenge that will affect the world in unpredictable ways – and calls for global cooperation.

And just as important, the new solutions that we find will also be found in unpredictable ways and in different places. The centers of innovation and inspiration will change, and we need to share new ideas, technologies and smart policies and support those areas, where new ideas may not come easy.

This will be even more necessary in the future. Years of unsustainable consumption and increasing population growth is putting pressure on our natural resources. By 2030 we will need 50 per cent more food, 45 per cent more energy, and 30 per cent more water. But as the Danish economist Ester Boserup wrote, “necessity is the mother of invention”. We must speed up our ability to innovate and to share and distribute new solutions. And while the building of an inclusive green economy is a question of transformation for old economies it is an opportunity for the new economies of the world. To tackle these challenges we must again work together, share together.

Finally, building global governance will become an ever more important challenge. We must ensure the supply of adequate and appropriate global public goods to tackle global challenges, concerns and to combat global evils. This calls loudly and clearly for cooperation, this calls for co-financing models. We have only seen a glimpse of the world governance architecture that we will need in the future.

So fifty years from now there will still be a need for development partnerships, for international redistribution schemes, there will still be a need for the Danidas of the World. But the future Danidas of the World will look very different, just as they have changed in the past fifty years.

In the sixties, our idea of good development was to send Danish engineers to build a bridge. Today, our emphasis is much more on building institutions, democratic governance and on policy dialogue. Back then we lived in a polarized world of nation states, north and south, east and west. Today we live in an increasingly globalized world with multiple new partnerships between north and south, east and west. Back then we lived in a fragile world with dozens of conflicting ideologies and a fragile international framework. Today we have a strong set of global values to build on with the international human rights, which have been developed and strengthened in the past fifty years.

These core human rights are some of the most powerful ideas ever created by mankind. They are the very backbone, foundation of human coexistence. They have been instrumental in changing the world several times over, from the French Revolution more than two hundred years ago to the successful fight against apartheid in South Africa and to the Arab Spring going on right now.

To me development is all about promoting the rights of the world's poorest people. And we must see the civil, political, cultural, economic and social rights as individual, indivisible and interdependent as agreed upon in Vienna in 1993. This is also how poor people see it. The Arab spring was about freedom of expression but it was also about bread and jobs. Less than a week ago I was in Bolivia talking to a group of indigenous farmers in the middle of a quinoa field in the highlands. When I asked whether it was the men or the women who did most of the work a woman, Modesta, spoke out angrily and said it was "the women because they also took care of the kids and made the food". I tried to comfort here and said that we came to fight for the rights of women. The reply came promptly: "Thank you, then I would like a modern kitchen sink so it is easier to wash the dishes". For poor people human rights can be something very concrete.

A rights-based development strategy is about placing people at the center of our development partnership. Not as passive recipients, but as central actors in charge of their own development. I am quite modest about what we can achieve from outside, but increasingly optimistic about what people can achieve themselves from inside. We can facilitate, inspire, assist, cooperate. And we can promote peoples' rights to have a say in their own lives, choose



their governments in free and fair elections, participate in decision making, access information and hold their governments – and us – accountable.

A rights based approach leads us to focus not only on basic rights but also on the very structures and societies that keep people in poverty. And without doing so our development work will indeed become a Sisyphean attempt to move the stone up the hill, to move people out of poverty, only to see them fall back again.

A human rights approach also moves us from development being an issue of charity, speaking of ‘donors’ and ‘recipients’, to a global and mutual partnership based on the core human rights that almost all countries have signed on to.

This strong common platform should also be reflected in the way we build our future global financing schemes. I expect that we will see an increasing tendency towards global financing facilities with a more balanced representation from rich and poor countries and more direct distribution mechanisms. It is happening already. The budget support MDG contracts of the EU or the Millennium Challenge Account of the US have elements that take us along that way. These schemes are closer to a financing contract with mutual obligations than to old-fashioned aid and conditionality. New global funds and mechanisms share similar features.

I expect that in the future we will see strengthened international mechanisms with more formal contributions and allocation based on transparent principles and procedures. These schemes will not be without demand for results. Key prerequisites must be that partner countries show commitment to good governance, to the protection of international human rights, and that they develop accountable and transparent implementation and information systems.

Simultaneously, I expect that in the next fifty years we will see a vast proliferation of new, innovative and more automatic funding sources. And we will see official flows being used in multiple more ways to leverage additional private flows. Multiple new financing models and partnerships.

We will also see multiple private-public partnerships between new actors – civil society, private companies and research institutions. I am deeply encouraged by the strength and ability of civil society to mobilize support and engage in current challenges. I am impressed by the global and social responsibility taken by numerous global companies moving corporate social and environmental responsibility from the Public Relations office in Headquarters into the core of their production and distribution model.

I hope all these trends together can create a significantly increased and

much more predictable international financing framework for sustainable development in the coming decades.

There will be new partners, new models, new approaches. This also means that we must move beyond the endless discussion on historic responsibility. Justice is crucial. Fighting for equity is essential. We should be responsible. But sometimes I fear that the global blame-game builds barriers to the finding of strong common solutions. The world comes as a package with all its problems and progress. I hope Rio+20 will become a new start, where we work together in a truly globalized world, seeking truly common solutions, in multiple new types of partnerships.

This is not to run away from our responsibility in the rich world. Our global responsibility should not be taken lightly. As we say in Denmark the broadest shoulders should carry the heaviest weight. We must do more in the future. But let work together in a global partnership to fulfill the basic human rights of all citizens of the world.

Along this line I also believe that in the long run it will be difficult to maintain a sharp division between climate finance and development finance. Already now, we know it would be a fundamental mistake to see development, adaptation, and mitigation efforts as separate silos in national implementation. Rather they should be seen in synergy, and contribute to a joint strategy towards building inclusive green economies. This is yet another reason to move up the ladder from project support to budget support and allow for strong local ownership and coordination. It is a key reason to call for greater integration of flows within national and accountable systems.

I believe we must increasingly focus on universal access and nation-wide solutions, building universal welfare societies with strong enabling environments for green growth and stronger social safety nets that can keep people out of extreme poverty, even in a time of crisis.

I am impressed and encouraged by countries that develop large national programs in support of renewable energy, sustainable forests or farming, and those countries that ensure free schooling, health insurances or create strong social safety nets – from Bolsa Familia in Brazil and Juancito Pinto in Bolivia to Child Support Grant in South Africa and the National Rural Employment Guarantee Act in India. These types of initiatives will help create lasting solutions in the fight against extreme poverty.

We will soon revise the Millennium Development Goals – hopefully building a new set of Global Sustainability Goals. If you look at the recent progress, if you look at innovative funding mechanisms, climate financing, trade, investments, globalization, I believe that we can, when we set new

goals for the next fifteen years set one important, historic, but realistic goal – namely to eradicate the most extreme poverty before 2030. This would be an achievement of historic and human significance. Indeed Sisyphus will then finally be able to place the stone on the top of the mountain.

So fifty years have passed for Danida. I am sure we will still have a Danida fifty years from now, although, and this is a promise, I will not still be minister. But I know it will be a very different Danida, dealing, hopefully, with a much richer, more sustainable, more equal world.

I hope that the conference today will provide us all with inspiration and new ideas for the Danidas of the World, for the decades ahead and for the fight against poverty.

Thank you.

# Danish EU Presidency Priorities

## Speech by the Danish Minister for European Affairs at the Irish Think-Tank, 'The Institute of International and European Affairs' (IIEA), 10 February 2012

Excellencies, Director General, Ladies and Gentlemen, good morning everyone. I am so pleased for the invitation to present a key note address here at the Institute of International and European Affairs. And a special thank to our host today for inviting me. It's a great honour and a tremendous pleasure for many reasons. One reason is the topic for our discussion today: The future of the European Union, the economic crisis in Europe and what to do about it. That is on everybody's lips right now. It receives front-page coverage week after week, and an endless stream of politicians, business leaders and commentators provide us with their take on the issue around-the-clock.

Ladies and gentlemen, there exists an old proverb saying that a calm sea does not make a skilled sailor. Ireland and Denmark are both proud seafaring nations with many skilled and experienced sailors. And it is no secret that the rocky waters now engulfing Europe in the shape of too much public debt, stagnating economic growth and rising unemployment require extraordinary seamanship. In contrast to a lot of the opinion makers and doomsday prophets in the media, however, I firmly believe that we witnessed an example of extraordinary European seamanship a little more than a week ago at the informal meeting of the European Council. At this meeting, 25 sovereign European countries managed to agree on a legally binding agreement with significant implications for the kind of fiscal policy they will be able to conduct in the future. And they managed to do it in less than two months. That is by any standard a quite remarkable achievement. It would have been unimaginable before the global financial crisis in 2008, and it

would have seemed a bit unrealistic at the end of last year, when the idea of a fiscal compact first began to circulate. Measured against Europe's extremely bloody and turbulent history in the twentieth century with two world wars, endless national conflicts and the Iron Curtain dividing our continent in two halves, it defies belief that most of Europe would be able to come together so quickly in such an important agreement.

During his appearance before Parliament following the European Council, your deputy prime minister and foreign minister, Eamon Gilmore, rightly stressed that the fiscal compact is not an end in itself. It is means to an end. I fully agree with that assessment. The fiscal compact is, however, a necessary instrument to have in our common toolbox. It should be seen as an important part of the EU's wider efforts to combat the debt crisis. Like Ireland, Denmark is a small and open economy. We sell almost 70% of our exports on the European markets. Roughly half a million Danish jobs depend on our exports to EU Member States and the Eurozone -countries alone accounted in 2010 for 38% of all foreign direct investments in Denmark. In other words, like the Irish economy, the Danish economy is very much dependent on having a stable and well-functioning Eurozone. That is the reality. That is also why, the Danish Government attaches immense importance to the on-going efforts in the Eurozone to stabilize the situation by ensuring more budget discipline and paving the way for more structural reform.

With regard to Denmark's national position towards the fiscal compact, I would like to say the following. We will join the agreement to the widest extent possible for a non-Euro country and in full compliance with our own opt-out from the Euro. Our national euro-opt out will continue to stand, until we decide to change it ourselves following a national referendum. Nothing has changed in relation to our opt-out, but our fiscal policy will from now on adhere to the requirements contained in the agreement. That is – I believe – a strong commitment to undertake. It is also a necessary commitment to undertake. As to the requirement spelled out in the agreement not to run annual public deficit of more than 0,5 % of GDP. This is in line with the Danish Government's commitment to fiscal policy that we declared when we assumed office back in October last year. So in that sense, it was not such a monumental step for us, as it might otherwise have been, to agree to the balanced budget-rule in the fiscal compact. But as I said, the fiscal compact should be considered as an important step in the right direction and a necessary instrument in our toolbox. Not as the all-embracing answer to the crisis. That would be unfair as well as naïve. We must acknowledge that the challenges facing Europe today go well beyond

the burning issue of unsustainable levels of public debt in several Member States as well as the special situation and negotiations surrounding Greece. The Eurozone countries conditions to Greece are clear and we now expect Greece to deliver and keep their promises. The challenges are complex and multi-dimensional. There will be no quick fix and there will be no short cuts. As a consequence – ladies and gentlemen – the Danish Government has put forward a program for the Danish EU Presidency that contains a long list measures and pieces of legislation that we hope to get adopted within numerous policy areas. We have chosen to bundle all these items around four key priorities, which are firstly: A responsible Europe. Secondly: A dynamic Europe. Thirdly: A green Europe, and fourthly: A safe Europe.

With regard to the first priority – a responsible Europe, it is clear that we need to re-establish order and stability in the European economies. Despite Denmark being outside the Eurozone, we will work hard on this agenda everywhere we can – in the ECOFIN and the Councils dealing with the growth agenda. We need to create results in order to rebuild trust in the EU. We also want to be a bridge between the Eurozone and member states outside.

The EU needs to respond effectively and convincingly to the immediate threat posed by unsustainable debt levels in some European economies. This requires a political willingness to implement and comply with the new rules on economic governance that are part of the European Semester. Rules that will be implemented for the first time during the Danish Presidency. Another priority will be to ensure effective implementation of reforms of financial regulation to ensure a sound banking system and to minimize the risk of future crisis. We will work on the Commission's proposed revision of capital and liquidity requirements for credit institutions [CRD IV] where we hope to reach an agreement with both the Council and the Parliament. We will also give priority to take forward work on the revised Regulation on Credit Rating Agencies [CRA III] and on crisis management in the financial sector. Finally, work will be carried forward on the rules regarding markets in financial investments [MiFID] and on the rules governing market abuse [MAR].

The Multiannual Financial Framework – that is the EU budget for the period 2014-2020 – will be high on our agenda. It is crucial that a new budget will channel more funds to growth-enhancing areas like research, education and green technologies. During the first months of our Presidency, we will focus on clarifying a number of technical budget aspects and as we move along, we will gradually move into a more political phase, where we hope to narrow the gap between the different positions of member states. It is not realistic to complete the negotiations during the Danish Presidency

but hopefully, we will be able to provide the European Council with a good basis to finalize negotiations including on numbers before the end of 2012.

Currently governments all around Europe struggle to make ends meet in their national budgets. Our European budget will also need to reflect that we live in a time where financial responsibility is and needs to be at the top of the agenda. But putting together a multiannual budget for Europe should not and cannot only be a question of cutting costs. We need to create growth and jobs in Europe and that aspiration needs to be fully reflected in our EU budget. Financial responsibility and creating growth and jobs must go hand in hand.

The second priority for the Danish Presidency – to return Europe to an economic growth path – is very much about promoting the further development of the Single Market. 2012 marks the twenty-year anniversary of the Single Market and it has proved to be one of the greatest achievements in the history of the EU. But there is still a large unused potential in the Single Market. The goal of the Danish Presidency is to contribute to further developing and modernizing of the Single market through twelve concrete initiatives aimed at improving the business climate in Europe. This will include focus on modernizing European accounting rules and better access for companies to venture capital as well as more simple and flexible rules regarding public procurement. It also includes better online security for consumers and lower roaming charges, when people use their cell phones abroad. Another key part of a modernized Single Market will be an efficient and user-friendly EU Patent System. Such a system will allow businesses across Europe to avoid having to submit applications with 27 different national patent authorities in order to acquire an EU wide patent protection. Hopefully, European companies will soon be able to submit just one application to a European Patent Office.

As our third priority, we want Europe to adopt a much more ambitious approach to green and sustainable growth. While we engage in urgent crisis management, the European economies must be sustainable in the long run. In recent years, the EU has taken the lead globally on the green agenda by developing a comprehensive energy and climate policy. The time has come to speed up Europe's transition to a greener and more sustainable economy and the way to do that is by creating economic growth without increasing our consumption of natural resources and fossil fuels. Another way is to put these issues at the agenda when negotiating the reforms of the common agricultural and fisheries policies. But we must also be realistic and we are well aware that this will not happen by itself. We need to work hard and agree

on new initiatives, if we are to maintain our comparative advantage to other regions in the world. Otherwise, we risk that knowledge-intensive jobs and high-tech research capabilities begin moving to other countries that possess a clear understanding of how to invest in the transition to a green economy.

As in business or in sports, there can be times, when playing defense is not really an option, if you want to safeguard your position and achieve a positive outcome. I firmly believe that Europe finds itself at such a moment in time today in relation to the green agenda. If Europe is to thrive in a new world order characterized by the rise of non-European giants like China, India and Brazil as well as by increasing international competition to get hold of scarce natural resources, Europe needs to dramatically upscale its research and investments in green technologies, renewable energy and energy efficiency. This is not just about achieving some favorable strategic goal thirty years from now. It is just as much about creating new knowledge-based jobs in Europe in the short term. New jobs that will appear as spin-off and as short-term economic gains from embarking on a green growth path.

European leaders must make it highly likely that tomorrow's technological advances within solar power or nanotechnology are fostered by Europeans. We should make it highly likely that the next generation of windmills is conceived by European engineers and that the fourth generation of biofuels is developed by European scientists. The Danish Presidency will work hard to promote the green agenda, but we will do it in a consensus-seeking, result-oriented and inclusive way. Needless to say, we will also put a lot of effort into the negotiations on the energy efficiency directive and on the follow-up to the EU's climate road map. Finally, we will work for a strong European voice at the Rio+20 UN Conference on Sustainable Development.

Our fourth priority is a safer Europe. You remember that the first months of the Arab Spring caused a large number of North-African people to head towards Europe in search of shelter. This refugee pressure and our on-going problems with illegal immigration in Europe underline the need to finalize the EU's common European asylum system in order to ensure an appropriate reception and treatment of people turning up at our door step. The Danish Presidency will push hard to promote a well-functioning European asylum system and a stronger Schengen cooperation.

Ladies and gentlemen, if some of you might be wondering, why I spend so much time on various EU-measures that we hope to get adopted during the Danish EU Presidency, instead of focusing on the current crisis in Greece, my reasons for this are twofold. First of all, I believe that the crisis facing us today is not just an economic crisis. It is also a crisis of confidence



in the European project as such. A crisis of confidence in which an increasing number of Europeans cannot see the link between their daily life and the business that goes on in Brussels. In the newspapers and in the evening news programs, they watch their elected leaders jump in and out of black limousines in front of the entrance to the EU Council building, while the austerity programs now under way in many member states are causing them severe hardship. Millions of Europeans are losing their jobs, getting their monthly pay check reduced or seeing their welfare benefits disappear, while the politicians keep on talking at a seemingly endless stream of EU-meetings. Unfortunately, that is a widespread perception of the EU in many member states today. Needless to say, such a perception has a negative bearing on people's general view of the European project.

It is my firm belief that the best way to counter this public perception is for the European Union to achieve concrete results that deliver tangible benefits to the daily life of Europe's citizens. It is by improving and expanding the Single Market into the digital age that the EU can deliver such results. It is by channelling more EU funds to potential growth engines like research and education that the EU can deliver such results. And it is by strengthening budget discipline and helping member states to implement structural reforms that it can deliver such results. It is through concrete actions and tangible results that the European project will become able to claw back its public support in the 27 member states. In addition, I warmly welcome of course the EU citizens' initiative that will come into effect on April first and that will allow one million EU-citizens to ask the Commission to present a proposal. This initiative is an important step in the right direction.

My second reason for highlighting the many political priorities besides the debt crisis is the fact that Europe cannot afford to mono-task. We cannot afford to forget about the other, serious challenges facing us like climate change, the fight against terrorism, our strategic relations with giants like China, India and Brazil or the multiple threats posed by fragile states on the other side of the Mediterranean. In other words, we must be able to multi-task. We must be able to perform urgent crisis management on the debt crisis while we deal with the other challenges as well.

Ladies and gentlemen,

The Danish EU Presidency is mindful of the responsibility placed on our shoulders at this crucial time for Europe and the European Union. We have prepared well, and we have a good sense of what it takes to conduct a successful EU Presidency from previous experience. Together with Ireland

and the other member states, we will do everything in our power to steady our common European ship in these difficult times. The task for all of us today – ladies and gentlemen, as member states, as governments and as single individuals, is to get Europe back on track so that growth and job creation can fill the headlines for the future.

Thank you.

## International Trade Policies and Green Growth

Speech by the Danish Minister for Trade and Investment,  
Pia Olsen Dyhr, at the Brookings Institution, 26 April 2012

Good morning everyone!

Ladies and Gentlemen. Let me start by thanking the Brookings Institution for the invitation to speak here today. It is a privilege to be invited to one of the world's most prominent think tanks.

The Brookings Institution has a stated mission to provide innovative and practical recommendations, which will secure a more safe, prosperous and cooperative international system.

The initiative to host a series of public seminars on Green Trade shows that Brookings is indeed on track with this mission.

My main theme today is how we can tailor trade policies to support our objective of combating climate change.

We need to work smartly and through all international mechanisms, if we are to achieve a cleaner, safer and more prosperous world community.

Today, I would like to present a few suggestions. I am equally interested in the views and considerations of my fellow panellists – and of the participants in the audience.

In view of the upcoming Rio+20 Summit, our discussion today is well-timed. Preparations for Rio+20 are proceeding fast.

Green Growth is an issue at the heart of my own political agenda – both when I wear the hat of Denmark's Minister for Trade and Investment and as a representative of the current Danish EU Presidency.

It is a priority for me during the Presidency to put green trade liberalization firmly back on the EU trade agenda. Also, it is an issue where transat-

lantic cooperation is immensely important.

In December, I participated at the 8th WTO ministerial conference in Geneva. My impression was clearly – but unfortunately – that a conclusion of the Doha Round is not possible in the immediate future.

The same difficulties in achieving progress in the Doha round as a whole, have also been evident in the dynamics of the negotiations on environmental goods and services at the WTO.

The impasse of the Doha round has forced us to look for new approaches to further trade liberalization at a time, when crises around the world make it tempting to turn to protectionism. And so for green trade, we must also look for new approaches.

But let me first stress that I am not giving up on the WTO as an institution.

We have to move forward on our goal of reaching a multilateral agreement. We must not let our disappointment over the fate of Doha affect our support for our first priority: A strong and rules-based multilateral trading system, which also benefits the developing countries.

Green trade liberalization contains two paradoxes. First, while almost all governments agree that trade liberalization in the area of green goods and services is a good thing, almost all governments to some extent distort free trade in green products through subsidies, tariffs or non-tariff barriers such as local content rules.

Second, while almost all governments agree that the challenge of climate change is increasingly important, progress in multilateral negotiations to address the issue is very limited.

I am committed to look past these paradoxes and to promoting Green Trade liberalization, because I see no real alternative:

If we are to combat climate change effectively, the global society must find a constructive way forward in green trade liberalization.

One should not be naive about the possibilities: Behind the paradoxes are economic and industrial interests among the world's biggest economic players.

A fierce competition is going on to become world leader in sustainable production. What some has called the 'race to the top' – shaping the energy framework to a world much less depended on fossil fuels – has already begun.

On the other hand, it is worthwhile to recall the words of President Franklin D. Roosevelt, who once said:

“Competition has been shown to be useful up to a certain point and no

further, but cooperation, which is the thing we must strive for today, begins where competition leaves off.”

These clever words have stood the test of history. The global community does need to look past competition and strive for cooperation.

The window of opportunity has come, and it is too important to be missed. It is in the interest of every nation to do so.

The key question is: How do we promote international cooperation in green trade in practice? I do not yet have the full answer to this question, but I have two suggestions as to where we start:

First, green trade liberalization should be high on the agenda for all governments, including in bilateral Free Trade negotiations.

Second, possibilities for new approaches at the WTO should be examined with an open mind.

On my first point, Green Growth is an overall priority of the Danish EU Presidency.

In the area of trade policy, it is my ambition to put green trade firmly on the EU agenda again.

When EU trade ministers met in March this year, the European Commission was asked to prepare an options paper for our next meeting, which will take place on 31 May.

On this basis, EU trade ministers will discuss possible ways forward in green trade – including with the US.

The EU must have a strong green component in every Free Trade Agreement made with partners around the world.

In particular with the US such a component could have a significant bearing on sustainability and job creation in our two economies.

By putting green trade liberalization high on their agendas, governments will pave the way for green FTA stepping stones – pointing to a later agreement at the multilateral level.

This goes for the EU and the US as well as all other countries.

This leads me to my second point concerning the World Trade Organization: The changing overall political framework conditions in trade policy and the need for fresh approaches at the WTO.

There is now an even stronger push towards bilateral or regional solutions than before the 8th WTO Ministerial Conference in Geneva in December last year.

This is not necessarily bad. However, our efforts to negotiate a multilateral agreement at the WTO should not be given up.

Past experience has shown tremendous challenges with the two paradox-

es, I just mentioned. Still, it is worthwhile to take a fresh look at things in Geneva.

Let me give you one example why: So far, it has been very difficult to engage China in negotiations about green trade liberalization.

China has viewed the issue as domestic industrial policy – not trade.

However, this view is slowly changing: Partly, because China is increasingly exporting green goods like wind mills and solar panels and therefore has increasing interests in green trade. And partly, because China too needs international cooperation in order to combat environmental challenges nationally.

And yes, I am fully aware that some are questioning, whether Chinese exports in green products is truly reflecting market-based prices.

Let us not forget that what was not possible to discuss at the WTO six months ago, is now being discussed – heeding the call from the 8th WTO Ministerial Conference for new and innovative negotiation approaches to be explored.

The most obvious example is of course the recent US initiative on a services plurilateral agreement.

I fully share the hope of Mark Linscott, the Assistant US Trade Representative, who – when he spoke here at Brookings on March 20th – pointed to significant prospects for bringing to the table a constructive discussion of trade and environment issues.

As an example of a new approach, let me bring to your attention a specific proposal put forward by the Geneva-based think tank International Center for Trade and Sustainable Development, the ICTSD.

It concerns the ambitious proposal for a Sustainable Energy Trade Agreement – the so-called SETA, put forward in the autumn last year.

SETA is a way to bring trade liberalization in climate friendly goods and services back on the agenda. SETA is a plurilateral approach on green trade liberalization proposing to focus on renewable energy and barriers related to that.

SETA is innovative, and it is a pertinent dossier for politicians to examine further. I support such new thinking, which could help overcome past differences and break new ground.

I am not saying that we necessarily have to call it SETA.

The most important thing is that we agree on a broader framework which is not only for Europeans, but – most importantly – also includes the developing countries.

For those reasons, I have been highlighting the merits of SETA in meet-

ings with colleagues from both developed and developing countries, and I have done so during my talks with the Obama Administration here in Washington.

Ladies and Gentlemen: Time is ripe for examining all options to liberalize trade in environment and climate friendly goods and services.

These options could include a commitment to transparency in – and discussion of – bilateral and regional green initiatives.

I have noted the commitment from the APEC summit last year to cut green tariffs to 5% by 2015 – and to introduce a ban on local content requirements.

Equally interesting ideas are being discussed in the Trans Pacific Partnership.

From an EU perspective it is of vital importance that any such plurilateral initiative is taken in full transparency and with due respect for the non-discrimination clauses enshrined in GATT and GATS.

One key challenge is to get a critical mass of countries offering reciprocal market openings in order for a plurilateral agreement such as SETA to attract enough interest.

The critical mass should include the OECD countries and most of the emerging economies. If emerging economies are not in, there will not be enough to gain for the developing countries.

SETA and other plurilateral options contain the same inherent conflicts as we have seen in the Doha Development Round, where emerging economies are reluctant to move forward in green trade.

We have to make an agreement, where the emerging economies will benefit from green trade liberalization. That is crucial and we cannot afford to shy away from that goal.

Talking about high ambitions, I would like to share with you that Denmark sees the threat of climate change as a real crisis.

We are also convinced that it is more expensive to respond after the crisis hits, rather than preparing for and anticipating the crisis.

Denmark has passed a bill to make us a carbon free society by 2050. We aim to reduce green house gasses by 40 per cent by 2020.

To achieve this goal, the Danish Government supports the wind industry by setting up ambitious goals for wind power in Denmark. We have a vision for a doubling of our power supply from wind in the next eight years from 25 % to 50 %.

Let me finally make a pitch for the importance of deepening the broader transatlantic economic relationship: I am encouraged about the recent talk

on exploring the possibilities of a deep and comprehensive Transatlantic trade agreement.

One reason is – also in this regard – the deadlock we have encountered with the Doha round.

The trade and investment relationship between the EU and the US is by far the strongest and the biggest in the world. We already have a strong foundation.

If the EU and the US could agree to eliminate tariffs and non-tariff barriers, the gain would be huge on both sides of the Atlantic.

Recent studies indicate that it would have a significant impact in terms of growths and jobs – for both sides!

There is now a window of opportunity. Dialogue between negotiators has intensified in the High Level Working Group created last autumn – and progress has been made.

Now is the time to be bold on both sides of the Atlantic: A comprehensive approach should be sufficiently large so that it sparks a truly job-creating outcome.

Strengthening transatlantic cooperation today is one part of a larger exercise, which includes all areas of EU-US trade and investment relations. The green area being one of the most important.

Let me stress that an agreement between the US and the EU should not be a replacement for a broader multilateral trade framework that also includes the developing countries. Rather, I see the launching of US-EU negotiations as an icebreaker for new momentum in the multilateral negotiations.

I look forward to your questions and ideas on how the EU and the US – both business and governments – can work together in promoting this agenda:

Both in view of the larger Transatlantic relationship, and more specifically with regards to the green area, which is so important to confront the rising challenges stemming from Climate Change.

Thank you!



## Investment and Trade Policies and the Danish EU Presidency

### Minister for Trade and Investment Pia Olsen Dyhr's Speech in the European Parliament (INTA) on the Results in Trade Policy during the Danish EU Presidency, 20 June 2012

I told you in January that I welcomed the democratization of trade policy with the Lisbon Treaty, and that I looked forward to working with you. Today, in the last weeks of our Presidency, I am happy to be able to state that our cooperation has indeed been very fruitful and has produced democratically well-grounded results of importance for growth and employment in Europe. And, let me state on a personal account, that I enjoy working with you!

So, I will start off by thanking you for the good cooperation across the board. Particularly, I would like to emphasize the important results that we have reached together in two important legislative files – the so-called 'Grandfathering' regulation – and the GSP-regulation. Promise I will pass these good experiences in cooperating with the European Parliament on to my Cypriot colleagues, who will take over the Presidency after us.

The political agreement reached some weeks ago between the Parliament, the Council, and the Commission concerning both regulations is a practical demonstration of the intentions of the Lisbon Treaty in introducing co-legislation for trade policy. Through cooperation, dialogue and mutual flexibility we created a very good result together.

I am very satisfied that the compromise which was achieved with the Grandfathering regulation fully recognizes the new institutional reality after the Lisbon treaty. For both business and governments, this step is important in providing predictability and legal certainty as a base for trade and investment. I would like to thank the INTA Committee and especially your nego-

tiating team under the leadership of professor Moreira for the cooperation.

EU's GSP scheme plays an important role as the EU's primary unilateral trade instrument to support developing countries. Very positive that broad support from the European Parliament was achieved in the vote at last week's Plenary session on the compromise agreement reached between INTA and the Presidency.

Especially, thanks to INTA GSP-rapporteur Fjellner, the shadow rapporteurs and the Commission for the constructive and efficient cooperation with Presidency on this important file. It has been highly appreciated!

Our cooperation is vital – not the least when it comes to establishing EUs offensive responses to the global economic crisis in order to create growth and jobs. Current forecasts predict zero growth in the EU during 2012. However, this is only because of a net positive contribution of external trade of 0.7 per cent GDP growth.

The contribution from our internal EU demand is expected to be weak or negative. Therefore: Europe would be in recession without the positive contribution from external demand and foreign trade.

The Commission estimates that by 2015, 90 % of global economic growth will take place outside the European Union. Current EU trade negotiations could deliver an increase of more than two per cent of GDP or EUR 275 billion, adding more than two million jobs in the EU.

The Danish Presidency has worked to ensure that when Europe's political leaders are expected to discuss growth and jobs in Europe at the EU summit on the 29th of June, trade will be an important part of that theme. This is very positive because it underlines that EU trade policy is an important part of the solution to the challenges facing Europe today. And it reflects very well the signals given by the Council on the 31st of May. I expect that trade will be a part of the consideration of the European Council. And I expect to see a sizable paragraph on European trade in the conclusions from the European Council.

During the Danish Presidency, there has been progress across the board in the EU's bilateral trade negotiations. It has been an important priority for us to prepare negotiations of a free trade agreement between the EU and Japan. The Commission and the Japanese government have done a great job to formally close the scoping exercise.

The next step is now the Commission's presentation of draft negotiating directives to the Council. This is a great achievement. I am fully aware of the sensitivities surrounding these negotiations. But I would like to emphasize that the preparatory work done in cooperation with Japan is the most thorough and ambitious ever done in preparation of free trade negotiations.

Japan has committed fully to this process. Soon, we must make up our minds and say yes or no to go down this road with the third biggest economy in the world. So, I think there is good reason to be optimistic without – however – in any way losing sight of the fact that this will be a tough negotiation.

I know that within the European Parliament there is a great interest in this file. While respecting the Lisbon treaty provisions on the prerogative of the Council to grant negotiating directives to the Commission, I can assure you that there is an interest in Council in listening to the views of the European Parliament.

When committed to growth and jobs in Europe it was clear from the outset that we should as Presidency make it a priority to get better market access to the most important strategic and economic partners, including the BRIC countries, whose markets are increasingly vital for European exports.

On India, we have seen some progress in the on-going negotiations of a FTA. I would have liked to be in a position to say that we are now in the very final end game. This is not the case. There are still a number of difficult issues to sort out. We hope for substantial progress during autumn. But unfortunately, we seem less likely to be able to finalize talks by the end of this year.

Russia's membership of the WTO is an important step forward. Russian ratification is expected very soon. It will give a boost to the Russian economy and provide new opportunities for our exporters – and also for Russian exporters. We hope that Russia will soon be ready to take the next step and engage in negotiations for a New Agreement with a trade chapter that goes further than the WTO commitments. The EU is ready to expand economic cooperation with Russia.

Brazil is also an important partner. Unfortunately, there has not been significant movement in the EU-Mercosur FTA talks, which holds great trade potential. The development in some Mercosur countries does not bode well for these negotiations. We should hold our hopes high and remain firm on our approach, insisting on free trade and the roll-back of protectionist measures. We look forward to the next exchange of offers.

Finally, there was a principal agreement at the last EU/China summit to negotiate a bilateral investment agreement, including market access. It is evident that we would stand much stronger in defending our investors' interests, if the EU is united. Since there is now clarity on the post Lisbon rules for EU investment treaties, we can give high priority to this file. We expect that negotiations could be launched during the second half of 2012.

Also the Transatlantic economic relations have been very high on our agenda during the Presidency. Good contacts with the US administra-

tion have been established in the High Level Working Group on Jobs and Growth. Progress is well on its way with the interim report due by the end of this month and the final report by the end of 2012.

There is a considerable engagement on both sides to explore how far we can take this process. This could lead to the biggest ever FTA negotiation. But if such a negotiation is opened, we should have reasonable reassurance that it can be successful within a reasonable time frame. Furthermore, it would be a precondition that such a negotiation should strengthen rather than weaken the WTO and the multilateral trading system.

Additionally, on the bilateral agenda, I would briefly touch upon the Deep and Comprehensive Free Trade Agreements – the DCFTAs – with EU's neighbors, which are, as the name implies, going further on approximation to the EU rules and regulations than the other FTAs: With Ukraine work has been completed on an Association Agreement, including a DCFTA.

It is disappointing that political developments in Ukraine are going in the wrong direction, making it very difficult for the EU to sign this agreement, unless the Ukraine makes serious efforts to return to the path towards European values.

Fortunately, the negotiations on the DCFTAs are moving forward with Georgia, Moldova and Armenia. It is an important part of our Neighbourhood Policy to bring these negotiations to a successful conclusion and allow the three countries to integrate into the EU market.

Concerning the Southern neighbours, the scoping exercises with Morocco, Tunisia, Egypt and Jordan are still on-going. They should be concluded as soon as possible, allowing for negotiations to be launched. DCFTAs will be very important to advance the important reform process in the area.

Further, I am very happy to note that negotiations with Canada and Singapore have progressed to near conclusion during our term. And that a decision has been taken by the Council to launch negotiations with an important partner such as Vietnam in recent weeks.

Finally, in Council we agreed to sign the EU Colombia/Peru FTA and expect the decision to sign the EU-Central America association agreement later this month. Let me commend you on your scrutinizing of the EU-Colombia Peru FTA ahead of your decision regarding consent. We share the concerns about the human rights situation in the country.

I have read your resolution with interest. In my view it reflects a good balance between concern on the one hand and acknowledgement of progress on the other. The EU should certainly express its concern through a policy of engagement, dialogue and scrutiny. And the free trade agreement with its

provisions on human rights and sustainable development is a central element in this regard.

Another example where we encounter questions about the relationship between trade policy and general political issues and human rights is the pending textile protocol with Uzbekistan.

Parliament has submitted an interim report on this protocol and made a good argument concerning child labour in Uzbekistan. Council agrees on the objective of fighting child labor and urges Uzbekistan to accept an investigative ILO mission. The objective is real progress on the ground.

A word on the Pakistan Waiver:

The context is – as you know – that many Pakistanis are still suffering as a result of the devastating floods and subsequent natural disasters.

The European Council has made a commitment to Pakistan. The Commission has tabled a proposal. Last week the Council presented a compromise in the first trilogue where the Parliament then presented some issues, which I believe we can find a pragmatic solution to so that we can reach agreement very soon. It is indeed a priority for the Council to close this file.

Returning to our efforts at creating growth and jobs: Open markets and competition are also crucial factors in this respect. The newly presented proposal on the access of third-country goods and services to EU's public procurement markets addresses the lack of openness of some of our trading partners. We have initiated an important process by starting the discussions of this proposal during our Presidency.

Let me add a short word on Origin Marking, for which you know the proposal has been around for quite some time: There has been a dead-lock in the Council since the original proposal of the Commission in 2005. However, the Parliament's overwhelming support for a regulation did make us renew the discussion in Council, where a majority of Member States expressed a willingness to look constructively at a new Commission proposal for rules for voluntary origin marking. However, the European Commission has not finalized any such proposal yet.

On ACTA: As you recall the Commission has asked the European Court of Justice for an opinion on ACTA's accordance with EU's fundamental rights. The Council shares the Commission's assessment that it will be useful with an opinion by the European Court of Justice on ACTA's accordance with EU's fundamental rights.

In the present economic climate and protectionism on the rise, the WTO and the Doha Development Agenda are extremely important to the world economy. The WTO remains the principal top priority for the EU's trade policy.

During the Danish EU Presidency, the EU has actively contributed with new and credible approaches to the deadlocked negotiations in Geneva and to strengthen the multilateral trading system in line with the conclusions from the ministerial conference in December. This has been no easy task, as WTO members still differ widely in their views on ways forward.

The EU's approach has been based on key factors like inclusiveness, transparency, and multilateralism. Focus has been dedicated to areas, where results could be within reach, such as LDC accession guidelines and trade facilitation.

Let me emphasize that trade facilitation would be a potentially very important early harvest of the Doha Development Agenda, which would give benefits to all WTO members. The EU has also been open to discuss other initiatives like the plurilateral initiative on services.

In addition to our focus on growth and jobs in Europe, trade and development has also been among the highest priorities during the Danish Presidency. EU is one of the most important partners for many developing countries. We should ensure that EU's trade and development policies are mutually enforcing and complement each other.

In addition to our focus on reaching an agreement on a new GSP regulation, we adopted Council Conclusions on the Commission's new Communication on trade and development.

It was the first communication on trade and development in some ten years. And our conclusions were the first to be adopted at a Trade Ministers Council meeting after the entry into force of the Lisbon Treaty. The Communication reconfirms the EU's important role within trade and development and adapts the strategy to the new global economic landscape by mainly focusing on the poorest and most vulnerable countries.

Finally, during the Danish EU Presidency, we have put green trade liberalization back on the table for the first time since the run-up to the climate summit in Copenhagen in December 2009.

At the request of the EU Ministers at the first Foreign Affairs Council on Trade during the Danish EU Presidency on the 16th of March 2011, the Commission presented four directions for concrete action at the second Trade Council meeting on the 31st of May: Multilateral, plurilateral, bilateral and enforcement.

While Ministers agreed that all four directions should be pursued, I would stress here today that one of the most interesting ideas on the table is the plurilateral solution. The innovative think tank International Centre for Trade and Sustainable Development in Geneva has proposed a plurilateral

agreement called the Sustainable Energy Trade Agreement, or SETA.

I agree that this initiative is worth exploring. Also recent developments in APEC confirm that there could be a momentum for promoting green trade liberalization in a plurilateral framework.

Of course, we know that we face a tough challenge in securing backing from a critical mass of world trade to avoid free riders to such an agreement – the very same hurdles that have been facing the multilateral negotiations in Geneva.

It has been a pleasure to carry out ‘Europe at hard work’ on all these important files during the Presidency in close cooperation with you and with the Commission.

It seems to be over all too soon.

However, I am confident that our Cypriot colleagues will do very well, also in your good company.

Thank you!

# Climate

## National Statement at COP18 from Martin Lidegaard, Danish Minister for Climate, Energy and Building, 5 December 2012

This summer I flew over the ice sheet with my Greenlandic colleague. Stunned by the beauty and grandeur of the sweating glaciers and blinding whiteness of the ice cap. We were headed for the monitoring station measuring the melting ice.

But when we arrived confusion broke out. There was nothing there – no monitoring station – nothing.

Standing there the truth became terribly clear to us.

The monitoring station had dropped to the ground because the ice plates keeping it upright had shrunk. In fact more than six meters in just one season.

What does that tell us?

It tells us, that we're heading in the wrong direction. And we're moving fast. More specifically we are headed towards a 3-4 degree rise in global temperatures. This will not only impact the lives of our grand children. It will affect us and our children as well.

Indeed: Each day brings further evidence that the way we use energy and misuse the planets resources erodes our economies and threatens our planet.



By 2030 this planet will need 30% more water, 45% more energy and 50% more food.

We are creating not just an environmental time-bomb, but also a very serious threat to the global economy.

What we need is new policies for energy, food and land use. Policies based on efficiency, renewables and green tech that will sustain economic growth, create jobs and curb climate change.

So how do we go about that?

Well, first of all we begin at home.

We start by involving our local communities, our businesses and our neighboring countries in the effort to build a low carbon economy.

We work to capture opportunities right in front of us such as enhanced energy efficiency and fossil fuels subsidies reform.

In Denmark we plan to limit our CO<sub>2</sub> emissions by 40 % in 2020 compared to 1990-levels.

In Greenland 70 % of the national electricity supply now comes from renewable energy.

Throughout the years, we have shown that investing in renewables and energy efficiency goes hand in hand with economic growth.

And that brings me to my second point:

That we must not forget climate finance.

Today, I am pleased to announce that in 2013 Denmark will upscale its climate finance for developing countries compared to the fast start period amounting to 500 mio. DKK or close to 100 mio.USD.

I strongly encourage other developed countries to do the same.

To take responsibility and make firm commitments here in Doha.

Developed countries must strive to scale up climate finance towards 2020 – and we must mobilize private finance, which will be a cornerstone in this endeavor.

At the same time, climate finance must be met by corresponding and transparent mitigation actions, including NAMAs.

In that respect my government – and I personally – sincerely appreciate the constructive dialogue and collaboration we have with progressive developing countries.

It is of paramount importance that we close the emissions gap and ensure that global emissions peak at the latest in 2020.

To this end, the mandated review of our mitigation efforts is essential.

The review is our check against science. It should be carried out in a focused and well structured manner – and finalized in 2014 – well before COP21 – to inform us on progress made.

We welcome Secretary General Ban Ki-Moon's plan to engage Heads of State and Government in the negotiations going forward – and highly appreciate the Secretary General's leadership in this process.

Returning to my point of departure:

The changes in the Arctic are both evidence of what once was and what is yet to come.

But even if the Arctic population are walking barometers of climate change, the Arctic isn't the only place where climate change is rapidly altering living conditions.

That's why our efforts must be stern, steady and steadfast.

And that's my final point:

That The UNFCCC is the only global framework we have – and as such an important platform for change.

But we must begin at home, keeping our own responsibility in mind, our thoughts clear and our hearts open.

Thank you.

## The Environment and the Danish EU Presidency

Speech by the Danish Minister for the Environment, Ida Auken, at the OECD's Meeting of the Environment Policy Committee, 'Making Green Growth Deliver', 29 March 2012

Thank you for the opportunity to speak here today.

Since this is my first time in this forum, I would also like to thank OECD and EPOC for the work that has been done so far on the concepts and mechanisms of green growth and for assisting in putting it on the global agenda.

In my mind this is the way forward!

During the last forty years or so, we have moved from a situation of trying to achieve environmental policy objectives by struggling against the economic forces – doing repairs, restoration and damage control, to a situation where we realize that environmental policy objectives can only be achieved if environmental performance and resource efficiency is integrated into growth and development.

### Taking Stock

The evaluation of the OECD strategy for the 1st decade of the 21st century and the Environmental outlook to 2050 shows that we need not only to change gear – but to change lane, to make a transition.

Obviously, business as usual will not do. We have not been able to safeguard our ecosystems, to stop the loss of biodiversity nor to protect our vital resources for future life.

And we have not decoupled environmental pressure from economic growth at any sufficient scale.

## Looking Forward

The good news is that we have learnt a thing or two during these forty years; not only about the state of the environment but about sound policies, about how we can transform our economies.

We know a lot about synergies, deficiencies, the do's and don'ts.

And we need to act now. Especially because we have an economic crisis. We need to grab it as an opportunity to redefine and reshape the growth that we want and that we need.

So now, more than ever, we need to harness and scale up the many examples of policies and instruments that work and to engage with all sectors to implement a green transition.

## Policies that Work – Some Danish Experiences

My point here will be that it is not only words – but that it can actually work.

In my country, we have managed in some areas to achieve a greener growth. We have maintained a fair economic growth, and still we have, for example:

reduced water consumption by about 35-40% over the last 20 years,  
reduced landfills to 6 % of waste volumes  
and increased recycling to 70 % of the waste reduced CO<sub>2</sub>-emissions.

## What has Worked?

As you know, we share most of our environmental regulation with the other EU-member states, so apart from some areas with specific national rules, the regulatory platform is the same in the 27 member states.

In some areas, Denmark took the lead, historically speaking, and in some areas we may still do, but largely, the current regulatory framework is now a common foundation in the EU.

This regulatory framework serves a very important role. Firstly in providing industries clear requirements and targets, which in turn gives direction to investments, and secondly in regulating, where the market cannot.

I believe the key to many of our results lies in supplementing this regulatory base with three key interventions aimed at producers as well as consumers:

- A. Regulating resource prices, and making the polluter pay, using taxes and tariffs
- B. Supporting innovation
- C. Enforcement and awareness raising

## **A: Regulating Prices, and Making the Polluter Pay**

In our experience, correcting market failures by adjusting resource prices or taxing pollution creates incentives for industry as well as households, to either invest in more resource-efficient solutions or to change to less polluting behaviour or technologies.

I believe that we are a leader in the OECD in the application of environmental taxes. The instruments are used on fossil fuels, on car purchase and use, CO<sub>2</sub> emissions, plastic bags, SO<sub>2</sub> emissions, packaging materials, pesticide use, to name a few.

Besides that, user tariffs are used, primarily in the water and waste sector, but also elsewhere. These charges are set so as to fully cover costs of maintaining the infrastructure needed.

## **B: Supporting Innovation**

But we do not just tax 'bads', we also support R&D in greener alternatives. Using Public/Private Partnerships, among other things. As a result of the policy mix.

We now have a vibrant clean tech sector has developed that now represents 3.5 % of GDP.

## **C: Enforcement**

We put substantial resources into enforcing environmental legislation. But we also try to keep stakeholders informed and involved in all phases of developing regulation.

As a result we believe that generally, the environmental regulation is being upheld.

The combined effect of policy targets, a base set of regulation, a toolbox of economic instruments, and supportive environment for green development, and is that, generally, we have a very good and constructive dialogue, and many specific partnerships with industries in support of green growth objectives.

This policy mix is very similar to what we see in OECD's recommendations on green growth – and for us it has made sense.

## **Action is Still Needed**

But we also still have a number of outstanding issues – loss of biodiversity is one, and a rate of material recycling which I believe is too low is another.

I therefore also agree on the key obstacles and challenges identified in the meeting material, and in the draft message to Council that we have before us.

The conclusion that the costs of inaction are likely to be much higher than the cost of action, is crucial, and we need the attention of heads of state, finance ministers and business to the key obstacles of correcting market failures and getting the prices right, as well as on removing environmentally harmful subsidies.

### **The Way Forward**

In concluding, I believe we stand at an important crossroads.

We can continue trying to do repairs, restoration and damage control.

Or we can build environmental performance and resource-efficiency into the hearts and the engines of economic growth.

I believe that the OECD countries have experience, information and technology that can help to make this happen.

When it comes to the rest of the world, which we will discuss in later sessions, I believe that green growth is an option for everyone.

We cannot afford that it is being perceived as 'environmental imperialism', as a way to cut of market access or hinder free trade; or as a way to force new and more expensive technologies on to those who don't have the means to pay for them.

We need to find a way to ensure that the concepts of green growth and green economy become broadly accepted as means to achieve sustainable development.

Whether we call it green growth or a green economy, the overall aim is an inclusive economic development and growth that is decoupled from environmental pressures and resource consumption.

Thank You!

# Chapter 3

## Danish Foreign Policy in Figures

### Danish Official Development Assistance · 239

Danish ODA

Danish Bilateral ODA (by country category)

### Assistance under the Neighbourhood Programme · 240

Danish Official Development Assistance under the  
Neighbourhood Programme (by country)

### Defence · 241

Defence Expenditures to International Missions

### The EU · 242

Financing of the EU budget

# Danish Official Development Assistance

## Danish Official Development Assistance (ODA) 2009-2012

(Current prices – million DKK)	2009	2010	2011	2012
ODA net disbursement	15,021.90	16,151.00	15,980.17	-

## Danish Bilateral ODA (by country category) 2009-2012

		2009	2010	2011	2012
Least developed countries	Million DKK	4,255.8	4,580.90	4,390.61	-
	Per cent	41.8%	40%	37.2%	-
Low income countries	Million DKK	2,671.3	1,748.90	2,426.55	-
	Per cent	26.2%	15.3%	20.5%	-
Other developing countries	Million DKK	173.0	1,329.70	230.60	-
	Per cent	1.7%	11.6%	2%	-
Other	Million DKK	3,087.4	3,780.40	4,765.37	-
	Per cent	30.3%	33%	40.3%	-
<b>Total</b>	Million DKK	<b>10,187.5</b>	<b>11,439.90</b>	<b>11,813.13</b>	-
	Per cent	<b>100.0%</b>	<b>99.9%</b>	<b>100.0%</b>	-

Source: *Danish Ministry of Foreign Affairs*

Note: *the figures for 2012 were unavailable at the deadline for the present volume.*



## Assistance under the Neighbourhood Programme

Danish Official Development Assistance under the Neighbourhood Programme (by country).<sup>1</sup>

Disbursements 2012:

Recipient Country	DKK	Percentage
Albania	9,000,000	5.9
Belarus	11,800,000	7.7
Bosnia-Herzegovina	1,700,000	1.1
Caucasus, the (Armenia, Azerbaijan, Georgia)	12,000,000	7.8
Central Asia	8,700,000	5.7
Croatia	0,100,000	0.1
Kosovo	28,900,000	18.9
Moldova	22,700,000	14.8
Montenegro	4,400,000	2.9
Neighbourhood countries, regional contributions	14,000,000	9.1
Russia	1,700,000	1.1
Serbia	11,200,000	7.3
Turkey	3,600,000	2.3
Ukraine	23,400,000	15.3
<b>Total</b>	<b>153,200,000</b>	<b>100</b>

Source: *Danish Ministry of Foreign Affairs.*

Note:

- 1 The Department for European Neighborhood also manages limited resources from other sources than the Neighbourhood Programme to the listed countries. These payments are included in the list.

# Defence

## Defence Expenditures to International Missions

(million DKK)	2009	2010	2011	2012	2013
Participation in UN, OSCE, NATO and other multilateral missions <sup>1</sup>	1,362.1	1,393.0	1,265.0	1,766.0	1,365.0
NATO <sup>2</sup>	659,0	674,5	564,3	581,6	683,4
International Security Cooperation/Global stabilisation efforts <sup>3</sup>	92,9	68,7	42,1	51,7	69,2
International expenditures in total	2,114.0	2,136.2	1,871.4	2,399.3	2,117.6

Source: *Danish Ministry of Foreign Affairs.*

### 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 the Defence Command Denmark budget. From 2012 the expenditures include total added cost and are therefore not comparable to the previous years.
- 2 Includes contributions regarding NATO plus expenditures for NATO staff (net). For 2009-2012 account numbers have been used. For 2013 budget numbers have been used.
- 3 From 2012 the Peace and Stabilisation Fund. An additional annual amount of DKK 10 million is earmarked for Peace and Stabilisation Fund under the Ministry of Foreign Affairs.

## EU

## Financing of the EU Budget 2013 (official exchange rate)

	Billion Euro	Percentage
Austria	2,809	2.39 %
Belgium	3,782	3.22 %
Bulgaria	0,390	0.33 %
Cyprus	0,172	0.15 %
Czech Republic	1,431	1.22 %
<b>Denmark</b>	<b>2,450</b>	<b>2.08 %</b>
Estonia	0,164	0.14 %
Finland	1,997	1.70 %
France	20,664	17.57 %
Germany	23,412	19.91 %
Greece	1,906	1.62 %
Hungary	0,960	0.82 %
Ireland	1,248	1.06 %
Italy	15,320	13.03 %
Latvia	0,204	0.17 %
Lithuania	0,312	0.27 %
Luxembourg	0,317	0.27 %
Malta	0,060	0.05 %
Netherlands	4,479	3.81 %
Poland	3,824	3.25 %
Portugal	1,584	1.35 %
Romania	1,335	1.14 %
Slovakia	0,681	0.58 %
Slovenia	0,347	0.30 %
Spain	10,037	8.54 %
Sweden	3,325	2.83 %
United Kingdom	14,378	12.23 %
<b>Total</b>	<b>117,588</b>	<b>100.03 %</b>

Source: *EU-Tidende*

# Chapter 4

## Opinion Polls

The Danish EU Opt-Outs · 244

European Union Citizenship · 247

The Euro Pact · 248

Development Aid · 249

Afghanistan · 251

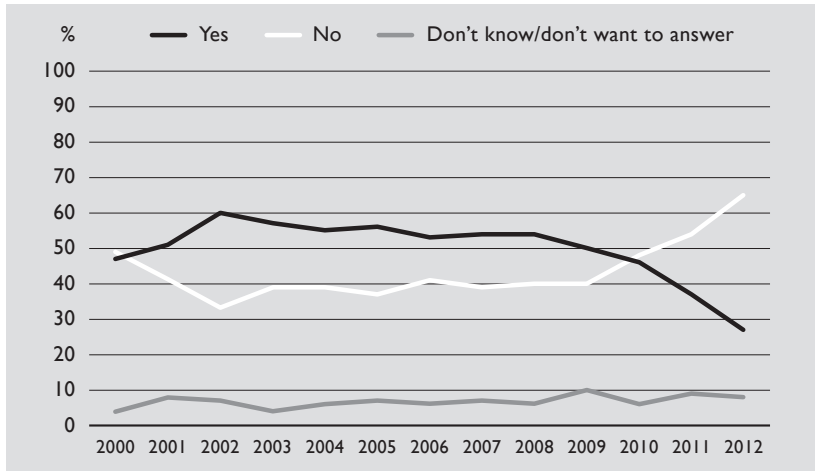
Syria · 252

## The Danish EU Opt-Outs

From 2000-2012 the research institutes Greens Analyseinstitut and Gallup have polled a representative sample of the Danish population concerning their attitudes towards the Danish EU opt-outs.

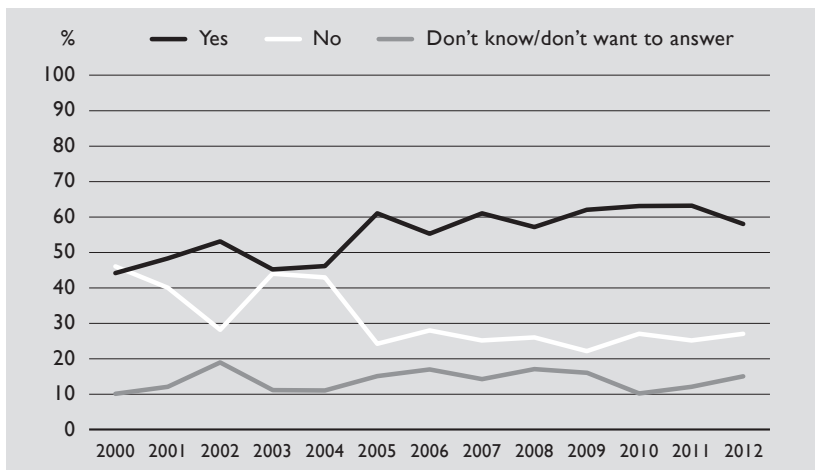
### Question 1:

*How would you vote in a referendum on Danish participation in the Single European Currency?*



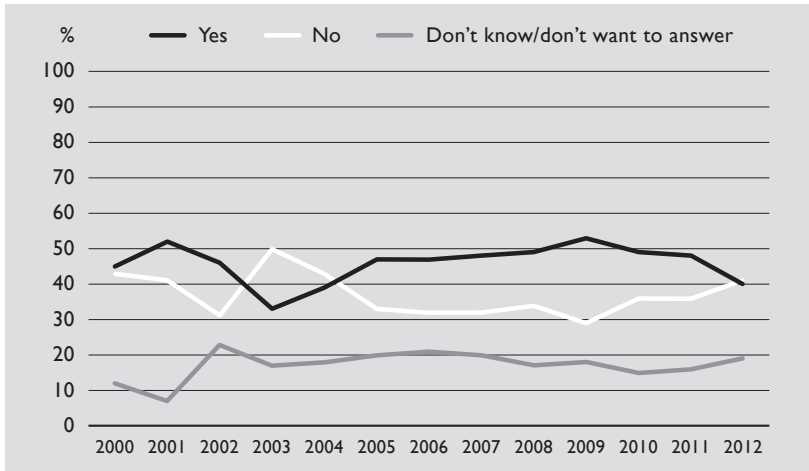
### Question 2:

*How would you vote in a referendum on Danish participation in the Common Defence?*



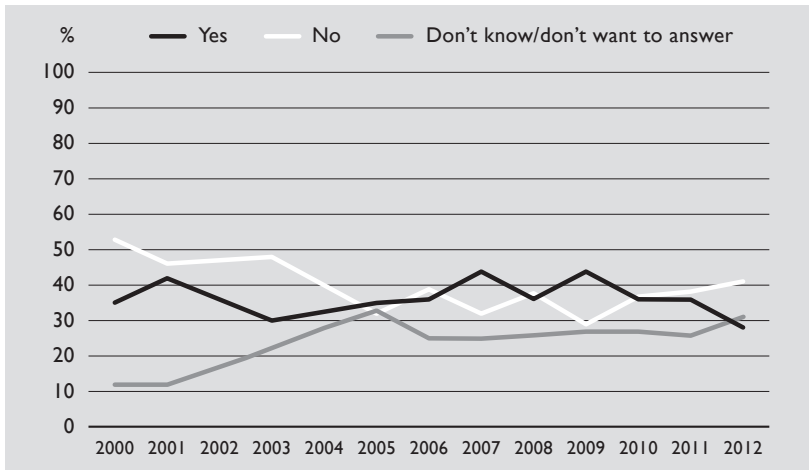
**Question 3:**

*How would you vote in a referendum on Danish participation in the area of Justice and Home Affairs?*



**Question 4:**

*How would you vote in a referendum on Danish participation in the Union Citizenship?*

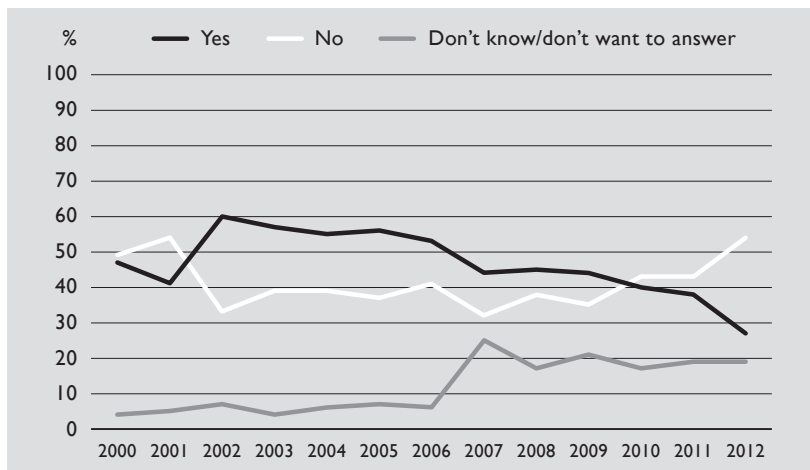


Note:

Polls on the Union Citizenship for 2002 and 2004 could not be found. Therefore, the numbers for 2002 and 2004 are an average of 2001-2003 and 2003-2005.

**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?*

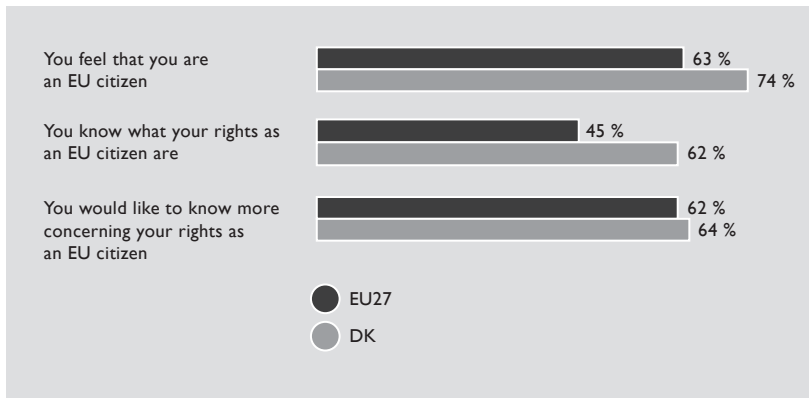


## European Union Citizenship

In November 2012 Eurobarometer polled a representative sample of the Danish Population (1.001 people aged 15 or older) as part of a larger opinion asking a representative sample of the EU27 population (26.622 people aged 15 or older) concerning their attitudes towards Union citizenship.

### Question:

*What are your attitudes towards Union citizenship?*



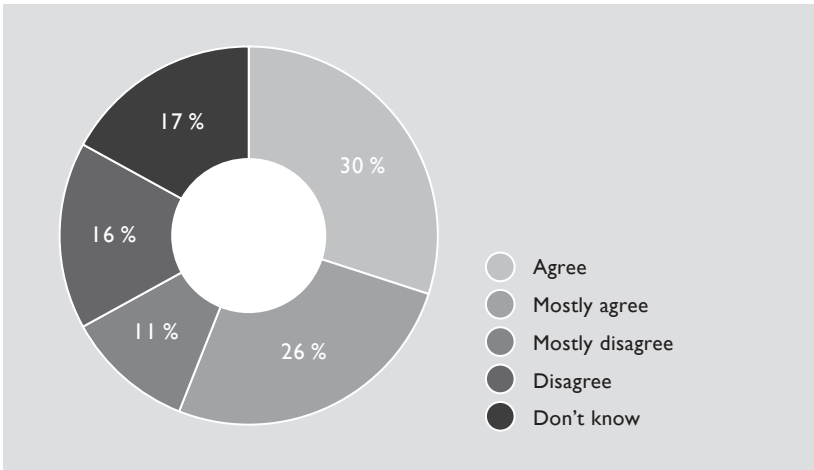


## The Euro Pact

In January 2012 TNS Gallup polled a representative sample of the Danish population (1,089 people aged 18 or older) concerning their attitudes towards the Euro Pact for *Berlingske Tidende*.

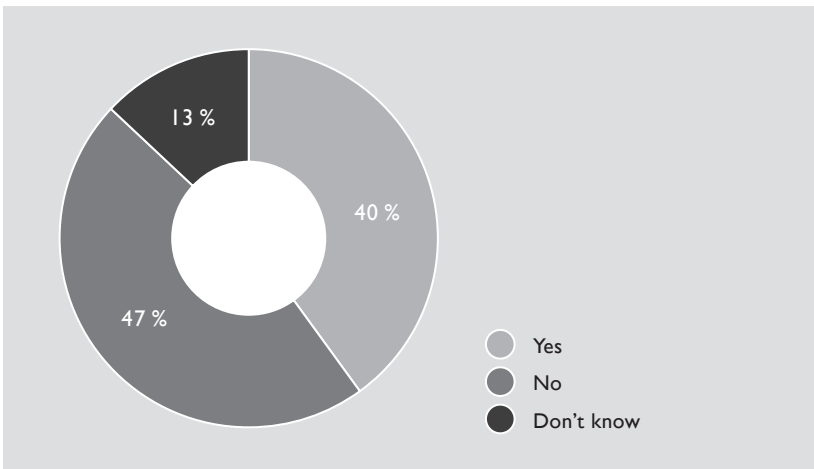
### Question 1:

*Do you agree or disagree with Denmark participating in the euro pact?*



### Question 2:

*Do you think there should be a referendum on Denmark's participation in the euro pact?*

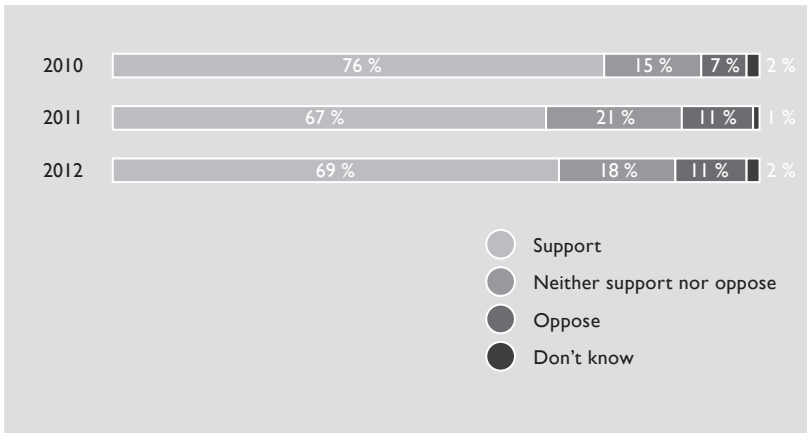


# Development Aid

Epinion publishes an annual report for Danida on the Danish people's knowledge and opinion concerning Denmark's development aid. In 2012 a representative sample of the Danish population (3.586 people aged 18 or older) were asked.

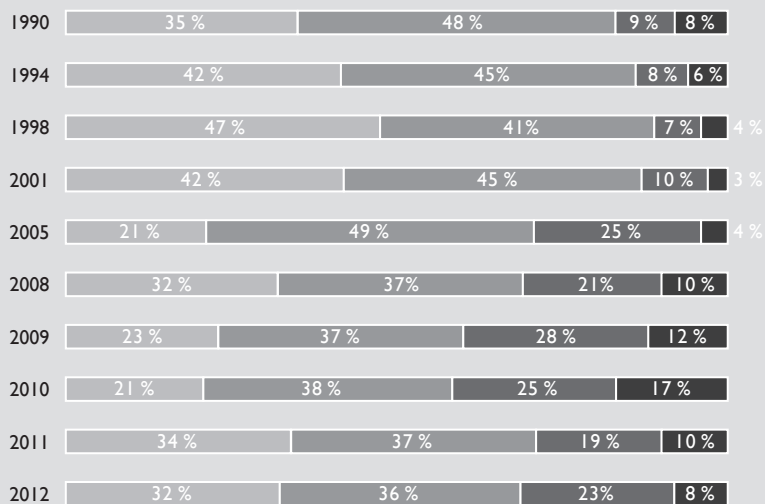
## Question 1:

*Do you support or oppose Denmark giving development aid?*



## Question 2:

*Denmark has been engaged militarily in Afghanistan for ten years and has undertaken reconstruction work. Do you think it has been worth the effort?*



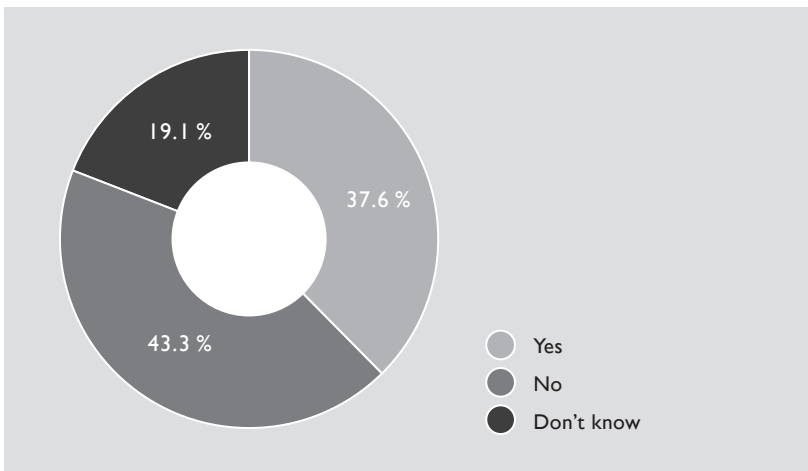
- Too much
- Appropriate
- Too little
- Don't know

## Afghanistan

In February 2012 Rambøll Management/Analyse Danmark polled a representative sample of the Danish population (1,019 people aged 17 or older) concerning their overall attitude towards Denmark's engagement in Afghanistan in the last 10 years. The poll was made for the Danish newspaper *Jyllands-Posten*.

**Question:**

*Denmark has contributed with military presence and reconstruction efforts in Afghanistan for 10 years. Do you think that it has been worth the effort?*

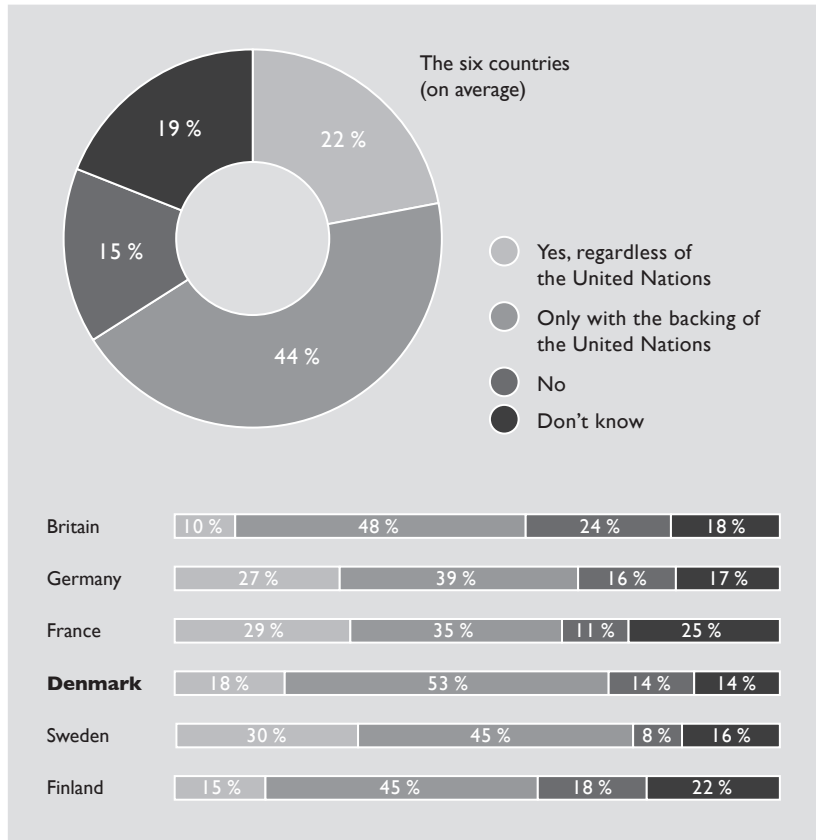


# Syria

In March 2012 YouGov polled a representative sample of adults in Great Britain (1734 people aged 18 or older), Germany (1068 people aged 18 or older), France (3409 people aged 18 or older), Denmark (1010 people aged 18 or older), Sweden (1007 people aged 18 or older) and Finland (1004 people aged 18 or older) concerning their opinion towards taking action Bashar Al-Assad's regime in Syria.

**Question:**

*United Nations action in Syria against Bashar al-Assad's regime has so far been vetoed by China and Russia. Do you think Western countries should take action against the Syrian regime?*



# Chapter 5

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The following bibliography is a limited selection of scholarly books, articles and chapters published in English in 2012 dealing with Danish foreign and transnational policy.

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