

The Struggle for a Civilised Wider European Order Elements for European Security Strategy

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Abstract

Europe's two crises – the Georgia-Russia war of August and the ongoing global financial and economic crisis – point to huge challenges for the organisation and policies of the European Union. The present paper concentrates on the risks that the crises represent for one of the EU's prime objective, to achieve a civilized wider European order. At least the current episodes show that with leadership the EU can act fast in both diplomacy and finance. But the next question is how to follow through, beyond a passing moment of an effective six-month presidency of the EU. This is the subject of the present note, which advocates a comprehensive upgrading of the EU's policies in the wider European area, and contributes ideas for the revision of the European Security Strategy currently being prepared. The aim would be to strengthen EU policies towards South-East Europe, East Europe and Central Asia, and defuse the current confrontation between a normative Europe and an aggressive Russian realpolitik; better still Russia might, after reflecting on what the two crises mean for its fundamental interests, conclude that the time had come for a more genuinely cooperative understanding with the EU.

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THE STRUGGLE FOR A CIVILISED WIDER EUROPEAN ORDER

ELEMENTS FOR EUROPEAN SECURITY STRATEGY

CEPS WORKING DOCUMENT NO. 307/OCTOBER 2008

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1. Crisis No 1: the Georgian-Russian war

Recent years have seen growing unease between the EU and Russia, most notably over the common neighbourhood of European states that lie between them. But then in August war exploded. While a short and small war, it was still a seismic political event, and its possible implications stretch out as a large shadow over the future of the wider Europe. To say the least, it confirms the need for the EU to form an adequate strategy for the pan-European space.

Russia had for years been pursuing tactics of creeping annexation of the Georgian secessionist entities, and encouraging a continuous stream of provocative pin-pricks, which ultimately ‘succeeded’ in bringing on Saakashvili’s catastrophic attack on Tskhinvali on 7-8 August 2008. Russia had then the option just to push Georgian troops out of South Ossetia. Instead it chose to invade Georgia-proper, and as the world watched Russian tanks in action on the road from Gori to Tbilisi. Russian public opinion has been persuaded that this was a great humanitarian victory, and President Medvedev underlined Russia’s will to defend its citizens anywhere. The rest of Europe was left to reflect on the implications for other places where there are large ethnic-Russian populations as well as Russian military bases, such as Transnistria and Crimea.

The war in Georgia also revealed two surprises. The first was that the United States proved too distracted to restrain Saakashvili from his catastrophic decision to attack Tskhinvali, after having in November 2007 at the Bucharest NATO summit pushed through the improvised declaration that Georgia and Ukraine “will be members of NATO”.

The second was the comparative success of President Sarkozy’s rapid-reaction mediation, with a unified and carefully measured EU position. This brought the crisis under control, at a moment when Russian tanks could have advanced into Georgia’s capital city Tbilisi within hours. It may have opened up prospects for a meaningful process of strategic diplomacy with Russia for the longer-run future. But for this to be successful there has to be a definite upgrading of the EU’s foreign and security policies, and in particular for the wider Europe. This is not assured, far from it. But the August war in Georgia has at least begun to reveal the potential that the EU has been incubating.

2. Crisis No 2: the global financial crash and recession

The global financial and economic crisis is in the course of transforming itself from what was initially a matter of saving major financial institutions in the West into a global recession with especially harmful impacts on weaker economies. The US and EU have been able to mobilize unprecedented sums – trillions of dollars and euro – to save their banks from systemic collapse. Initially the impact on the rest of the world was not appreciated. Avoidance of systemic collapse

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of the world's major financial institutions was the obvious and overwhelming priority. But in addition the crisis was seen as one centred on the inadequate regulation of highly complex financial instruments, such as derivatives, securitized sub-prime mortgages and hedge funds, which did not concern economies with weakly developed financial markets.

But now the story is looking different, and notably so in the wider Europe beyond the Eurozone and UK. From Hungary and Romania to the Baltic states, and from Turkey to Ukraine, and in Russia too, the possible damages are increasingly ominous. This wider Europe finds itself exposed in several ways. With the huge financial resources deployed by the US and the major EU economies to save their own banks there seems to be a flight of mobile capital to these relatively safe havens. Credit availability in the poorer European economies is drying up or has simply stopped. This is compounded by two other problems. The economies of the wider Europe are vulnerable to exchange rate instability, unlike the Eurozone. Moreover they have in many cases seen substantial hard currency borrowing by households (mortgages) as well as corporations and governments, and with currency depreciation they suffer immediate burdens of debt service and risk premium on interest rates. Already the International Monetary Fund has had to extend a large \$16.5 billion loan to Ukraine. The European Central Bank very rapidly extended a loan of 5 billion euro to Hungary, which is its first operation of this type outside the Eurozone.

However the full force of the global recession has yet to hit these economies. This leads to question of how the political regimes of these countries are going to fare. Ukraine is massively vulnerable, combining now several years of virtual political paralysis with the new financial crisis. But the risks of political instability run far wider, to wherever there the pre-existing political situation is tense, and this can concern countries closer to the EU such as Turkey, Serbia and Macedonia, as well as several new member states. Even Russia, which a few months ago was enjoying unprecedented wealth with the \$140/barrel oil price, is now suffering substantial losses of financial reserves with the collapse of the oil price by over a half in a matter of weeks, and crisis conditions for major enterprises now caught with over-leveraged debt.

3. The European systemic response

The double crises of the war in Georgia and the global financial crash are both of profound importance, and oblige European leaders to assess what systemic responses are called for. As history repeatedly tells us, it takes real crisis to break through the inertia of the status quo.

3.1 Lisbon Treaty

The innovations of the Lisbon Treaty are of the highest importance in two respects. First are the institutional reforms, with the permanent Council Presidency, the 'Foreign Minister' (in all but name) combining the roles of today's Solana and the Commission Vice-President, and the unification of Council and Commission services in a single External Action Service (an EU 'Foreign Office' in all but name). The need for these innovations have been dramatically illustrated by the Georgia war, when the question is put: "what if there had not been a vigorous French Presidency?" Valid question. The Lisbon Treaty provisions are meant be an answer, but all will depend upon whether the member states will then be prepared to elect a leader of outstanding quality.

The Lisbon Treaty contains provisions for "Permanent Structured Cooperation" in the defence domain, which will bring together the military capable member states, and set out on the path towards a more effective military capability for the EU. However this could be organised with or without the Lisbon Treaty.

Finally, the Lisbon Treaty is needed to put the enlargement process back on track. There should be a gradual and more carefully conditioned enlargement process, waiting also for the EU to digest its recent huge enlargement. But still the incentive and open possibilities for future accession need to be visible and credible in order to drive a continuing Europeanisation of the wider neighbourhood, and to impress Russia with the way the wider Europe prefers to go. The messages to the Western Balkans, Turkey and Ukraine have to be clarified.

3.2 European security strategy

The first European Security Strategy document of December 2003 is due to be revised precisely five years later, with a new text expected from the Council and Commission in December 2008. Rereading the 2003 text it remains valid in parts, but was already in need of substantial revision even before the two new crises. The 2003 text was heavily weighted with the terrorist threat and the need for the EU to become a more capable foreign and security policy actor.

The capability factor has seen impressive development, to judge by the proliferation of ESDP and related missions in the domain of crisis management. While the shaping up of military and civilian (police, judiciary) capabilities remain well behind declared plans,¹ and the qualitative performance of the early missions has been criticised,² the number, variety and geographic reach of these missions has advanced impressively (7 in the Balkans, 3 in the Middle East, 4 in Africa, 3 in the Eastern neighbourhood, 1 in Afghanistan, 1 in South-East Asia). The political acceptability of EU missions in highly contested theatres of operation reveals the perceived trust with which the EU is viewed: such as at the Rafah border between Gaza and Egypt, the border mission around Transnistria, and the new monitoring mission in Georgia.

However a much wider set of major concerns for the EU now need full recognition in the forthcoming 2008 security strategy document: energy security, climate change security, financial security, stability in Eastern Europe, and Russia.

The case for an effective common energy policy is emphasized once again by the war in Georgia, when the Russian military occupied territory alongside the arterial Baku-Tbilisi-Turkey oil and gas pipelines, and actually blew up railway bridges carrying Caspian oil to Black Sea ports, with mines also destroying a train carrying Azeri oil. The EU's strategic energy diversification agenda is well known: improved gas network interconnections, expanded LNG reception facilities, new gas pipelines including possibly a trans-Saharan project as well as Nabucco, renewal and expansion of nuclear generating capacity, expansion of renewables such as solar and wind power, etc. This is vital to reduce the hazard of excessive dependence on Russian gas supplies, which becomes a politico-moral hazard on both sides. For Russia the temptation to use the energy weapon politically is obvious, and for over-dependent Europeans the vulnerability to this is equally so.

The climate change agenda now approaches a critical point, both for the negotiators of the post-Kyoto (post-2012) regime, and for the risk that global warming may reach a catastrophic point of no-return in a few decades. However for the EU the energy security and climate change security concerns are not only compatible but can be mutually reinforcing. There are prospects for major advances in international climate change policy with the next US administration, which (with either candidate) seems likely to adopt a 'cap-and-trade' system for CO2 emissions compatible with the EU's own policies. With this the scene will be set to propose to other major

¹ N. Whitney, *Re-energizing Europe's Security and Defence Policy*, European Council for Foreign Relations, Policy Paper, 2008.

² M. Emerson and E. Gross, *Evaluating the EU's Crisis Missions in the Balkans*, CEPS Paperback, Centre for European Policy Studies, Brussels, 2007.

CO2 polluters policies following the same logic. While China with its huge expansion of coal-burning power stations will be the biggest challenge, for the EU the cases of Russia and Ukraine are of particular importance. Both countries got a free ride from 'Kyoto', given the big drop in their CO2 emissions in the early 1990s with drop in industrial production accompanying the collapse of the Soviet Union. However these countries' energy efficiency remains very poor. For Russia improved energy efficiency would contribute an improvement of the supply/demand balance equivalent to huge new oil and gas discoveries; for Ukraine it would mean a substantial reduction of strategic dependence on Russia.

Financial security is the new surprise item on the agenda. Ever since the euro and European Central Bank became operational, lonely voices have warned of the risks inherent in the lender-of-last-resort function remaining at the level of national competencies, while the banking and monetary system was becoming truly integrated at the European level.³ The current systemic failure compounds the failure of US regulatory policies for the new financial instruments (derivatives and securitised mortgages, etc) with the EU's failure to match the euro as common currency with a corresponding regulatory regime. This double systemic failure is now seen, as mentioned, to inflict collateral damage on the transition economies in Eastern Europe, with consequential risks of political destabilisation.

In many East European countries the banking system is substantially owned by major EU banks, which – as credit in these countries dries up – implies a responsibility for the EU to act on a macroeconomically significant scale. At the level of systemic response, Gros and Micossi propose an emergency creation for a European Financial Stability Fund, under which the European Investment Bank would raise bond finance in order to finance both the recapitalization of European banks and balance of payments support to East European economies heavily dependent on the EU.⁴ These EU-backed bonds would be attractive for mobile global capital, which for the moment is avoiding the debt instruments of individual European countries in favour of US Treasury paper, with consequent weakening of the euro exchange rate. Gros and Micossi advocate a massive infusion of capital in order to prevent the crisis from getting worse in the EU banking sector and in the entire economies of the European periphery. The Fund should be mandated to operate in the new EU member states, South East Europe and the Eastern Partnership countries. Financial security has suddenly become crucial to European strategic security.

The major security concerns are now discussed with specific reference to policies of the EU towards Russia and the several regions of the European neighbourhood.

4. Wider European dimensions

4.1 Russia

Having cast aside the Soviet system and any idea of its restoration, Russia has laid the foundations of a state that is completely compatible with the rest of Europe, or to be precise, with the best of all that makes up the common heritage of European civilisation. President Dmitry Medvedev, Berlin, 5 June 2008.⁵

³ L. Bini Smaghi and D. Gros, "Open Issues in European Central Banking", Macmillan and CEPS, 2000.

⁴ D. Gros, "What next for Europe's Financial markets?", CEPS Commentary, 14 October 2008; K. Lannoo, "Restoring Confidence", CEPS Commentary, 21 October 2008; D. Gros and S. Micossi, "A Call for a European Financial Stability Fund", CEPS Commentary, 29 October 2008.

⁵ Speech at a meeting with German Political, Parliamentary and Civic Leaders.

Connecting with the August war there are two political debates now going on, one in Russia and the other in Europe and the West. The Russian debate is along the spectrum of views between those advancing aggressively nationalist and voluntarily isolationist arguments, and those advocating the modernization and international integration (as President Medvedev suggests) agenda. Tensions can be observed between these two tendencies, with the ultra-nationalists rejoicing in victory over Georgia, and relishing further victories and a more fundamental confrontation with the West, and even a decisive move to total self-reliance. The modernizers are more cautious, understand that their programme needs increasing participation in the international economy, and notes the damage inflicted on Russian financial markets by the combination of the global financial crisis and the war with Georgia.

The spectrum of European positions towards Russia is well known for its range from those who would be quick to support sanctions, to those who argue that sanctions will only prove counterproductive and who affect disinterest in complaints over Russian actions in the post-Soviet states.

But can there be for the EU a possible middle ground between these opposites, which could prove both feasible as a unifying position within the EU and more successful in achieving objectives in relation to Russia? President Sarkozy's active diplomacy these last weeks, mediating the 6-point peace plan between Moscow and Tbilisi, has at least opened up this possibility. The 6-point peace plan has some loose ends, which may prove difficult to tie up. But the process of producing it, with Sarkozy's two visits to Moscow on 12 August and 8 September, saw face-to-face diplomacy between the EU and Russian leaderships of a vivid quality not seen so far, with Medvedev apparently sensitive to the costs to his international reputation if he did not keep his word in securing the withdrawal of Russian troops from Georgia-proper.

This leads precisely into the question of the interactions between these two political spectrums, the Russian one between ultra-nationalists and modernizers, and the European one between the hard sanction camp and the soft engagement camp.

There is a logic emerging, but not the simple symmetrical one that might be supposed, in which the two hard positions might fight it out, whereas the two soft positions might combine happily. On the contrary, it seems that both hypothetical extreme European positions – hard and soft – would play into the hands of the Russian nationalists. The hard position leaves the Russian nationalists boosting their paranoiac rhetoric and willingly going further down the path of isolation, self-reliance and disengagement from the West's economy and institutions. The soft position for its part encourages Moscow to adopt increasingly ambitious revanchist foreign policy objectives. In the present context this would mean moving on from 'victory' in Georgia to comparable 'victories' in achieving hegemonic influence first perhaps in Moldova and then in Ukraine. Hopefully without war, but leaving in place the reminder that Russia is willing to use military means to achieve its objectives.

On the other hand the middle ground position that Sarkozy has taken may be capable of connecting with the interests of Russia's modernisers. Recent weeks has seen the combined impact of the generally negative international political response to Russia's invasion of Georgia and the sanctions of world financial markets, the latter in their deepest crisis since the great depression of the 1930s. Russia's President says that his country should not isolate itself. Major Russian business interests have found themselves squeezed financially, having bought business expansion with money borrowed against collateral guarantees of stockholdings, whose value has collapsed. How far the war in Georgia and the global financial crisis have interacted is a matter of speculation. But international analysts and investors have put together three specimen acts by the Russian authorities by 2008: Prime Minister Putin's rhetorical attack on the Mechel metallurgy business, the murky affair of TNK-BP where board room conflict was intertwined

with official bureaucratic harassment, and the invasion of Georgia. This sequence of actions, one entirely domestic, one an international business affair, and one an international security affair, have interacted to worsen the perceived risk-rating of Russia to one of near zero trust. To this is now added the dramatic decline of the oil price from \$140 to \$64 in a matter of weeks.

This gives the Kremlin and the (Russian) White House something to think about. On Friday 19 September, President Medvedev said in a speech: “We are in fact being pushed onto the development track which is not based on sound, normal and civilized cooperation, but rests on autonomous development behind thick walls and an ‘iron curtain’. I would like to stress once again: this is not our track. There is no use returning back to the past. We have made our choice.”⁶ By the opaque standards of Kremlinology, nothing could be clearer than that. The modernizers are being pushed back from ‘our choice and our track’.

However Sarkozy’s face-to-face diplomacy in the Kremlin is just the possible beginning of a long and complex story. How might it develop? How should the EU follow through?

At the time of writing the negotiations between the EU and Russia over a new comprehensive agreement are suspended, pending Russia’s compliance with the 6-point agreement.

Before the August war the official negotiating positions on the content of a new agreement to replace the expiring Partnership and Cooperation Agreement appeared to be quite widely separated. Russia has been advocating a short framework document. The EU has been advocating a more operational, legally-binding and comprehensive text covering multiple sectors of policy. In principle the task is to build on the documents adopted in May 2005 for the four ‘common spaces’ for economic relations, justice and home affairs, education and culture, and external security. However the process seems somewhat unreal, given the number of friction points that have been continuously arising, and which contradict either the spirit or the possible content of a new agreement.

The start of the negotiation process, agreed at the EU-Russia Summit of July 2008 under the French Presidency, had earlier been held up because of objections by two member states in succession. Poland blocked the opening of the process because of the Russian ban on meat imports, which originated in some apparently legitimate complaints about Polish quality controls, but became a long saga of non-transparent and unconstructive behaviour on the Russian side. When this dispute was finally resolved it was the turn of Lithuania to object with a position that had at its background the stopping in 2006 of oil pipeline supplies from Russia to the major Lithuanian oil refinery, after its privatization sale had gone to Polish rather than Russian bidder. Environmental problems with the pipeline were invoked, but there was an obvious disinterest on the Russian side in repairing them. The Lithuanian position then became a more general complaint about coercive Russian policies in the near abroad. The Lithuanian blockage was finally removed after internal negotiations within the EU.

These two blocking positions were however only two out of a much longer list of complaints by individual member states over Russian actions or inactions. The Ukraine gas dispute, when Russia turned off the gas tap on 1 January 2006, was the first shock, carrying the spectre of collateral damage of strategic importance for the European economy. This was followed by multiple acts of implicitly or explicitly coercive policy towards ‘uncooperative neighbours’. The Estonian monument affair (2007) saw deliberate escalation of tensions by Russia and some first cyber attacks on Estonian e-government. While the original decision to move the Soviet war memorial was controversial in Estonia itself, ill-feeling in the EU over Russia’s exaggerated response progressively built up. In the UK the Litvinenko affair, with the polonium murder in London of a former KGB agent in 2006, caused a grave deterioration in diplomatic relations and

⁶ Kremlin website

public perceptions between the two countries. This was followed in 2008 by another totally different but serious friction point over the TNK-BP company, in which the British party in this major investment in the Russian energy sector found itself subject to grave official bureaucratic harassment for its personnel in Russia coinciding with a struggle for control between shareholders. Finland became concerned for its paper industry in 2008 when Russia adopted export duties on timber, which are contrary at least in spirit to Russia's WTO application. Russia's trade policy sanctions towards both Moldova and Georgia in the period 2005-7, banning imports of wines in particular, were manifestly political in motivation. They were executed in ways that would have been illegal for WTO members, thus confirming alongside the timber export duties the thinness of Russia's commitment to its WTO membership application. In July 2008 oil pipeline supplies from Russia to the Czech Republic suddenly stopped, the week after the signing of the agreement between the Czech Republic and the US over missile defence installations.

This long list of complaints raises two broader issues: what is the pattern on the Russian side, and what should be the response on the EU side? The pattern is one in which Russia chooses measures to widen the divide the EU between member states it perceives to be Russia-friendly and those it perceives to be anti-Russian. The issue of solidarity within the EU in response to such acts gradually mounts. EU member states that have major economic ties with Russia, notably Germany and Italy, are extremely loath to enter into a process of escalating tensions over matters that are the bilateral concerns of others. But this pattern of Russian actions poses the question when should a friction point to be regarded as a purely bilateral affair, and when should it become a matter of EU solidarity. The legal-institutional view is to consider whether EU competences are affected: obviously not for the Estonian monument affair, and obviously yes for the Finnish timber export duty affair. But this is a narrow criterion when issues of political principle are involved, over what can be considered acceptable, or unacceptable political behaviour such as coercive pressures. The EU has not adopted an explicit position on its possible solidarity policy, but Russia has been building up the case for this, even before the Russian invasion of Georgia in August 2008.

Against this background discussion of the possible content of a new agreement may be regarded as a hypothetical exercise. We can review these possibilities, supposing that each of the four common spaces would be more strongly developed. In fact the exercise is important in itself to illustrate what this other world might consist of, compared to the present sad state of affairs.

In the economic domain there is a clear potential agenda. WTO accession should be secured, bringing rule-bound stability to Russian trade policy, after which the question of free trade with the EU can be engaged. Given that the EU is progressively negotiating free trade agreements with its other European neighbours there can be the ultimate vision of a pan-European economic space. This would require however a change of perception by Russia over the nature of its long-run economic interests. Russia's economic modernization, and escape from reliance on raw material production, requires economic openness. Yet there is a widespread opinion within Russian political circles that free trade would only benefit the EU. Indeed there is a vocal ultra-nationalist argument that Russia should make itself more if not totally self-reliant economically. So there is a question of political judgment and choice for Russia to make, and which is not yet made at the level of real policy, beyond the rhetoric about modernization.

The second major economic chapter concerns energy. Years of high level 'energy dialogue' has shown how difficult it is to move beyond mere dialogue into the negotiation of binding agreements at the policy level. Major investment and trading contracts are made, but the overarching framework remains elusive. The possible use of the Energy Charter Treaty to regulate conditions of pipeline transit failed in 2006, after Gazprom refused to countenance open access to its pipeline network. On the contrary Gazprom has been sustaining a massive

drive to extend its monopolistic control over gas supplies from Central Asia as well as Russia, with efforts to extend its reach into North (Algeria, Libya) and West (Nigeria) Africa as well.

One idea is that the EU-Russia agreement could do at the bilateral level what could not be agreed multilaterally through the Energy Charter Treaty, although what that might mean is not evident. Certainly the rules for trade, investment and climate change policy in the energy sector have huge agendas for possible negotiation. For trade and investment this concerns competition policy rules for gas distribution systems within the EU, with negotiations ongoing internally over the degree of ‘unbundling’, and the related ‘Gazprom clause’ issue regarding the place of state-owned foreign investors. The broader issues of reciprocal rights for investment in the entire energy sector, for oil, gas and electricity are also on the agenda. President Medvedev, in a speech in Berlin on 5 June 2008, raised the idea of “establishing international consortiums that would operate transit pipelines with the participation of companies from Russia the European Union and the transit countries”. Such ideas would seem worth exploring: might the Ukrainian transit pipelines be jointly owned by the three parties, with no single party holding a controlling share? Such an investment, involving the EIB and/or the EBRD as well as private European investors, could become an exemplary act of good economic governance, replacing the murky dealings of the present Rosukrenergo/Naftogaz gas trading and transit arrangements.

On climate change, as already mentioned, the negotiation process over the post-Kyoto or post-2012 regime is now intensely engaged within the EU and at the international level. This could lead to an important EU-Russia element within the broader future international regime.

As for the external security common space, the need for something of this type is obviously acute, contrasting with the lack of trust and real cooperation today over the unresolved secessionist conflicts. The agenda for conflict resolution and an improved European security architecture has already been discussed in some detail above. With a change in Russian tactics there could be major achievements from EU-Russian cooperation; for example a clear agreement to use (rather than stone-wall) the 5+2 format for negotiating a Moldova/Transnistria settlement could be an indicative confidence building measure for the external security space.

The space for cooperation in education is important, and one of the few items that both sides can agree to pursue actively even in a cold political climate, since this can prepare for a better tomorrow.

The space for cooperation in justice and home affairs also has important potential for the freer movement of people, and for combating common soft security threats, principally drugs coming from Afghanistan.

Overall the strategic relationship between the EU and Russia hardly advances beyond basic trade – oil and gas in exchange for investment and consumer goods. The potential for huge improvement is clear. In the final analysis this depends on strategic choices in relation to today’s big unknowns: whether the EU can strengthen the credibility of its civilizational concept for the whole of the wider Europe, whether Russia will be persuaded to reconsider the utility and sustainability of its current realpolitik offensive in the light of its needs for modernization and improvement of its international political reputation.

There could be confidence building measures on both sides to get onto a better trajectory, to which we return in the conclusions.

4.2 Pan-European security order

President Medvedev declared in a speech in the Kremlin on 19 September: I “I have already said and I say again now that the idea of drafting a pan-European security treaty has become

even more relevant after the event in the Caucasus". On 8 October in Evian he offered some detail on what he has in mind, to which we return in a moment.

First, however, it is opportune to recall the content of the existing pan-European security treaty, the Helsinki Final Act of August 1975, negotiated with the Soviet Union. Should this be revisited? One might think so after over 30 years. Is it not obsolete? Let's take a look.

The Act's "Declaration on Principles Guiding Relations between Participating States" enumerated the following 10 points:

- I. Sovereign equality, respect for the rights inherent in sovereignty
- II. Refraining from the threat or use of force
- III. Inviolability of frontiers
- IV. Territorial integrity of States
- V. Peaceful settlement of disputes
- VI. Non-intervention in internal affairs
- VII. Respect for human rights and fundamental freedoms
- VIII. Equal rights and self-determination of peoples
- IX. Co-operation among States
- X. Fulfilment in good faith of obligations under international law

As a set of norms for international security relations these old texts remain absolutely valid, not a word is out of date. What then does President Medvedev propose? He identifies Russia's priorities under five points (see also an extract from his Evian speech in Annex A):

1. *Political norms: respect for international law, sovereignty, territorial integrity, political independence of states.* These largely conform with the Helsinki Final Act. However principle VII from Helsinki on human rights is omitted, while in the August war with Georgia Russia breached Helsinki principles III and IV.

2. *Security norms: inadmissibility of use of force or threat of its use in international affairs, and a unified approach to conflict settlement and peacekeeping.* This is also following the Helsinki Final Act, but in the war with Georgia Russia was in breach of principle II restraining the use of force.

3. *The guarantee of equal security and three 'no's', namely:*

- *No ensuring one's own security at the expense of others.* This is unclear and would lead into insoluble arguments. How can one define whether a measure for one's own security is at the expense of others? Is a defensive alliance at the expense of the security of another neighbour? The target of the language seems to be the US missile defence project.
- *No allowing acts (by military alliances or coalitions) that undermine the unity of the common security space.* This appears to suppose that the common space exists, which is hardly the case; or maybe it is referring to a common space that should be created, in which case its mechanisms need to be explicit.
- *No development of military alliances that would threaten the security of other parties to the Treaty.* This presumably targets NATO expansion, and maybe that of the EU if it became more of a military alliance.

4. *No state or international organization can have exclusive rights to maintaining peace and stability in Europe.* This seems to be just a rhetorical statement, since no such monopoly exists; it seems to express resentment towards NATO, or the EU, or both.

5. *Establish basic arms control parameters and reasonable limits on military construction. Also needed are new cooperation procedures and mechanisms in areas such as WMD proliferation, terrorism and drug trafficking.* This heterogeneous rubric seems first to be proposing a renegotiation of the Conventional Forces in Europe (CFE) treaty, and goes on to propose a new or improved non-proliferation regime. Cooperation over terrorism is already on the agenda of G8, OSCE and EU-Russia relations. Cooperation over drug trafficking is plausible, for example together with the UN Office on Drugs and Crime (UNODC) in Central Asia in particular.

To summarise, the Medvedev proposal assembles a menu of items which start with some norms extracted from the Helsinki Final Act of 1975, several of which were breached by Russia in the August war with Georgia, followed by some newly formulated pseudo-norms that obviously seek to stop NATO's expansion, and ends with a set of conventional security topics that are already on the agenda of international organisations and bilateral EU or US-Russia relations.

We will return to the NATO question in a moment, but first look at reasons why the OSCE has not flourished and is not even mentioned by Medvedev. Within the OSCE itself there has been a debate in the last few years over its priorities, with Russia wanting to downplay work on democracy and election monitoring. But if it has to be like that within the OSCE, the result will be that the EU will do more on its own, for which it has the resources and experience. But this reallocation of tasks will only further weaken the only truly pan-European security organisation.

To be fair to Russia, the EU is itself responsible for a large part of the OSCE's political obsolescence and unwieldy procedures. OSCE has now 56 member states, all in principle enjoying the same sovereign equality, from Andorra and the Vatican to Russia and the United States, but with the EU only present as an observer. Its meetings resemble a mini-UN General Assembly. The EU accounts for almost half of the seats around a very large table, to which may be added the tendency nowadays for most of non-EU Europe to align on the EU's foreign and security policy declarations. The EU 27 becomes often a 42 country block. The EU member states account for 70% of the OSCE's budget. Is it not time now for the EU to contribute a serious rationalization of its presence in the OSCE, given the advances of its foreign and security policies, and the needs that are now obvious in view of Europe's dysfunctional security order? A first step would be for the EU to become a full member of OSCE. A further step could be to create a core group of the major players within the OSCE, with a 'European Security Council', following in some respects the model of the UN Security Council. There has been some recourse to informal ad hoc meetings of core groups in OSCE, but this has not been institutionalised. A permanent European Security Council could consist of the EU, US, Russia, Turkey and Ukraine, with further rotating places such as one for the rest of non-EU Europe and one for Central Asia. Russia has in the past made proposals for something like a European Security Council. This was interpreted in the past, probably correctly, as seeking to acquire a veto power over European security matters, and was therefore never pursued. However the political role of such a body does not have to be formulated in such an obviously unacceptable form.

Such a European Security Council would prepare actions to be submitted to the plenary, or take diplomatic initiatives as a group in the place of various ad hoc 'contact groups' which have by necessity emerged. For the EU this would impose the discipline and logic of internal negotiation over common positions. Without a common position there would be no position. A similar reform of the European presence among the permanent members of the UN Security Council, with France and the UK to pool their seats into a single EU seat, has begun to be discussed at least in non-official papers. This is at present beyond the horizon of political plausibility. But its

relevance will be enhanced as and when the Lisbon Treaty is adopted. An OSCE European Security Council could become a precursor experience.

We return now to Russia's major demand for the European security architecture that NATO should not press on with further enlargement into the post-Soviet space. A narrative deeply ingrained in the Russian political consciousness is that Gorbachev and Yeltsin were duped by the West over NATO enlargement, and that Kohl had given Gorbachev assurances that NATO would not be expanded to Russia's frontiers in exchange for Gorbachev's cooperation over German re-unification. Those supporting NATO's further enlargement to include Ukraine and Georgia argue that any independent sovereign state in Europe has the right to apply for NATO membership, and no third party has the right to tell them otherwise. That is a serious argument, but it not the whole story. NATO membership involves the solemn commitment under Article 5 to take an attack on any member's territory as an attack on all. The counterpart to this strategic commitment is that the aspiring member state has to be a reliable partner. It has to be solidly behind the alliance politically, with no doubts over the credibility of its own commitment. It has also to have demonstrated sustained reliability for sound political judgment on strategic matters in times of stress. These two criteria – national consensus and political reliability – might well be adopted more explicitly by NATO, rather like the EU adopted its Copenhagen criteria for its enlargement.

Neither public opinion nor the political parties in Ukraine are anywhere near united on the NATO question. The criterion should be far more than majority parliamentary support, and essentially a national consensus. And Georgia, while united behind the wish to be protected by NATO, has demonstrated precisely the reverse of sober reliability in matters of strategic behaviour.

These weaknesses were evident enough already before the Bucharest summit, which attached no timetable to its forecast that Georgia and Ukraine "will be" members of NATO, some day. The candidates' lack of qualifications for NATO membership has become even more evident since then. NATO will surely not reverse its Bucharest declaration explicitly, but it could move to define its 'Copenhagen criteria' more adequately, and in so doing shelve Bucharest for the foreseeable future.

In due course, as and when some confidence between Russia's leadership and the West is restored, there could be a return to explore possibilities for improving the Russia-NATO relationship. It is a striking anomaly that during the eight years of the Putin presidency there were only two meetings at the summit level between NATO and Russia. The problem is again at least in part on the European side, whose numerous small states make for the unwieldy 26+1 format (becoming now 28+1 with the addition of Albania and Croatia and more to come) for NATO-Russia relations. To counter this one could innovate with a new G4 summit format for pan-European security affairs, bringing together Russia, the US, NATO represented by its secretary general, and the EU represented by its post-Lisbon presidency and high representative. This G4 could be considered as an alternative or complement to the hypothesised OSCE European Security Council.

Returning back to immediate practicalities, one may ask whether early results could flow in the event of a better personal chemistry between the next US President and the Russian leadership. Is it too late for the missile defence project to be made into a matter for operational cooperation, given that it is meant to address a common hypothetical threat from a rogue nuclear state, with Iran in mind in particular? A precise Russian argument is that the radar facilities to be installed in the Czech Republic could be used to track missiles launched from Russia, and so would alter the strategic balance of nuclear strike capabilities, and upset the (nuclear-strategic) logic of mutually assured destruction (M.A.D.). Is this so? If not, transparent consultations in good faith should dispel the concern. If it is so, then there is an issue for a next round of START talks.

4.3 Northern Dimension

The EU meets Russia now right across the map of Europe, from the Baltic to the Black Sea. But there is peace at one end of the map, war at the other end. What conclusions can be drawn from this? Finland took the initiative to promote a Northern Dimension to the EU's policies of cooperation with Russia and the Baltic states in 1998, at the time of its first EU Presidency, soon after its accession in 1995. This sought to build on the long-standing tradition of 'civilised' cooperation in the Baltic Sea region. It may be recalled that Finland and Sweden managed already in 1921 with the mediation of the League of Nations to avoid a serious conflict over the Aaland Islands, following Finland's independence from the Russian empire. The very autonomous status within Finland of the ethnic-Swedish Aaland Islands stands as a model of its kind, which unfortunately could not be replicated with analogous settlements of the conflicts that erupted in the Caucasus and Moldova upon dissolution of the Soviet Union.

With the accession of the Baltic states to the EU the original Northern Dimension initiative was becoming politically obsolete, and in 1997 it was transformed into the New Northern Dimension, in which the EU, Iceland, Norway and Russia joined together under the principle of equal partnership. A recent study has evaluated the New Northern Dimension as an exercise in search of a sound neighbourhood relationship.⁷ The initiative is deliberately designed to be insulated from the tensions in the high politics of the EU-Russia relationship, concentrating on practical problems of regional cooperation. The equality principle is put to work by deciding jointly on objectives that are of common interest to all the parties. This has translated in practice into programmes for the environment, public health, transport and logistics, energy efficiency, fisheries, and educational and cultural exchanges. Questions of democracy and human rights are not part of the agenda, notwithstanding the fact that the Baltic states are among the most ardent promoters of democracy worldwide. The proposition is advanced that the small states of the EU can get a lot done by pursuing 'smart small policies', in which trust is built on the basis of sustained practical cooperation, and a common sense of 'Northern identity' developed. Such activity can 'fly below the radar' of high politics. So this is part of the jig-saw puzzle of the wider Europe. The Northern Dimension can be viewed as a confidence building measure, valid for one corner or the map of Europe, and a positive example for other parts of the map where trust between Russia and its neighbours is close to zero.

4.4 South-East Europe

EU policy towards the Western Balkans advances, with its ups and downs to be sure, but progressively the Western Balkans becomes a shrinking enclave within the enlarging EU. The Kosovo abscess has been burst, if not yet entirely cleaned. Croatia's accession is on the horizon, but without problematic aspects still (crime and corruption). Developments in Serbian politics are positive but fragile, with its financial situation also vulnerable. However it is time now for an upgrade of EU policy towards the not-yet member states, in order to consolidate positive developments during a period ahead when enlargement prospects will remain for most distant and uncertain. It is also now needed in order to strengthen the region economically and politically in the face of the global financial instability and recession.

The means to achieve this upgrade exist, and a more detailed paper from CEPS sets out how and why EU policy towards the Western Balkans could now be recalibrated.⁸ In essence the idea can

⁷ P. Aalto, H. Blakkisrud and H. Smith, *The New Northern Dimension of European Neighbourhood*, CEPS Paperback, Centre for European Policy Studies, Brussels, 2008 (forthcoming).

⁸ M. Emerson, *Recalibrating EU Policy towards the Western Balkans*, CEPS Policy Brief No. 178, Centre for European Policy Studies, Brussels, October 2008.

be to advance towards ‘functional membership’ much more deeply than in the present pre-accession policies. This would be based on the EU’s key competences for trade, monetary policy, the structural funds and the free movement of people.

Present free trade schemes should be overtaken by inviting the whole of the Western Balkans region to join the customs union of the EU and Turkey, to make one uninterrupted economic space from Western to South-Eastern Europe. This is advocated both in the CEPS paper and a recent World Bank study⁹.

Accession to the euro area before accession should be made a respectable option but not an obligation, with full membership of the EU and compliance with the Maastricht criteria still to apply before accession to the governance of the European Central Bank and eurozone finance ministers. In the current financial crisis there is the prospect of Montenegro and Kosovo escaping at least exchange rate instability because of their use of the euro, whereas Serbia remains exposed. It is to be expected that the International Monetary Fund, if subject to a flood of loan requests, will invite the EU to share the burden of helping nearby countries in need, as happened in the early 1990s when the EU co-funded lending operations of the IMF with its own macro-financial aid (MFA) instrument. However this precursor MFA instrument is an inadequate model for facing up to the new macro-financial emergency, and South East Europe from the Balkans to Turkey should be eligible for the European Financial Stability Fund outlined above (section 3).

Currently the Structural Funds are planned for the years ahead to allocate 4 times per capita as much to new member states such as Bulgaria and Romania than to the Western Balkans under the comparable pre-accession instruments. Arguments for adjusting these ratios to be more in favour of the Western Balkans are weighty. Bulgaria and Romania reveal insufficient capacity for correct absorption of funds on the present scale, while the Western Balkans have large unsatisfied needs. Moreover the conditionality that the EU can deploy, for de-corruption policies for example, is far more effective in the pre-accession period than after accession.

Finally the EU begins to address the move towards visa-free travel with the EU, which is maybe the single most important demand of the peoples of the region; this offers important possibilities to leverage in improved border security and internal law and order measures.

The EU also extends its energy and transport policies into the whole of the region through the Energy Community Treaty, with an analogous initiative for transport planned. Already the energy treaty is being extended to include Moldova and possibly Ukraine. This makes a convenient bridge into the Eastern neighbourhood, to which we next turn.

In 2008 the Stability Pact for South East Europe, born out of the Kosovo war in 1999 as a complex international post-conflict supervisory structure, was retired. Instead a new Regional Cooperation Council (RCC) has been set up, which is a regionally owned successor to the Stability Pact. The structures of both the Stability Pact and the RCC are summarized in Box 1 as a reference that may be borne in mind in discussion of next steps in the eastern neighbourhood and Caucasus, to which we return below.

Box 1. Organisation of the Stability Pact for South East Europe – 1999-2008

Working Table 1 - Democracy

⁹ S. Kathuria, *Western Balkans Integration and the EU – An Agenda for Trade and Growth*, World Bank, 2008.

Consists of 5 task forces:

- Media
- Education and Youth
- Local Democracy and Cross Border Cooperation
- Parliamentary Cooperation
- Gender Issues.

Working Table 2 economics

- Matrix of bilateral free trade agreements (FTAs) between countries of the region.
- Formation of a South-East Europe Regional Energy Market for electricity and natural gas, leading to the recent creation of a common European Energy Community with the EU, with Moldova, Ukraine and Norway expected to join later.

Working Table 3 security

Internal and external security, with two sub-tables:

- Justice and Home Affairs, cooperation in fighting organised crime and corruption and on migration issues
- Defence and Security Sector Reform issues.

Regional Cooperation Council – from 2008

The Regional Cooperation Council (RCC) is programme-oriented, concentrating on five priority areas:

- Economic and social development
- Infrastructure and energy
- Justice and home affairs
- Security cooperation
- Human capital and cross-cutting issues

Finally there is the Turkey question. At a recent conference of senior Turkish think tank representatives in Brussels, one of them qualified the state of the accession negotiations as being in a 'coma'. But it cannot stay that way. The situation is unsustainable. It is undignified for Turkey to remain an applicant without receiving from the EU a coherent and clear position. The coma analogue is also not adequate, since there are movements in public and political opinion that look in other directions for Turkey's future. The world to the East of Turkey is developing at astonishing speed, and the Asian economy rises in leaps and bounds. Whether Turkey needs the EU anchor, or whether it is going to continue to want, becomes a debatable question. Turkey's political and societal cleavages are maybe more intense now than for many years, but it has averted a huge political crisis recently (over the AKP's prosecution before the constitutional court), and may well continue on a bumpy but still democratic course. Its economy is quite competitive and can look to Russian and Asian markets for growth.

Non-resolution of uncertainty over Turkey's place in Europe poses a well-known set of questions: whether the EU's own institutional set-up (post-Lisbon) could absorb Turkey and the several smaller applicants in South East Europe, and more profoundly whether European society and politics could adjust to Turkey's full membership. Turkey for its part is well placed to meet the Copenhagen economic criteria, while its conformity with the political criteria is not yet clear. But while these criteria are themselves clear enough, Turkey is not being offered a clear enough incentive to meet them. The questions on the EU side will have to be addressed frankly,

at least after the Lisbon Treaty hiatus is resolved. The time for ambiguity may run out for quite concrete reasons, maybe quite soon over the Cyprus question. For example, the leaders of Greek and Turkish Cyprus may advance towards a final settlement for re-unification, which the EU earnestly supports. One can imagine a scenario in which all is settled, except for the question of Turkish military withdrawal. One can imagine a situation in which Greek Cyprus would insist on withdrawal, whereas Turkey would not be willing to concede this without clarity from the EU on its accession prospects.

4.5 Eastern Partnership

This term was introduced by Poland and Sweden into EU foreign policy debate in the wake of President Sarkozy's Mediterranean Union initiative. The Commission has been invited to make proposals for the European Council to consider early in 2009, and plans to publish its ideas in December. The assignment takes on greater urgency and priority in the wake now of the August war in Georgia.

At the most general level the idea may be to upgrade the Eastern branch of the European Neighbourhood Policy (ENP), which involves Ukraine, Moldova, Georgia, Armenia and Azerbaijan, with Belarus designated as a potential participant. The ENP itself is an unloved child, being criticized from the South as well as the East for its bundling together of these two quite different regions. Ukraine, Moldova and Georgia resent especially that the ENP carries no membership perspectives. The Eastern Partnership initiative by Poland and Sweden, like Sarkozy's Mediterranean Union, reveals political demands from within the EU itself, joining the complaints for East and South, for specific regional identities to the two branches of the ENP.

For the Eastern Partnership the following 9 points could be its defining characteristics.

1. The Eastern Partnership would take over the Eastern branch of the ENP as well as the Black Sea Synergy initiative. The term ENP would be dropped. From then on the Eastern Partnership and Barcelona/Union for the Mediterranean would develop as separate policies, albeit retaining much in common because of their common origin in the ENP and ongoing links to EU policies. In general terms the Eastern Partnership would aim at a qualitative upgrade of the ENP.
2. The Eastern Partnership would create a forum for regional-multilateral political dialogue between all the partner states and the EU. This would facilitate the formulation of common positions on political, economic and security issues. For this to be operational there could be a sub-structure of specialized working groups for several policy areas, for which the experience of the Stability Pact for South-East Europe may be borne in mind (Box 2 above).
3. Its content would take up developments emerging from the ongoing negotiations with Ukraine for a new model Association Agreement, including a comprehensive three-pillar structure (economics, justice and home affairs, foreign and security policy), and this would become a template for others later with adaptation to the specificities of the other partner states.
4. In the trade policy domain negotiations are already underway for a new model Deep Free Trade Agreement with Ukraine (to be included in the Association Agreement), with feasibility studies having been recently undertaken for the Commission on Georgia and Armenia, and under preparation for Moldova. This forthcoming agreement with Ukraine will establish a template for other Eastern partners. Further, the Commission could invite the Eastern partner states to join CEFTA, which consists today of the Western Balkan countries, and who have free trade between themselves and with the EU. This would lead on to the adoption of harmonised

rules of origin permitting ‘diagonal cumulation’ of value-added, and so help stimulate intra-regional trade and investment, as well assure duty free access to the EU market.¹⁰

5. The EU should make a contribution to countering the present economic and financial crisis now hitting the region with access, as for South East Europe, to emergency macroeconomic aid from the proposed European Financial Stability Fund (section 3).

6. The Eastern Partnership could extend the EU’s experience in the Western Balkans, bearing in mind the proposals outlined above for upgrading the EU’s Western Balkan policies. As direct neighbours of the EU the Western Balkans have particular opportunities for transport and energy infrastructural and network connections, and for trade and investment linkages that profit from direct proximity. This same logic can be extended to Ukraine and Moldova given that they border the EU’s South East European member states. Moldova is already part of various South East European initiatives, including the new Regional Cooperation Council. Both Moldova and Ukraine negotiate accession to the Energy Community Treaty.

7. The EU has prepared roadmaps and criteria for visa-fee travel with the Western Balkan, and plans to progress from visa facilitation to visa liberalization figure in the negotiations with Ukraine. This merits urgent priority, given the long lead times that are required for introducing modern security standards to passports, intelligence exchange, police cooperation and border crossings. The roadmaps and criteria should be published, and so help develop consensus in the partner states over the steps they will need to take.

8. The Eastern Partnership should see an upgrade of the EU’s presence in conflict prevention and resolution in the region, and notably for Transnistria and Nagorno Karabak in ways in the next section, with a conflict prevention strategy for Crimea also to be proposed. More broadly there would be increasing association of the partner states with foreign and security policy positions adopted by the EU, and participation in crisis management operations where useful capacities exist, for which Ukraine is the strongest placed.

9. The EU is still divided over the membership perspective question. It is desirable to reach a common understanding on this key question, and remove a source of resentment with the partner states. The EU could move towards clearer language, like: “Any European democratic state is eligible to apply for EU membership and as such has a membership perspective. Applications will be conditioned by the Copenhagen criteria, together with the need for the EU’s institutional system to digest the recent huge enlargement and prepare adequately for further accessions”.

4.6 Ethno-separatist conflict

Separatist conflicts have been the most virulent source of tension in contemporary European affairs. Could there be more adequate rules for ordering such conflicts in a new or better European security system? Such is the vague claim of Russia, but what would be the rules? The Helsinki 10 Principles make no provision for secession. International law recognizes secession fully only when it is agreed by the parties concerned (e.g. the dissolution of Czechoslovakia in 1990), or in a Resolution of the UN Security Council (such as was attempted for Kosovo, but blocked by Russia).

Political scientists have proposed a rich set of criteria, such as those presented in Box 2, including the idea of the ‘just cause’ relating to the severity of the injustice suffered by the

¹⁰ ‘Diagonal cumulation’ allows the value added in a production chain of two or more countries to be cumulated for the purpose of reaching the minimum value added requirement for duty free access to the EU market.

seceding party. The just cause argument has featured prominently in Western advocacy of recognition of Kosovo, given Milosovic's acts of forced deportation, ethnic cleansing, and incipient genocide. The same argument is now used by Russia to justify recognition of South Ossetia's independence, with the Russian media broadcast having branded Saakashvili's attack on Tskhinvali on 7 August as 'Genocide'. Indeed Russia's recognition of Abkhazia and South Ossetia destroys the supposed logic of its refusal to recognize Kosovo.

Nobody has proposals for how to make the just cause principle tractable legally. How serious does the injustice have to be? Who makes the evaluation? Tricky questions, to be sure, but the law is always being called upon to pronounce on borderline or dilemma cases. There is a voting mechanism that allows the world to make its evaluation. Partial recognition can come in different degrees through official recognition by any number of UN member states, with or without the agreement of all the UNSC permanent members, and the number is maybe some guide to the strength of the case. Kosovo is recognized now by 50 states; South Ossetia and Abkhazia by Russia almost alone so far. Functional recognition is another form of partial recognition, such as Taiwan as member of the World Trade Organisation and issuer of Republic of China passports that can be used worldwide. Kosovo produces now its own passports, which will be generally accepted.

Box 2. 'Just Secession' Criteria for the Recognition of a Unilateral Act of Independence

- 1) Secession should have a **just cause**. This means that the injustice to be prevented or remedied should be severe enough to justify the recognition of unilateral declaration of independence.
- 2) The decision to seize independence or to recognize a state that has seceded unilaterally should be guided by **right intentions**. This means that the unilateral declaration or recognition of its independence – either by the UNSC or unilaterally by some states – should be motivated primarily by considerations consistent with the just cause for independence.
- 3) Recognition of a unilateral declaration of independence can only be a **last resort** solution. All efforts to achieve a mutual agreement between the secessionist entity and the central government have to be considered as fruitless.
- 4) A unilateral declaration of independence has to be recognized through a **legitimate authority**. Partial recognition may be granted by a limited number of states. Full recognition by the world community of states generally means entry into the UN.
- 5) The principle of **proportionality** should be respected. The anticipated costs and benefits should be calculated at both the domestic and the international levels.
- 6) The recognition of a unilateral declaration of independence should have a **likelihood of success** in achieving its aims. There should be a reasonable chance of having the new state recognized in the long run by a substantial section or even the whole of the international community.

Source: Bruno Coppieters, "The Recognition of Kosovo: Exceptional but not Unique", in "What is 'Just' Secession? (Is Kosovo Unique?)", CEPS European Security Forum Working paper No 28, February 2008.

But maybe the future lies less in attempts to formalize more complex rules of international law, than with the processes of negotiation within the framework of the political paradigms of modern Europe, which has seen the transformation of the structure of sovereignty. The EU has given birth to the 'post-modern' paradigm, in which complex multi-tier political structures and identities gradually dilute the prior dominance of the Westphalian nation state paradigm. The Northern Ireland case illustrates with a complex structure of competences shared between the communities in Northern Ireland, with London and some also with Dublin. Such 'post-modern'

solutions are plausible given that all the unresolved separatist conflicts of contemporary Europe are complex multi-ethnic dilemma situations, themselves the legacies of history. The predominant historical commonality has been the legacy of empires, principally the British, Ottoman and Russian ones. The Northern Ireland, Cyprus, Kosovo, Transnistria, Abkhazia, South Ossetia, Nagorno Karabak conflicts all have their origins in hundreds of years of history, in which at some point imperial powers caused movements of people, or changed administrative borders in ways that sowed the seeds of today's conflicts. Modern Europe is no longer about empires, but about complex democratic structures which take great care to devise compromises that accommodate complex ethno-national structures. Russia with its multi-national structure at home, and its extensive diaspora abroad, has every interest in such solutions. It is for the EU, as a non-threatening and pre-eminently civilian European power, to persuade Russia to join in pursuing such solutions, rather than relapse into 19th century nationalism and indeed imperialism.

In a new pan-European order a priority should thus in any case be resolution of the remaining unresolved separatist conflicts: with the post-conflict situation in Abkhazia and South Ossetia to be arranged; peace settlements to be sought in Cyprus, Kosovo, Transnistria, and Nagorno Karabak; avoidance of new ethno-separatist conflicts, with Crimea the outstanding case that must not become the next disaster. So how might these old conflicts finally be now resolved, maybe in a big concerted push following the shock of the August war?

Hopefully Cyprus will deliver a new model story. It already came close to a solution with the Annan Plan in 2004, but the failure there was one of not carrying the people along with the negotiation process, with the Greek rejection in the referendum. Since the change of leadership in Greek Cyprus in February 2008, it is now clear that both democratically legitimate leaders want to find an agreement. The 'post-modern' European model will remain at the heart of any solution, given the importance of EU competences that would reign over a re-unified Cyprus, and the likely thin competences of the central Cyprus authorities compared to the two constituent states. A new project by CEPS, which polls public opinion in both Greek and Turkish Cyprus on possible ingredients of a settlement, is encouraging.¹¹

The Kosovo case should also in time yield to a cooperative outcome. For the time being EU can integrate Kosovo into its Western Balkan policies as far as possible, with Serbia now wanting to get onto a fast integration track. This should produce a gradual de-escalation of Serbian sensitivities. However the immediate situation is one in which the Serbian population of Northern Kosovo refuse the authority of Pristina, with the EU not yet able to intervene with its major rule of law mission.¹² Russia has a large responsibility for maximizing the difficulties, given its refusal to permit UNSC legitimation of Kosovo's independence and its encouragement of Serb nationalist behaviour. The proposals outlined above for upgrading the functional integration of the whole of the region into the EU economy has to apply to Kosovo, and should focus attention in Serbia too on positive elements for the future.

Transnistria has seen two model solutions. The Russian 'Kozak memorandum' of 2004 was a federative proposition with some quite standard constitutional features. But fatally it so overloaded the weight of Transnistrian representation that President Voronin refused to sign. Since 2006 there has been a Voronin 'package deal' on the table (not so far published), whose main components are autonomy for Transnistria, confirmed neutrality, withdrawal of foreign troops, and assured property rights in Transnistria (i.e. no re-privatisation). The negotiation

¹¹ E. Kaymack, A. Lordos, and N. Tocci, *Building Confidence in Peace – Public Opinion and the Cyprus Peace Process*, CEPS Paperback, Centre for European Policy Studies, Brussels, 2008.

¹² For a detailed account see Crisis Group, "Kosovo's Fragile Transition", 25 September 2008.

format is most active at the level of bilaterals between Chisinau, Tiraspol and Moscow, with less activity so far in the 5+2 format (Russia, Ukraine, OSCE, EU, US + Moldova and Transnistria). Russia could rehabilitate its reputation considerably with a willingness to back a reasonable compromise. The EU should push forcefully for the 5+2 format to be the principal negotiating forum. It should do this with the aid of a high level political representative for Moldova, with the professional support of the existing special representative. As an example of a heavy-weight politician who might fulfil this task one might think of Aleksander Kwasniewski, former President of Poland.

The post-war situation of Abkhazia and South Ossetia is subject of the Geneva talks on security arrangements and IDP return issues, which began on 15 October 2008 with the participation of Russia, Georgia, EU, US, OSCE and UN. The non-recognition of the independence of these two entities by any party except Russia presented difficulties from the start, and this first meeting was abandoned over these so far unresolved issues of protocol and political principle. One scenario would see functional cooperation with both Abkhazia and South Ossetia by all parties, including the EU, but without formal recognition: new *de facto* states. There will be political reluctance to grant even this degree of implicit partial recognition, given that it may be perceived as a concession to Russia, which provoked the war. On the other hand Abkhazia (more than South Ossetia) does not want to become part of the Russian Federation, but rather to start to develop now as part of modern Europe. This objective should be met with an open EU position for economic relations and people contacts.

A move by the EU to cooperate functionally with Abkhazia and South Ossetia without recognition could be reciprocated by Russia over Kosovo, with it moving to a position of abstention, rather than blocking, over proposed EU actions there in cooperation with the UN.

For Nagorno Karabak there has been years of attempts by the Minsk Group co-chairs (France, Russia, US) to mediate a settlement in Nagorno Karabak, and several episodes where agreement seemed close at hand. The content of these proposed settlements has been kept secret, but elements seem to include cession by Armenia of the occupied territories surrounding NK, guaranteed transport corridors for both NK into Armenia and for Nakichevan into Azerbaijan-proper, and deferral of a final status agreement for NK. Ideas for settlement of the constitutional regime have included a special status for NK with links to both Armenia and Azerbaijan, which would be consistent with the province's history over the centuries at the interface between Ottoman, Russian and Persian empires. NK could be open to the economies of both Armenia and Azerbaijan, with a provision for refugee return, notably to the former Azeri-majority town of Sushu.

But in recent times there has been a lot of war talk in Baku, encouraged by Azerbaijan's oil boom financing a build-up of military capacity. Perhaps the spectacle of the war in Georgia will at least silence such talk. More fundamentally the major powers should take the occasion now to make a concerted push for a settlement. The EU should take the occasion to properly structure its own role, with EU taking over from France in the Minsk group (not excluding that a French diplomat could represent the EU).

Russia and Turkey already seek to take the initiative over NK, both unilaterally. President Medvedev announces the wish to host a meeting in Moscow with both Armenian and Azeri leaders, with rumours in circulation that he offers Azerbaijan a certain *realpolitik* deal, with favours over Nagorno Karabak in exchange for assurances to route Azeri oil and gas exports via Russia. Turkey for its part seems to be moving towards normalisation of its relations with Armenia, with a view to mediating also with Baku over Nagorno Karabak. The process might start with an opening of the Turkish-Armenian frontier for normal trade and movement of people, the removal of remaining Armenian claims (e.g. implicit in its constitution) to its earlier territorial frontiers, and moves in favour of historic reconciliation. In a further step Turkey

might try its hand at mediating a settlement of the Nagorno Karabak conflict. Turkey has its special brotherhood relations with Azerbaijan, but it remains to be seen how far this can be mobilized to mediate a settlement. The EU could join with Turkey in taking a lead, in what could become an exemplary case of foreign policy cooperation between these two parties.

Finally on Crimea, whose destabilization must be avoided. Russia's intentions are suspect on account of numerous semi-official/unofficial speeches and activities by Russian nationalist elements, including mayor Luzhkov of Moscow, notably contesting the commitments under the Sebastopol Treaty of 1997 to withdraw the Russian Black Sea Fleet by 2017, and stirring up inter-ethnic tensions with the Tartar communities. Official Russian spokesmen confirm plans to evacuate Black Sea fleet to a Novorossiysk, and indication of progress in building the new base and a date for the move to begin would be a strong confidence-building measure. It would be further helpful for the Russian authorities to use their influence to cool down Russian nationalist activism that aggravates tensions in Crimea, and for the EU to urge Kiev to employ exemplary policies towards the non-Ukrainian nationalities (Russian and Tartar) in Crimea. These national minority issues could be subject to conflict prevention initiative to be conducted by civil society organizations, to which Europeans might usefully contribute as a neutral party between the interested parties.

4.7 Stability Pact for the Caucasus

For the South Caucasus there is a return to the question of whether the war in Georgia could have as a positive sequel the organization of a comprehensive initiative for future regional cooperation, in a 'Stability Pact for the Caucasus'. This idea surfaced first as a Turkish initiative in 2000, in the wake of the Stability Pact for South East Europe. That initiative was never really worked out at the official level, although this was done unofficially by CEPS.¹³ Turkey returns now with the idea of a Caucasus Stability and Cooperation Platform, but as far as we know this is not yet detailed operationally.

The way could be opened to negotiate such a pact only after a settlement has been reached for Nagorno Karabak, as well as arrangement of the new Abkhazia and South Ossetia situations. The agenda would be substantial, and here the experience of the Stability Pact for South East Europe would be useful, including the agendas of the three working tables for economics, security and politics, for which more specialized sub-groups proved necessary, and the recent transformation of the Stability Pact into a regionally owned organization, the Regional Cooperation Council (see Box 2 above). A South Caucasus Stability Pact might have an institutional structure and set of working groups as in Box 3.

As and when a Stability Pact for the Caucasus might begin to take shape, the question would arise of a permanent secretariat, its structure and location. On matters of structure one may suppose that there would be a core Council of the three fully recognized states of the region. The difficulties already encountered in the Geneva talks over how to include Abkhazia and South Ossetia would have to be resolved. There might be an issue also over Nagorno Karabak, depending on how its future may be defined. Realistically, there would have to be a functional place for Abkhazia and South Ossetia as partly recognized or de facto states. The Northern Cyprus model may be borne in mind in two respects, both for the EU's functional cooperation

¹³ CEPS published a detailed but unofficial 'Stability Pact for the Caucasus', CEPS, 2000, which was discussed with the leaderships of the South Caucasus and civil society NGOs.

there without formal recognition, and awareness that re-unification may sometimes happen even after decades of conflictual separation.¹⁴

Box 3. Workings of a South Caucasus Stability Pact

Political and institutional

Establishment of a South Caucasus Community, with a governing Council
+ Associates (Iran, EU, Russia, Turkey, US)
A Parliamentary Assembly

Economic policy

External and intra-regional trade and market integration policies
Transport infrastructures and coordination
Energy infrastructure and market coordination

Security

Security arrangements in and around the former conflict zones
Security sector reform
Cooperation over combating organized crime and drug trafficking

People

Refugee and IDP return and assistance
Education and youth initiatives
Inter-ethnic truth and reconciliation initiatives

To this 3+3 format could be added the major external powers and neighbours with associate or observer status (Russia, Turkey, Iran as land neighbours, and EU and US), therefore 3+3+5.

On matters of location, given the sensitivities between former conflict parties, it might be that at least in the near future none of the capital cities of the South Caucasus would be politically feasible. In this case a candidate location would be Istanbul, which is the best logistic hub for meetings bringing together officials from the region and the rest of Europe. It could also profit from the presence of the Black Sea Economic Cooperation organization (BSEC) which is headquartered there.

While this idea of a Stability Pact for the Caucasus is of interest, there would have to be choices between this and several overlapping initiatives, which on the EU side includes the Eastern Partnership and Black Sea Synergy, and with the BSEC organization perhaps in a position to get a new lease of life in the event that the Caucasus conflicts are resolved. The three states of the region seem not keen to concentrate on their ‘Caucasus identity’, and Georgia clearly prefers to build on a wider Black Sea and European identity. This might leave a Caucasus initiative to deal with a modest agenda of technical issues of local cooperation.

4.8 Central Asia strategy

The EU has begun to invest in a Central Asia Strategy, whose content is planned to be both bilateral and regional. The bilateral agendas are intended to focus “on issues such as human rights, economic diversification, energy and other sectoral issues, including youth and education”. The regional approach is considered suitable for common challenges “such as

¹⁴ Cyprus became divided with the Turkish invasion of 1974, and currently after 34 years re-unification prospects have become more promising than ever before.

organized crime, trafficking (of humans, drugs and weapons), terrorism, non-proliferation, intercultural dialogue, energy, environmental pollution, water management, migration as well as border management and transport infrastructure”.¹⁵ This EU effort to enter the Central Asian scene, alongside the heavy-weight presences of Russia and China, is sometimes supposed to have little chance of becoming significant. This would be a mistake for reasons noted in the first publications from a project that is now engaged in an independent monitoring the new EU strategy.¹⁶

This study notes several drivers of change in the region, belying the apparent immutability of the leaderships such as of President Nazabayev of Kazakhstan and of President Karimov Uzbekistan. The elites of most countries of the region are now making generational change, with the new generations more ready to support reform and modernization. New middle class groups wish to be more involved in decision-making, and to secure modern educational opportunities for their children. Geopolitically the countries of the region, and most notably Kazakhstan, are wishing to pursue multi-vectoral foreign policies, avoiding renewed domination by Russia, or new domination by China. These transformation factors are favourable to an increasing EU presence, which can benefit from a degree of trust that neither Russia nor China win.

There emerges a new regional asymmetry, with the rise of Kazakhstan as the fastest growing and richest economy with notable hydrocarbon and other mineral resources. Kazakhstan seeks to establish a serious relationship with Europe, as evidenced by its successful drive to secure chairmanship of the OSCE in 2010, its expressions of interest in the European Neighbourhood Policy and the Council of Europe, and most notably by its publication in September 2008 of a detailed policy statement entitled “*The Path to Europe*”. This programme is pragmatic, and concentrated on the objective of modernizing the economy’s technologies, regulatory policies and network connections: agricultural technologies: thus agricultural technologies and norms, energy investments and policies, transport norms and inclusion in the pan-European corridors, climate change and environment policies, industrial product standards and entry into European standard setting bodies, policies towards small and medium sized enterprises etc. This provides a solid basis for negotiating a wide-ranging new agreement with the EU. It is not ambitious in political and foreign and security policy content, with just a reference to drawing on European experience in inter-ethnic and inter-confessional relations. However this may be the most plausible basis for deepening the EU-Kazakhstan relationship, with this entry into the area of European norms starting at the technical end.

How might the EU respond to this? The EU has welcomed “The Path to Europe” in general terms. More operationally the EU could follow its practice in the European Neighbourhood Policy of recognizing certain states as privileged partners, as with Ukraine in the Eastern neighbourhood and Morocco to the South, with both of whom advanced association agreements are now being negotiated. The Central Asian countries all have Partnership and Association Agreement, dating back to the mid-1990s, and which are in need of updating. Kazakhstan is clearly positioned among the Central Asian countries to benefit from an analogous treatment, i.e. embark upon negotiation of a new general agreement. Kazakhstan could be invited to join in

¹⁵ Council of the EU, *European Union and Central Asia: Strategy for a New Partnership*, October 2007.

¹⁶ EUCAM (EU-Central Asia Monitoring) is a collaborative project of CEPS and FRIDE. For an initial review of the issues see Neil J. Melvin (ed.), *Engaging Central Asia – the European Union’s New Strategy in the Heart of central Asia*, CEPS Paperback, Centre for European Policy Studies, Brussels, 2008. See also for an updated assessment, Neil Melvin and Jos Boonstra, *The EU Strategy for Central Asia @ Year One*, EUCAM Policy Brief No. 1, October 2008.

the Eastern Partnership initially maybe as an observer, and also the Black Sea Synergy programme, given that this embraces important transport and energy links.¹⁷

Among the list of plausible operational priorities for the EU in the region, one candidate could be a boost to multilateral efforts to secure cooperation agreements between the states of the regions in the field of hydro-electric electricity and water management, and in particular to help the poorest states of the region, Tajikistan and Kyrgyzstan. New hydro projects to exploit a much greater share of the potential would require multi-billion dollar investments, and require consortium financing to which the Asian development Bank, the Eurasian Development Bank, the World Bank and the EBRD could be major contributors. Participation by the European Investment Bank would require a decision by the EU to give it a mandate to operate in the region. As explained in Box 4, technical solutions exist in principle to correct the catastrophically inefficient, non-cooperative regime of recent years. There is already an EU Water Initiative, but this remains so far a limited technical assistance project, and needs to be upgraded in order to engage with the strategic challenge. For example the EU could co-sponsor with the World Bank discussion around a long-term regional, cooperative strategy. The political tensions in the region over water and power supplies, especially between Uzbekistan and Tajikistan, have been are very serious. However at the time of writing, on 18 October 2008, there was after many years of blockage a breakthrough at a 5-party meeting in Astana with agreement on elements of multilateral cooperation for the immediate future. This could provide a basis on which to prepare more ambitious plans for the future.

Box 4. The cost of coordination failure in the energy-water-food nexus in Central Asia

The failure of Central Asia states to cooperate over a better use of hydro-electric resources means that people are freezing in winter and starving in summer, notwithstanding the region's huge endowment with energy and water. According to the Eurasian Development Bank Tajikistan currently exploits only 5% of its hydro potential.¹⁸ At present Tajikistan and Kyrgyzstan draw down much of their reserves of water in order to generate electricity during the winter, but this floods downstream Kazakhstan and Uzbekistan when the water is not needed, whereas in the summer there is a shortage of water for irrigation, leading to increasingly severe food shortages. There are technical solutions on offer. The downstream countries could export energy (coal, gas, electricity, oil) energy to the upstream countries in exchange for a better regulated release of water. Also further dams could be constructed in cascades, so that water released by the top dams to generate electricity could be held in reserve in lower dams. However this would require agreement over the terms of the exchange of energy for water. In addition international law on transnational water basins requires agreement by downstream countries to major investments in hydro-power stations in upstream countries, and the international financial institutions will not make such investments in the absence of agreement between the parties.¹⁹ Such agreements have not been forthcoming despite many years of fruitless negotiation, until 18 October 2008 when some progress was made. Turkmenistan will be supplying electricity to Tajikistan and Kyrgyzstan via Uzbekistan; Uzbekistan will supply gas to Kazakhstan if the latter will supply oil and coal to Kyrgyzstan, and there will be agreed controls over water supplies.

¹⁷ See also Melvin and Boonstra, op. cit.

¹⁸ *Water and Energy Resources in Central Asia*, Eurasian Development Bank, Industry Report, April 2008.

¹⁹ For detail see Matteo Fumugalli, *The 'Food-Energy-Water' Nexus in Central Asia: Regional Implications of and the International Response to the crises in Tajikistan*, EUCAM Policy Brief No. 2, October 2008, CEPS and FRIDE.

The EU already largely funds a major UNDP executed border management programme (BOMCA), and is positioned also to support increasingly the work of the UN Office on Drugs and Crime (UNODC), which sponsors the Central Asia Regional Information Coordination Centre (CARICC), and which can link to the work of Europol.

The EU Strategy retains in principle a human rights initiative, which involves human rights dialogue with the governments of Central Asia member states. The EUCAM monitoring project's assessment of the first year is critical, noting that the EU has so far failed to engage strongly with civil society in the region, and has confined itself to official dialogue behind closed doors.

The EU could connect with an initiative of the Asian Development Bank, called the Central Asia Regional Economic Cooperation (CAREC). This involves the five Central Asia states and China, as well as the Bank. A thrust of this project is to improve transport corridors from China through Central Asia, which in principle finds a natural partner in the EU's programme to extend the Pan-European corridors through the Black Sea/Caucasus region into Central Asia.

To summarise, with its Central Asia now into its second year, the EU should now sharpen its priorities on a few major items where there it could achieve a real perceptible impact. The proposal is here is that the priorities should be (1) a new advanced agreement with Kazakhstan, (2) upgrading of its engagement in the energy-water-food nexus, to help especially Tajikistan and Kyrgyzstan, (3) extension of the human rights dialogue beyond government into civil society, (4) continued investment in border management, especially for drug flows from Afghanistan, and (5) cooperation with the Asian Development Bank's CAREC initiative. Every effort should be made to undertake several of these items (2, 4, 5) cooperatively with both Russia and China.

5. Conclusions

The Georgia-Russia war of August 2008 has been a seismic political event. Viewed by some as the 'return of power politics', an alternative would be to see it as a renewed outbreak of uncivilized behaviour at the outer edge of Europe. The financial crash, which initially hit US and European banks hardest, now becomes an economic seismic event with the onset of global recession, and with the fragile transition economies of Eastern Europe hit hard. Together with the formidable energy security and climate change agendas, these are the factors that should be at the heart of the forthcoming revision of the European Security Strategy.

In this situation the EU needs to upgrade its policies across the whole of the wider Europe, from the Balkans to Eastern Europe, Russia and Central Asia. The peoples of Europe have a good essential understanding of what 'civilized Europe' means: peace, absence of the use or threat of coercive force between states, the rule of law, human rights, democracy, reasonable honesty in international discourse, moderation of old nationalisms. According to opinion polls European public opinion looks to the EU to pursue these objectives with a more effective foreign and security policy.

But Russia's leadership currently follows a very different track, of power politics indeed. The more Russia indulges in coercive or threatening behaviour towards its neighbours, the more it antagonizes them, and deepens the split between Russia and the rest of Europe that abhors such behaviour. The task at hand for the EU is to not to join in a primeval struggle of power politics with this unruly Russia, for which it is in any case not equipped. That can be left to the US, maybe, if its next President so chooses. The EU should instead engage in a different *rapport de forces*, in which the EU deepens and widens the Europe of 'civilized' normative behaviour, until Russia and Russians draw their own conclusions who and what they want to be and where their true long-term interests really lie.

EU strategy has to build up the credibility of its actions to boost its model for the wider Europe. The norms are attractive in themselves, but they still have to be buttressed by institutions, laws and political and economic investments. The list of actions can be summarized under the following eleven headings:

- i. the institutional innovations of the Lisbon Treaty – the permanent President of the European Council, the double-hatted High Representative, the External Action Service, and the Permanent Structured Cooperation in the defence field.
- ii. the strengthening of the EU's energy policy, with a vast diversification agenda for diversification (nuclear, solar, wind), infrastructures (pipeline interconnections at home and pipeline and LNG reception facilities), and competition and regulatory policies; with climate change policy also working for an improved energy supply/demand balance worldwide.
- iii. as and when negotiations between the EU and Russia over a new agreement are resumed, the agenda should be extended beyond the existing 'four common spaces' towards achieving a strategic understanding on the entire landscape of pan-European issues.
- iv. a critical but constructive response to President Medvedev's call for a pan-European security architecture, with the EU to lead in a reform of the OSCE, including a rationalisation of the EU's presence there, and creation of a core group of major actors in a European Security Council.
- v. a more adequate definition of criteria for future NATO enlargements, including the need for a strong national consensus in the candidate state, and a sound record of responsible strategic behaviour.
- vi. a deepening of the Russia-NATO relationship as soon as the direction of affairs can be turned back towards a re-building of trust, with a properly institutionalised summit process, missile defence to become a cooperative project, and at some stage renegotiation of the Conventional Forces in Europe treaty.
- vii. opening of a European Financial Stability Fund, which would not only support European banks but also make available large-scale macro-financial loans to countries in need across the whole of central and eastern Europe, and so limit the recession and risks of political instability.
- viii. an upgrading by the EU of its policies in the Western Balkans, with a move from free trade to customs union, opening of the option for countries of the region to accede unilaterally to the eurozone, substantial increases in structural funds as well as access to the proposed stability fund, and rapid moves towards visa-free travel with the EU.
- ix. launching by the EU of the Eastern Partnership to replace and upgrade the Eastern branch of the European Neighbourhood Policy, just as the Barcelona Process-Union for the Mediterranean similarly replaces its Southern branch. This should see a clarification of membership prospects for at least the closest neighbours, and important economic initiatives (deep free trade agreements and access to the proposed stability fund).
- x. upgrade of the EU profile in the remaining unresolved conflicts in the Caucasus and Moldova, and a conflict prevention initiative for Crimea.
- xi. development of cooperative actions in Central Asia, with priority to supporting Kazakhstan's 'Path to Europe', and hydro-electric and border management projects concentrated on Tajikistan.

This list includes items that respond constructively to some plausible Russian arguments, even if its coercive actions over the last few months and years are incompatible with a civilized wider European order. A phase of confidence building measures on both sides could signal the beginnings of a new trajectory. For example points above on NATO and OSCE would be important gestures from the EU, while Russia could desist from the kind of coercive actions seen in many incidents over the last two years, and show itself open to genuine cooperation over the remaining unresolved conflicts in Europe.

A realistic Russia will recognize that it does not hold all the cards, with serious weaknesses in its economy, demography and international political reputation. The EU has to find the political will and unity to craft a strategic understanding with Russia, which would see a convergence on civilized norms for the wider Europe. Every decade or so the EU is confronted with strategic challenges for which its traditional structures prove obsolete, and which therefore require systemic change. Such were the stories of completing the internal market and the monetary union in the 1980s and 1990s. Today it is confronted simultaneously with the double challenges of the global financial crisis and a revanchist Russia.

Annex A. Extract from the speech by President Medvedev to the World Policy Conference, Evian, 8 October 2008

“This system should be equal for all states—without isolating anyone and without zones with different level of security. It should consolidate the Euro-Atlantic region as a whole on the basis of uniform rules of the game. And it should ensure in stable and legally binding form our common security guarantees for many years to come.

My partners often ask me what would be new in the Treaty. Here in Evian I would like to present for the first time some specific provisions as I see them.

First. The Treaty should clearly affirm the basic principles for security and intergovernmental relations in the Euro-Atlantic area. These principles include the commitment to fulfil in good faith obligations under international law; respect for sovereignty, territorial integrity and political independence of states, and respect for all of the other principles set out in the truly fundamental document that is the United Nations Charter.

Second. The inadmissibility of the use of force or the threat of its use in international relations should be clearly affirmed. It is fundamental for the Treaty to guarantee uniform interpretation and implementation of those principles. The treaty could also cement a unified approach to the prevention and peaceful settlement of conflicts in the Euro-Atlantic space. The emphasis should be on negotiated settlements that take into account the different sides’ positions and strictly respect peacekeeping mechanisms. It would perhaps be useful to set out the dispute resolution procedures themselves.

Third. It should guarantee equal security, and I mean equal security and not any other kind of security. In this respect we should base ourselves on three ‘no’s. Namely, no ensuring one’s own security at the expense of others. No allowing acts (by military alliances or coalitions) that undermine the unity of the common security space. And finally, no development of military alliances that would threaten the security of other parties to the Treaty.

We need to concentrate on military and political issues because it is hard security that plays a determining role today. And it is here that we have seen a dangerous deficit of controlling mechanisms recently.

Fourth. It is important to confirm in the Treaty that no state or international organization can have exclusive rights to maintaining peace and stability in Europe. This applies fully to Russia as well.

Fifth. It would be good to establish basic arms control parameters and reasonable limits on military construction. Also needed are new cooperation procedures and mechanisms in areas such as WMD proliferation, terrorism and drug trafficking.

Our joint work on the Treaty should also assess how the structures established in the past meet modern requirements. I stress that we do not seek to abolish or even weaken anything that we have now. All we want is to achieve more harmonious work together on the basis of a common set of rules.

Life will show us the best platform for negotiations. And if we agree to go ahead with this project it will be essential to get the international expert community involved”.

Let me stress that we are open for discussing other possible elements of the Treaty as well. But whatever the case, we must speed up our efforts to fix the European security architecture. If we do not, we will only see it degrade further, as well as face growing crisis in security and arms control.

True, the non-proliferation regime we inherited is not best suited to today's tasks. But even this regime has not exhausted its positive potential, although there are some obvious problems, such as cracks and holes in the Nuclear Non-Proliferation Treaty, lack of progress in making the Convention on the Prohibition of Biological and Toxic Weapons more effective, and also the murky prospects for entry into force of the Comprehensive Test Ban Treaty.

We attach exceptional importance to concluding a new, legally binding Russian-American agreement on nuclear disarmament. It should replace the START Treaty that expires in 2009. But what we need is a treaty and not a declaration. We hope for a positive reaction to our proposal from the USA.