

# CONNECTIONS

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# Why Did Poland Choose The F-16?

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## Abstract

This essay provides a comprehensive synthesis of the Polish military's fighter aircraft selection process, assesses the dominant issues, and answers the question, "Why did Poland choose the F-16?" It begins with a brief examination of Poland's military aircraft status and military aircraft industrial production capability from approximately 1990 to 2002, its requirements for an advanced fighter aircraft, and Poland's military hardware procurement and acquisition processes. Analysis then turns to acquisition reforms associated with the F-16 decision, the institutional structure for purchasing military aircraft, the mechanics of the F-16 decision, and who ultimately made the decision. Given the centrality to the decision process, a capabilities comparison of the three competitors—the Lockheed Martin F-16, Saab/BAE Systems JAS-39 Gripen, and the Dassault Mirage 2000-5 Mk II—is offered and interoperability considerations addressed. This study then outlines the financial construction of the three bids, to include economic issues and pressures from the U.S., French, and Swedish governments and industry, and an in-depth analysis of industrial offsets. Lastly, it will examine political issues associated with the F-16 purchase.

**Keywords:** Poland; Lockheed Martin F-16; Saab/BAE Systems JAS-39 Gripen; Dassault Mirage 2000-5 Mk II; acquisition; technical comparison; financing; offset; U.S.-Polish relationship; fighter competition

## Introduction

On 27 December 2002, Poland's Minister of Defense Jerzy Szmajdzinski announced Poland's decision to purchase forty-eight state-of-the art F-16 fighter aircraft from the U.S. aerospace firm Lockheed Martin. The "deal of the century," as Christopher R. Hill, U.S. Ambassador to Poland, characterized it, was sealed on 18 April 2003 with the signing of the contract by Polish and U.S. officials, and Lockheed Martin senior executives.<sup>1</sup> The contracts involved three separate, but related, agreements: the sale of forty-eight F-16 52+;

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<sup>1</sup> John Tagliabue, "Lockheed Wins Huge Sale to Poland With Complex Deal," *The New York Times* (19 April 2003), C4.

an offset package to invest in Poland over a 10 year period;<sup>2</sup> and favorable U.S. government-backed low-interest financing.<sup>3</sup>

Poland's decision to purchase the F-16 had interwoven capability, interoperability, economic, and political dimensions. The main issues that drove Poland's decision to purchase the F-16 included a technical analysis of competing aircraft, price, financing, offsets, and politics. The mass media and the business community, particularly in Poland, portrayed the deal primarily in economic terms, emphasizing the favorable financing offered by the U.S. and the unprecedented offset agreement. Polish officials and politicians painted a picture of a more balanced decision for their constituents, one that emphasized price, tactical, and operational criteria over offsets. Academics, pundits, and officials from the losing bidders, Dassault and Saab/BAE, weighed politics more heavily in their assessments of the decision process than aircraft capabilities or economics.

### **Aircraft Production and Requirements**

When the Iron Curtain fell, Poland found itself with a fairly robust air force, but one that was beginning to erode. The country had a total of approximately 800 combat aircraft in 1990.<sup>4</sup> This number decreased rapidly to 300 in 1998, with a target of about 100 slated for 2002.<sup>5</sup> The deteriorating inventory of fighter aircraft and the target plan of 100 influenced the mindset of Polish decision-makers leading up to the decision at the end of 2002 to purchase the F-16. Of the fighter aircraft Poland had in its inventory in 1990, only a handful had any reasonably modern combat capability: twenty-two MiG-29s and nearly 100 Su-22s.<sup>6</sup> In addition to limited numbers of combat aircraft, Polish aircraft production capacity was in a dismal state. A robust aeronautical industrial base from which to produce a fourth-generation fighter simply did not exist in Poland.

Despite Poland's limited production capability, a strong internal rationale existed to justify a costly investment in a fighter aircraft. As a matter of national pride, Poland—a nation that joined NATO in 1999—no longer wanted to feel like a second-class relative to other Western air forces. It also wanted the purchase to reflect the country's recent military transformation.<sup>7</sup> Moreover, Poland not only needed interoperable aircraft that met NATO standards,<sup>8</sup> it had to be capable of committing forty-eight modern jet fighters to NATO Reaction Forces (NRF).<sup>9</sup> Existing Polish fighters were costly to maintain and oper-

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<sup>2</sup> *Offset* is a contracting and acquisition term of art meaning an agreement between two governments or a government and a foreign supplier to invest in the country's industrial or educational base.

<sup>3</sup> Tagliabue, "Lockheed Wins Huge Sale."

<sup>4</sup> Jeffrey Simon, *Poland and NATO* (Lanham, MD: Rowman & Littlefield Publishers, Inc., 2004), 90.

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*

<sup>7</sup> B. Glowacki and G. Sobzack, "Poland Opts for F-16s," *Flug Revue* (March 2003); available at [www.flug-revue.rotor.com/FRhft/FRH0303/fr0303a.htm](http://www.flug-revue.rotor.com/FRhft/FRH0303/fr0303a.htm).

<sup>8</sup> Christopher Bollyn, "Why Eastern Europe Supported War," Rumor Mill News Agents Forum, available at [www.thetruthseeker.co.uk/article.asp?ID=746](http://www.thetruthseeker.co.uk/article.asp?ID=746).

<sup>9</sup> Simon, *Poland and NATO*, 90.

ate, lacked NATO interoperability, and were insufficient to meet the NRF commitment. Polish officials felt that equipment modernization, and the F-16 in particular, bolstered Poland's standing in NATO and aided in the professionalization of its military.<sup>10</sup>

As eloquently as proponents justified Poland's need for a modern, fourth-generation multi-role fighter, opponents voiced their objections just as vehemently. In August 2002, Andrzej Karkoszka, the former defense secretary, published an article entitled "Fly or Think?" An early supporter of Poland acquiring modern fighter aircraft, Karkoszka performed an about-face and argued that the former threat from the East had been superseded by a terrorist threat that did not justify a large investment in expensive new jet fighters. Instead, Karkoszka advocated buying used fighters. His opinion was rebuffed by Deputy Defense Minister Zemke in an article entitled "Thinking and Flying." In the article, Zemke demonstrated that used fighters would cost half as much as new fighters but would have less than half the life expectancy in terms of flying hours and would not be nearly as technologically advanced. Instead, Zemke supported a plan to purchase new fighters with a favorable contract that delayed the brunt of the financial liabilities until after 2009, when 1970s-era loans would be paid.<sup>11</sup> With the requirement for modern jet fighter aircraft established, Poland embarked on an acquisition and procurement process that was initially riddled with corruption.

## Acquisition Process

To fully grasp how the final decision was made to select the F-16, the process leading to the selection of a final bid must first be analyzed. Such an analysis must begin with an understanding of Poland's acquisition process. In Poland, public and social institutions, including the Ministry of Defense, Sejm, Senate,<sup>12</sup> Commission of National Defense, the Highest Chamber of Control (*Najwyższa Izba Kontroli*, or NIK), and the mass media all influence military expenditures. The Polish Armed Forces articulates and justifies requirements. Parliament creates the budget, which is then subject to public scrutiny via the published diary of bills. The budget is controlled by the Department of Control in the Ministry of Defense, and the execution of the budget was examined by the NIK and ana-

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<sup>10</sup> Andrew A. Michta, "Modernizing the Polish Military," *Defence Studies* 2:2 (Summer 2002): 44.

<sup>11</sup> Simon, *Poland and NATO*, 135.

<sup>12</sup> Poland is a democracy with a president as head of state. Its constitution dates from 1997. The president is elected by popular vote every five years. The Council of Ministers, or cabinet, is led by a prime minister. The prime minister proposes and the president appoints the cabinet. The cabinet is typically appointed from the majority coalition in the bicameral judicial lower house (the Sejm). Polish voters elect a bicameral parliament consisting of a 460-member lower house Sejm and a 100-member Senate (Senat). The Sejm is elected under proportional representation according to the d'Hondt method. The Senate is elected under a rare plurality bloc voting method where several candidates with the highest support are elected from each constituency. With the exception of ethnic minority parties, only candidates of political parties receiving at least 5 percent of the total national vote can enter the Sejm. When sitting in joint session, members of the Sejm and Senate form the National Assembly (the *Zgromadzenie Narodowe*).

lyzed by Parliament.<sup>13</sup> Despite such apparently extensive oversight, Poland's acquisition processes preceding the F-16 tender lacked transparency and were plagued by corruption.

Initially, Polish officials insisted that the process for selecting a fourth-generation fighter aircraft be transparent, credible, and comprehensively rigorous. An interministerial committee was established by Deputy Defense Minister Szeremietiew on 5 March 2001, to outline the path that the acquisition process should follow. Defense Minister Komorowski weighed in and set up an additional bidding team of experts headed by Colonel Włodzimierz Plach, the deputy director of the Armed Forces Supplies Department. Komorowski was so concerned with transparency that he charged the bidding commission to not rule out participation by opposition forces.<sup>14</sup>

Plach's team, given their expertise, would evaluate the combat capabilities and technical aspects of each competing fighter, while Szeremietiew's interministerial group would make the ultimate decision. Referring to the purchase, Deputy Prime Minister and Finance Minister Janusz Steinhoff stated, "One of the most important elements that would affect the final choice would be terms of offsetting the purchase with orders placed in Polish plants."<sup>15</sup> This largely set the priorities and ground rules for the competing bids. 10 September 2001 was set as the date to announce the winning bid, with 14 September 2001 as the contract signing date. These dates, however, proved to be overly optimistic.

In the midst of the aggressive fighter aircraft procurement schedule, a corruption scandal related to military procurement exploded within the Ministry of Defense and disrupted the decision timeline. Prime Minister Buzek suspended Deputy Defense Minister Szeremietiew on 7 July 2001 and appointed a special commission to investigate suspect procurement orders within the ministry. The suspension centered around Szeremietiew's close relationship with Zbigniew Farmus, who was arrested on 10 July and accused of selling inside information to bidding competitors and soliciting bribes in exchange for contracts.<sup>16</sup>

In conjunction with developments in the case, Prime Minister Buzek charged Deputy Prime Minister Janusz Steinhoff and Defense Minister Komorowski with supervising all public tenders for military equipment. The bid selection process for the multipurpose fighter jet was immediately delayed, and personnel shake-ups followed. Brigadier General Roman Baszuk, the air force's chief of logistics command, was named to replace Szeremietiew as chair of the mixed bid commission.<sup>17</sup> In mid-November 2002, the Tender Commission opened bids and the process of technical analysis began. Deliberations were secret, but remained under the auspices of the Military Information Services (*Wojskowe Służby Informacyjne*, or WSI).<sup>18</sup> Due to the secrecy of the deliberations, little was published on the details of how the decision was reached.

What was known about the selection process is that the decision was made by the Tender Commission, composed of a twenty-three-person evaluation committee. A somewhat

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<sup>13</sup> Ministry of National Defense, Republic of Poland, *Basic Information on the MoND Budget for 2001-2006*; available at [www.wp.mil.pl/en/strona/126](http://www.wp.mil.pl/en/strona/126).

<sup>14</sup> Simon, *Poland and NATO*, 117.

<sup>15</sup> *Ibid*, 118.

<sup>16</sup> Simon, *Poland and NATO*, 121.

<sup>17</sup> *Ibid*.

<sup>18</sup> *Ibid*, 135.

complicated points award system was used, consisting of forty-five points for the best price, twenty points for operational suitability, twenty points for compliance with tactical and technical requirements, and fifteen points for offsets. Although the actual results were not published, speculation has it that the F-16 was awarded ninety-six out of a possible one hundred points, ninety-three for the Saab/BAE JAS-39 Gripen, and a slightly lower score for the Dassault Mirage 2000-5 Mk II.<sup>19</sup> In spite of the secret deliberations, Prime Minister Miller declared that the “entire, complex process of choosing the aircraft took place under conditions of complete transparency and fairness, while preserving the objectivity that is particularly necessary in analytical work.”<sup>20</sup> The ratings, however, do not tell the whole story of why the Poles chose the F-16.

## Performance and Interoperability

In analyzing why the Polish military chose the F-16, a brief analysis and comparison of the capabilities of the three contending aircraft is required. The three final competitors for the Polish tender were the Lockheed Martin F-16C/D Block 52+, Saab/BAE Systems JAS-39 Gripen, and the Dassault Mirage 2000-5 Mk II. The actual details of what Saab/BAE Systems and Dassault offered are not public. Therefore, some of the capabilities comparisons are based on the assumption, gleaned from several sources, that the competitors offered the top-of-the-line capabilities then available. A broad-brush performance comparison of the three fighter aircraft is presented in Table 1.

Table 1: Fighter Aircraft Performance Comparison<sup>21</sup>

	F-16C/D 52+	Mirage 2000-5 MkII	JAS-39 Gripen
Max level speed (at altitude)	Above 2.0 mach	2.2 mach	Supersonic at all altitudes
Max level speed (sea level)	>1.0 mach	1.2 mach	>1.0 mach
Service ceiling	>15,240 m	18,290 m	Not available
Range (hi-low-hi attack profile)	676 nautical miles	650 nautical miles	432 nautical miles
g-limits	+9.0	+9.0/-3.2	+9.0
Max external stores load	7,226 kg	6,300 kg	Approx 6,000 kg

<sup>19</sup> Glowacki and Sobzack, “Poland Opts for F-16s.”

<sup>20</sup> The Chancellery of the Prime Minister, Republic of Poland, “Signing of Agreement for Delivery of F-16 Aircraft,” 18 April 2003; available at [http://www.kprm.gov.pl/archiwum/english/2130\\_5889.htm](http://www.kprm.gov.pl/archiwum/english/2130_5889.htm).

<sup>21</sup> Paul Jackson, Kenneth Munson, and Lindsay Peacock, eds., *Jane’s All the World’s Aircraft* (Surrey, UK: Jane’s Information Group Limited, 2002), 118, 440, 651.

Poland considered the following missions as part of the decision matrix for determining which fourth-generation fighter to purchase:

- Air-to-air: air defense of land and sea and escort of friendly aircraft
- Air-to-ground: air interdiction, battlefield interdiction, and close air support
- Air-to-sea: function as part of air operations of naval forces
- Air reconnaissance support: above the ground and sea, including weather reconnaissance<sup>22</sup>

Aircraft requirements included the ability to detect, track, and engage air targets in all weather and all visibility conditions. Additionally, the multi-role fighter aircraft was required to detect, track, and precisely engage ground and sea targets with both guided and unguided munitions, and to conduct reconnaissance with real-time transfer between optical, optical-electronic, and radio-electronic devices to ground command posts.<sup>23</sup>

As part of the technical analysis for each competing aircraft, Colonel Jan Błaszczuk of the Polish Air Force compared and evaluated the capabilities of the fighter aircraft according to various criteria. He used a relative scale to collate his results. Błaszczuk developed a composite score by weighting and combining the scores in each of the performance categories. In addition to the three competition aircraft, Błaszczuk included in his analysis three combat aircraft that were then being operated by the Polish Air Force: the MiG-29 Fulcrum A, the Su-22M4, and the MiG-21bis Fishbed N. He graded all the aircraft in the following categories:

- Technical/tactical parameters (air-air, air-ground)
- Ability to maneuver (air-air, air-ground)
- Armament (air-air, air-ground)
- Avionics (air-air, air-ground)
- Dynamic properties (overall)
- Battlefield survivability
- Electronic warfare/self-defense characteristics
- Operational cost (labor hours, maintenance requirement)
- Composite factor of all of the above.<sup>24</sup>

The F-16 ranked first in the air-to-air and air-to-ground mission areas of the avionics and armament categories, as well as the overall evaluation. The Mirage and the Gripen both ranked first in other categories. For instance, the Mirage excelled in electronic countermeasures and performance, while the Gripen had the lowest maintenance costs. All

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<sup>22</sup> Lech Konopka, *Polish Military Aviation 1990–2003* (Warsaw: Dom Wydawniczy Bellona, 2003), 161–62.

<sup>23</sup> Ibid.

<sup>24</sup> Jan Błaszczuk, “Walory techniczno-bojowe samolotow wielozadaniowych F-16C, JAS 39 Gripen, Mirage 2000-5 a jakosc samolotow bojowych WLOP,” *Czese i w numerze* (March 2003).



three aircraft ranked similarly in the majority of categories and represented a major upgrade from the MiG-29 Fulcrum A, the Su-22M4, and the MiG-21bis Fishbed N. The MiG-29 had a slightly lower ranking in the technical/ tactical parameters air-to-air category. However, its lack of armaments, electronic warfare capability, and high maintenance demands placed it significantly behind the other three aircraft in the overall assessment. The other two single-role aircraft ranked four to five times worse in their specialties according to the relative indicators.<sup>25</sup>

In addition to the F-16 coming out on top of Błaszczuk's technical assessments, Brigadier General Anatol Czaban noted that the F-16 was a good buy, with a great deal of combat experience. The F-16 was widely disseminated and purchased, with a total of twenty-four countries flying the F-16 and over 4,000 aircraft produced. He observed that the F-16 had been built and tested for many years from an operations, maintenance, logistics, and lifecycle perspective. Czaban felt the U.S. support in terms of access to training and F-16 experience was critical to preparing a relatively large number of pilots and mechanics in a short period of time.<sup>26</sup> He painted the F-16's competition in a less flattering light when discussing interoperability

Czaban felt commonality was important to fulfill Poland's role as a NATO ally. He viewed the aircraft itself as just a platform that must work as part of a system to receive and deliver information. In Czaban's opinion, the French and Swedish aircraft could not fully work within this information system, and therefore were not fully NATO interoperable. First and foremost, Poland needed fighter aircraft that met NATO standards, and the F-16 ensured Poland's NATO interoperability.<sup>27</sup> Commenting on the sale, Mr. Bruce Lemkin, Deputy Undersecretary of the U.S. Air Force for International Affairs, stated, "these F-16s will provide the foundation of interoperability that will enable us to carry out operations as NATO and coalition partners."<sup>28</sup>

The contracts and production capabilities for all three competitors ensured the delivered platform would be NATO interoperable, effectively taking the issue of interoperability out of the decision matrix. Additionally, as fourth-generation fighter aircraft, the performance and capabilities of the three fighter jets were relatively comparable. However, in the end, the F-16 eked out a win in the technical evaluation conducted in conjunction with the tender decision. With the F-16 having emerged victorious from a technical perspective, the Poles turned to negotiating favorable financing, overall contract price, and offsets with Lockheed Martin and the U.S. government, as well as the other competitors.

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<sup>25</sup> Ibid.

<sup>26</sup> Anatol Czaban, Brigadier General, General Staff of Polish Armed Forces, Military Intelligence Directorate, Deputy Chief P-2, personal interview with author, George C. Marshall European Center for Security Studies, Garmisch, Germany, 5 September 2006.

<sup>27</sup> Bollyn, "Why Eastern Europe Supported War."

<sup>28</sup> Defense Security Cooperation Agency Press Release, "Ceremony Marks Rollout of First F-16s for Poland," 15 September 2006; available at [www.dsca.osd.mil/PressReleases/by-date/2006/091506b.htm](http://www.dsca.osd.mil/PressReleases/by-date/2006/091506b.htm).

## Financing and Price

Although the F-16 was felt to be technically superior to its two competitors, it is important to recall that capabilities accounted for only forty out of the one hundred points assessed by the Tender Commission. The remaining sixty points were awarded based on price and offsets.

According to Janusz Zemke, Deputy Minister of Defense, the bid differentials between the three proposals were 10 percent or less.<sup>29</sup> The unit procurement costs (cost of the latest production contract, excluding most research and development and support costs, divided by number of aircraft contracted) were not released by Poland, but, as a data point, the unit procurement cost for the JAS-39C Gripen was estimated at USD 68.9 million, including Value Added Tax.<sup>30</sup> Colonel Peter Podbielski, of the U.S. Office of Defense Cooperation in Warsaw, further added that a matrix evaluating the price, platform capability, and weapons packages for the three aircraft yielded only a small variation.<sup>31</sup> He recalled a less than USD 500 million difference in contract price between the highest and lowest bids.<sup>32</sup> With a relatively small differential between the highest and lowest contract prices, competitors attempted to sweeten the deal with attractive financial terms.

The Bush Administration needed to be creative to overcome limitations imposed by existing U.S. government financing programs. Contrary to the European model, a competitive export credit facility to issue government loans or guarantees did not exist in the U.S., and the existing U.S. Export-Import Bank did not cover deals of the Polish F-16 flavor. The Defense Export Loan Guarantee (DELG), which was established in 1996 to provide the same function for military sales as the Export-Import Bank provided for other deals, was not competitive due to expensive financing terms.<sup>33</sup> These limitations needed to be creatively overcome to make the F-16 offer competitive.

A work-around was discovered in Section 23 of the Arms Export Control Act that enabled the U.S. to extend a loan to Poland direct from the U.S. Treasury. This solution allowed the Defense Security Cooperation Agency to grant 100 percent of the loan, versus the 85 percent guarantee permitted under DELG. The permissible interest rate was based on the ten-year U.S. Treasury note instead of the market rate, making the financing much more attractive. In line with Poland's desire to defer principal payments until the out-years, the U.S. Congress authorized a very competitive fixed-rate thirteen-year loan with

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<sup>29</sup> "Offsets: The Big Payback," *Warsaw Voice Online* (5 January 2003); available at [www.warsawvoice.pl/view/852/](http://www.warsawvoice.pl/view/852/).

<sup>30</sup> "Sticker Shock: Estimating the Real Cost of Modern Fighter Aircraft," *Defense-aerospace.com* (2006).

<sup>31</sup> Colonel Peter Podbielski, Colonel, U.S. Army (retired), worked in the Office of Defense Cooperation at the U.S. Embassy in Warsaw during the period leading up to and following Poland's choice of the F-16.

<sup>32</sup> Podbielski, e-mail message to author, 19 October 2006.

<sup>33</sup> Peter C. Evans, "Appendix 13E. The Financing Factor in Arms Sales: The Role of Official Export Credits and Guarantees," *Military Spending and Armaments* (2002): 539.

principal payments deferred for eight years. The U.S. interest rate was assessed to be close to 5 percent.<sup>34</sup>

In addition, based on Congressional approval, DSCA significantly reduced financing fees and obtained a letter of credit from a commercial bank to serve as a performance bond, which facilitated Poland's ability to meet the default subsidy requirement. Lastly, as part of the offer, Poland was permitted to buy-down the loan by increasing its up-front payments, which essentially amounted to a "loan interest rate reduction fee."<sup>35</sup> All in all, the creativity of the U.S. government's financing proposal made the F-16 offer more attractive.

Although details of the Gripen and Mirage financial packages are not accessible to the public, available information points to equally lucrative financial terms. The financial terms offered by the Gripen team included substantial government support and backing through the guarantee of export credit. A consortium of European banks allowed Sweden's Exportkreditnämnden and the United Kingdom's Export Credits Guarantee Department to jointly offer 100 percent coverage for fifteen-year loans at a competitive rate of 4.5 percent. The French government initially agreed to back 85 percent of the Mirage offer, but later agreed to back 100 percent of the financing terms at the low interest rate of 3.4 percent.<sup>36</sup> With favorable financing lined up for all three offers, Poland's attention and priority turned to proposed offsets.

## Offsets

To fully understand the role offsets played in the overall tender, a basic working knowledge of offsets, and Poland's expectations in terms of offsets, is required. "Offset-speak" is defined as follows for use in this analysis:<sup>37</sup>

- Offset Agreement: an agreement signed between the Minister of Economic Affairs on behalf of the State Treasury and the foreign supplier
- Foreign Supplier: a foreign contractor delivering weapons or military equipment
- Offsetor: a foreign supplier or an enterprise acting on behalf of this supplier in direct cooperation with an offsetee
- Offsettee: an offset receiver, to include Polish companies, universities, research and development centers (R&D), or public sector entities
- Offset Commitment: the obligations of a foreign supplier (offsetor) towards an offsettee
- Direct Offset: offset commitments performed by defense industry companies, whose objective is production, repairs, servicing, research and development, and trading in armaments

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<sup>34</sup> Ryzsard Jaxa-Malakowski, "Proposals Issued for Poland's Fighter Contest," *Flight International* (19 November 2002); available at [www.flightglobal.com/articles/2002/11/19/158029/proposals-issued-for-polands-fighter-contest.html](http://www.flightglobal.com/articles/2002/11/19/158029/proposals-issued-for-polands-fighter-contest.html).

<sup>35</sup> Evans, "The Financing Factor in Arms Sales," 542.

<sup>36</sup> *Ibid.*, 539, footnote 3.

<sup>37</sup> Podbielski, e-mail message to author, 18 October 2006.

- Indirect Offset: offset commitments concerning any other companies registered in Poland.

Foreign contractors' attention was drawn to Poland's national preferences in the field of offset needs.<sup>38</sup> However, Poland's offset law concerned prospective offseters. Competitors expressed concerns over three main issues. First, the offset law forced foreign offseters to direct most offset projects to existing and, at the time, unreformed Polish defense companies, with their inefficient cost structures and Soviet-style legacy management. Second, the Polish offset law did not completely comport with common international standards for offset procedures, practices, and regulations. Third, the penalty system for non-performance of offset obligations was extremely punitive, with the penalties potentially exceeding 100 percent of the value of such obligations.<sup>39</sup>

The initial Request for Proposal (RFP) for the purchase of multi-role fighter aircraft was issued to the governments of France, Sweden, the U.K., and the U.S. The RFP identified a two-phased tender and called both for twenty-four new and twelve inventory (used) multi-role fighter aircraft, and an offset offer equal to the overall aircraft program value, i.e., 100 percent.<sup>40</sup> In the RFP's second phase, Poland changed the specification from a combination of thirty-six new/inventory to forty-eight new aircraft, and retained the requirement for a 100 percent offset. The French, U.K./Swedish, and U.S. offset proposals each exceeded USD 10 billion as evaluated by the respective bidder. Unfortunately, very few details of the Dassault and Saab/BAE offset proposals are available because the Poles involved in the assessment and evaluation of offset proposals signed non-disclosure agreements. In addition, the Saab/BAE and Dassault teams, in conjunction with the Swedish, British, and French governments respectively, classified their programs and offset proposals. However, open-source articles do allow some insight into the proposals.

Total Dassault offset proposals were estimated at eighty-two specific offers, sixty-five of which were for defense and aerospace companies. As part of the proposals, Dassault offered final assembly of the Mirage 2000 at Mielec. It also proposed that Mielec and Swidnik be the exclusive suppliers of Mirage 2000 components and that Swidnik increase the number of components manufactured for the Falcon business jet and Rafale intakes. Dassault also offered to become a part of the Iryda/Iskra 2 program, and to flow work to the Hydral, WZL-2, Kalisz, and Rzeszow engine factories, specializing in hydraulics.<sup>41</sup>

Dassault assessed their proposed offsets at USD 3.8 billion, while Poland, according to Deputy Economy Minister Andrzej Szarawarski, determined the value after verification to be USD 2.1 billion.<sup>42</sup> It is difficult to determine how these numbers were arrived at with the limited information available. Speculatively, the numbers may have been reached by using multiplier factors, with the multiplier factors biased in favor of high-technology offsets.<sup>43</sup>

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<sup>38</sup> Podbielski, e-mail message to author, 18 October 2006.

<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

<sup>41</sup> Penney, "Proposals Issued for Poland's Fighter Contest."

<sup>42</sup> "Offsets: The Big Payback," *Warsaw Voice Online*.

<sup>43</sup> Glowacki and Sobzack, "Poland Opts for F-16s."

The Swedish/British bid assessed the offset value at USD 7.48 billion, with the price of the bid at USD 3.15 billion. Following verification and application of the offset multiplier, Deputy Economy Minister Andrzej Szarawarski stated that Poland downgraded the value of the offer to USD 4.7 billion.<sup>44</sup> The Polish assessment of the offset offer from Saab/BAE caused Björn Magnusson, Saab/BAE Polish operations chief, to comment, “We were very disappointed to see the American offset deal assessed as better than ours.”<sup>45</sup>

The offset proposal submitted by Lockheed Martin was valued at USD 9.8 billion,<sup>46</sup> with a bid of USD 3.58 billion for forty-eight F-16 C/D Block 52+ multi-role fighter aircraft. The operating principle was that Poland would select offsets from this offer that would equal the program value of the aircraft (USD 3.58 billion). On 21 January 2003, the Poles informed a combined U.S. and Lockheed Martin team that the new 100 percent offset requirement was USD 6.028 billion, the value that Poland reduced the offer to after verification and application of Polish Law offset multipliers. The offset became 170 percent of program value, and the largest in commercial history. Fully 61 percent of the offset proposal was approved by the Polish offset committee, for a total of 104 commitments, with 49 involving civilian sector indirect offset investments.<sup>47</sup>

The most pressing details were agreed to at 4 AM on 18 April 2003. The Foreign Military Sales case, the Foreign Military Financing loan, and the offset agreement were signed by noon.<sup>48</sup> As significant as the offset agreement was to concluding the contract, economics were not the most important factor in the Poles’ ultimate decision to purchase the F-16.

## Politics

Shortly following Poland’s announcement it would purchase the F-16, Charles Edelstenne, Dassault Chief Executive Officer, made it clear that he felt the choice of an American fighter over a European one was a political decision. Edelstenne noted, “The political element was the dominating element, much more than the quality of the material and the price. I felt for a very long time that they [Poland] very much favored rapprochement with the Americans. So, it’s not a surprise.”<sup>49</sup> While not as vocal in their views, the Saab/BAE team also expressed disappointment in the ultimate decision. These sentiments pointed to an underlying current of discussion about the role of politics versus financing, offsets, and capabilities in the decision to purchase the F-16. The politics were framed in the context of European and U.S. relationships as they existed at the time.

On 27 December 2002, the day Poland announced its plans to purchase the F-16, Ambassador Hill, in commenting on the deal, stated, “It represents more than an airplane. It is

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<sup>44</sup> “Offsets: The Big Payback,” *Warsaw Voice Online*.

<sup>45</sup> Wojciech Kosc, “Poland Turns to U.S. for Fighter Jets,” *Transitions Online, Week in Review* (24 December 2002 to 6 January 2003); available at [www.tol.cz](http://www.tol.cz).

<sup>46</sup> “Offsets: The Big Payback,” *Warsaw Voice Online*.

<sup>47</sup> *Ibid*.

<sup>48</sup> Podbielski, e-mail message to author, 18 October 2006.

<sup>49</sup> “U.S. Firm Wins Polish Jet Contract,” *BBC News World Edition* (27 December 2002); available at <http://news.bbc.co.uk/2/hi/business/2609169.stm>.

a fundamental choice about strategic political and military relationships.”<sup>50</sup> This statement, indeed, pointed toward the significance of politics. Kai Olaf Lang, a specialist on Central and Eastern Europe at the German Institute for International and Security Affairs, elaborated further:

The Polish political class sees the country’s future as resting on two pillars: on a close relationship with the U.S. and the [EU’s] Nice Treaty, which guarantees Poland almost the same voice in European affairs as France or Germany. Poles view the U.S. as the only realistic guarantee against something going wrong in Russia. The Nice Treaty, on the other hand, is their way of preventing Germany and France from controlling Europe.<sup>51</sup>

Poland’s trepidation with respect to history, combined with a desire to play a more active role in NATO and European affairs, caused the country to make a strong relationship with the United States a cornerstone of their national security strategy. Commenting on Poland’s relationship with the U.S., Poland’s then Ambassador to the U.S., Przemyslaw Grudzinski, stated, “The development of Polish-American relations has been a priority for Polish governments since the collapse of Communism. Traditionally, relations are dominated by strong cooperation in international security. This reflects a convergence in the assessment of the challenges facing the international community as well as the shared values upon which the policies of both countries are built.”<sup>52</sup> In particular, Poland had been an ardent supporter of the U.S.-led operation in Iraq.

The closeness of the emergent U.S.-Polish relationship, the Poles’ support of the U.S. role in the war in Iraq, and the sale of the F-16 to Poland were perhaps more than coincidental. When the U.S. looked to Europe to assemble a coalition of the willing to “liberate” Iraq, many of the nations of “old Europe” came out against the war. This dissent among traditional partners caused a transatlantic crisis that led the U.S. to look elsewhere in Europe for support. The U.S. found support, in particular, in Poland. The war in Iraq was used as a litmus test by the U.S. to determine who the U.S. could count on, with Great Britain, Italy, Spain, and Poland lining up behind the U.S., and Germany and France opposing the U.S. The decision to back the United States in Iraq, as well as the decision to purchase the F-16, had long-term implications for Poland.<sup>53</sup>

The near-term result of Poland’s decision to support the U.S. was a meteoric rise in Poland’s status as a partner. The alignment of Poland with Great Britain, Italy, and Spain in support of the U.S. assured Poland a significant voice in shaping fractured transatlantic relations and in the future look of the European model of political security. This stance also assured Poland’s long-term stand on hotly debated issues, making the decision, in combination with the decision to buy the F-16, a decision to solidify Poland’s place and

<sup>50</sup> U.S. Diplomatic Mission to Warsaw, “Polish F-16 Roll-out Attended by Polish and U.S. Dignitaries,” 18 September 2006; available at [http://poland.usembassy.gov/poland/f16\\_flight.html](http://poland.usembassy.gov/poland/f16_flight.html).

<sup>51</sup> Michael Moran, “For Poles, the Choice was Easy,” *MSNBC.com* (27 January 2004); available at [www.msnbc.msn.com/id/4038199/print/1/displaymode/1098/](http://www.msnbc.msn.com/id/4038199/print/1/displaymode/1098/).

<sup>52</sup> Przemyslaw Grudzinski, “Poland’s Accession to the European Union and Its Impact on United States-Polish Relations,” Council of American Ambassadors, *The Ambassadors Review* (Fall 2004); available at [www.americanambassadors.org](http://www.americanambassadors.org).

<sup>53</sup> Janusz Reiter, “Poland: Toward a More Perfect Union – or a Superpower Alliance?” *The World-Paper* (May 2003); available at [http://worldpaper.com/archive/2003/may\\_15/may2.html](http://worldpaper.com/archive/2003/may_15/may2.html).

influence for the next decade and to strengthen the Polish-American relationship.<sup>54</sup> Poland was the only Eastern European nation involved in ground operations in Iraq, and its backing of the U.S., along with the eventual decision to buy the F-16 over the European bids, raised the ire of Poland's EU neighbors.

The above stated geo-strategic political considerations significantly influenced the Polish decision to purchase the F-16. According to one Polish commentator,<sup>55</sup> "Lockheed Martin didn't win the contract, the U.S. government did, with pressure and support coming from the very highest levels. They created a program that, politically and economically, it was very hard to say no to."<sup>56</sup> As *New Republic* senior editor John B. Judis speculated, the contract for the F-16 sale was tied to Poland's support in Iraq as a *quid pro quo* arrangement.<sup>57</sup> Therefore, the sale is best viewed through a political lens, with the Polish commitment in Iraq being exchanged for U.S. investment in Poland.

Poland's support for the Iraq War, however, was not necessarily tied to the decision to buy the F-16. Although talks at the highest levels of both the U.S. and Polish governments on Iraq and the F-16 purchase occurred during approximately the same timeframe, there is no convincing evidence of Polish support for Iraq as a *quid pro quo* for U.S. investment in Poland via the F-16 deal. Poland was attempting to become more involved in the international community, and in particular to play a larger role in security affairs. As part of this desire to be more involved, according to Ambassador Grudzinski, "Poland consider[ed] participation in this operation as an investment in international security. Our contribution to the operation in Iraq also sends a strong message that Poland is a trustworthy and reliable ally and takes its international obligations seriously."<sup>58</sup> Poland's vision of being a more prominent international player, coupled with support for Iraq, naturally strengthened its ties with the U.S.

## Analysis and Conclusions

Ultimately, the factors of operational capability, interoperability, economics, and politics must be weighed in terms of their respective significance to determine why Polish officials chose the F-16 over its competitors. Janusz Zemke, the Deputy Defense Minister and Tender Commission Chairman, has suggested that the decision was based 45 percent on price, 40 percent on tactical and operation criteria, and 15 percent on offsets.<sup>59</sup> In addition to these criteria, Zemke expressed his satisfaction with the financial terms, but did not include the terms in the percentage breakdowns used by the Tender Commission to arrive at the final decision. While the percentages highlighted by Zemke may approximate the weight the Tender Commission assigned in deliberations, they do not tell the whole story.

In terms of operational capability and interoperability, there were relatively few differences between the three choices. The F-16, however, was the backbone of the NATO na-

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<sup>54</sup> Ibid.

<sup>55</sup> "An Existentialist Shift: The F-16 Reaching Into Iraq," *Dedefensa.org* (11 June 2005); available at [www.dedefensa.org/article.php?art\\_id=2137](http://www.dedefensa.org/article.php?art_id=2137).

<sup>56</sup> Ibid.

<sup>57</sup> Bollyn, "Why Eastern Europe Supported War."

<sup>58</sup> Grudzinski, "Poland's Accession to the EU and Its Impact on U.S.-Polish Relations."

<sup>59</sup> Simon, *Poland and NATO*, 135.

tions' fighter aircraft inventory, with eight NATO nations flying the F-16 in 2002. The popularity of the F-16 within NATO may have played a role in Poland's selection. According to Jerzy Szmajdzinski, the choice was "an optimum solution for the military security of the state [that] meets our obligations as an ally."<sup>60</sup> One Polish journalist, Pawel Wronski, supporting the fact that few capability differences existed between the three platforms, commented, "the Polish bid was unique in the sense that it saw a rivalry between three practically comparable aircraft that met our requirements. After all, neither the French Mirage 2000-5 nor the Gripen are inferior."<sup>61</sup> Since all three aircraft provided the capabilities that Poland needed in a fourth-generation fighter, capability and interoperability considerations were not the major factors in the Polish decision.

Economics, however, played a larger role in the decision. Zemke stressed the importance of the economic aspects of the bids, stating that the "offset deals proposed were the key factor influencing the government's choice."<sup>62</sup> Szmajdzinski reiterated Zemke's point, saying the jet order and offset agreement would "bring an economic and technological stimulus for Poland...."<sup>63</sup> With economics playing such an important role in the final decision, the Dassault offer, assessed in real terms at around USD 2.1 billion, was far less competitive than the Saab/BAE and Lockheed Martin offers. In fact, as assessed, the Dassault offer did not meet the 100 percent requirement of the Polish offset law.

The offset offers from the two remaining teams were relatively comparable as assessed by the competitors themselves. Upon application of offset multipliers by the Poles, with additional weight presumably assigned to technical industries, the offers remained relatively comparable, at approximately USD 4.7 billion for the Saab/BAE offer and USD 6 billion for the Lockheed Martin offer. Financing terms were relatively comparable between the two offers as well, with the Gripen contract price slightly less than the F-16. Both offset offers guaranteed significant direct and indirect investment in Polish industry, and both assured the creation of significant numbers of jobs for Polish citizens.

The final figures of USD 4.7 billion versus USD 6.0 billion were less relevant, because the numbers could have gone either in favor of the Saab/BAE or Lockheed Martin team, depending on the Poles' assessment of the offer and the multiplier they used. Additionally, while large numbers (billions of dollars) were beneficial for the politicians to present to the Polish public, the numbers meant little until they came to fruition through actual investment and compliance with the offset agreement. With relatively comparable offers between Saab/BAE and Lockheed Martin from an economic perspective, the overriding factor in the decision was politics. Adding to the economic and technical benefits of purchasing the F-16, Szmajdzinski commented that the offset deal would "strengthen our links with the United States."<sup>64</sup>

Politics played the predominant role in the Polish government's decision to buy the F-16. Szmajdzinski attempted to counter this conclusion by stating the decision was based

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<sup>60</sup> Kosc, "Poland Turns to U.S. for Fighter Jets."

<sup>61</sup> Pawel Wronski, "Planes and the Polish Cause," *Warsaw Gazeta Wyborcza* (28 December 2002), 3.

<sup>62</sup> Kosc, "Poland Turns to U.S. for Fighter Jets."

<sup>63</sup> Tagliabue, "Lockheed Wins Huge Sale."

<sup>64</sup> Tagliabue, "Lockheed Wins Huge Sale."



“on merit, not politics.”<sup>65</sup> The facts support otherwise. The Poles were acutely aware of the suffering of their country during the twentieth century. Poland remained distrustful of Russia to the east, Belarus to the north, and Germany to the west. U.S. and NATO membership remained Poland’s guarantee of continuing freedom from the dominance and yoke of Russia. The F-16 was representative of Poland’s relationship with both the U.S. and NATO. Poland supported the U.S. policy toward Iraq, which created a schism between Warsaw and Paris at about the same time Poland was deciding which fighter aircraft to purchase.

Ultimately, according to Colonel Peter Podbielski, “the tender was ours [U.S.] to lose.”<sup>66</sup> Podbielski added that the Poles had privately relayed to the U.S. team that the proposal submitted in phase one of the tender bid was poor, notwithstanding the similarly low quality of the French and U.K./Swedish offers. The U.S. team heard the message loud and clear, and it became a catalyst for a more energetic response by the U.S. team in phase two of the bidding. Once a sizable offset package was in place to justify the sale to the Polish electorate, and this package was coupled with attractive and creative financing driven by politics at the highest level on the U.S. side, the final decision became a political one.<sup>67</sup> Brigadier General Czaban supported this conclusion, noting that the final decision was a political decision, but also observing that, as a pilot, he agreed with the politicians.<sup>68</sup>

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<sup>65</sup> Kosc, “Poland Turns to U.S. for Fighter Jets.”

<sup>66</sup> Podbielski, e-mail message to author, 19 October 2006.

<sup>67</sup> Ibid.

<sup>68</sup> Czaban, personal interview with author.

# Montenegro and the NATO Partnership for Peace Program

*Mehmedin Tahirovic* \*

## Abstract

In contrast to the former republics of Yugoslavia that fought wars to reach their sovereignty, Montenegro achieved its independence democratically. This was a longer process, but it demonstrated that, even in the traditionally unstable Balkans, the most sensitive issues can be resolved peacefully, based on the concepts and principles of Western democracy. It is this specific feature of Montenegro that requires a special approach to finding adequate modalities to participate in the Partnership for Peace Program (PfP), taking into account the theory and practice of international relations.

It is particularly important to use thorough analysis to draw attention to Montenegro's specific circumstances, problems, needs, opportunities, and priorities as it prepares to enter the PfP. By following key mechanisms, the Euro-Atlantic Partnership and Council for Partnership and Individual Partner Relations may choose appropriate and adequate forms of cooperation and common activities with both Allies and Partners as well.

Based on research and the status of the police, economic, and security parameters described herein, efficient solutions related to common activities and Allies and Partners' direct assistance can be found so that Montenegro is able to actively participate and act within the Partnership for Peace Program.

Montenegro's geographic, demographic, economic, and other resources afford it the opportunity to contribute to the Partnership for Peace. Based on the facts at hand, viable forms of cooperation and engagement can be determined in order to engage the potential of Allies and Partners in common activities. Also worthy of note are the priorities required for the Partnership process to function smoothly, particularly those related to the resolution of common security problems, which presumes quality cooperation and meaningful contributions from all parties. The Partners' "Lessons Learned" constitute an especially good foundation, and can serve as guidelines that Montenegro can use to make appropriate decisions.

## Introduction

The fall of the Berlin Wall in November 1989 marked the official end of the Cold War. Rapid changes in Central and Eastern Europe soon forced NATO to seek new and completely different avenues to address security challenges. Military capabilities appropriate to the times had been developed, giving rise to a constant conventional and nuclear arms race. Back then, the main focus of security was the nation-state—that is, its territory and political system; today, the citizen and his environment has become the focus of most dis-

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cussions of security. Much contemporary research in the field of security is moving away from the realist approach toward a focus on theories of liberal institutional and critical approaches to security.<sup>1</sup> This has resulted in a new theoretical model known as “cooperative security,” involving the peaceful solution of conflicts between states not only by refraining from violence and threats, but also by utilizing various agreements aimed at finding practical solutions and taking precautionary measures.<sup>2</sup> According to Professor Richard Cohen, the attempt to institutionalize the “Cooperative Security Concept” is important in order to correctly understand the development of the Partnership for Peace Program.<sup>3</sup> Cohen proposes to institutionalize the Concept through security cooperation, which combines four elements: individual security; collective defense; collective security; and improving and spreading stability. The needs of the first and fourth elements influenced the development of the Partnership for Peace. Based on these theoretical assumptions, NATO became the only institution in the world possessing the power to institutionalize the “Cooperative Security Concept” by addressing relations within all four elements mentioned above.

In light of these theoretical principles, along with the social developments in Central and Eastern Europe, the NATO leadership and its specialists were faced with several questions: What measures are needed to take advantage of the opportunity to put European security on a new and positive footing after the confrontation of the Cold War? How may normal relations between Eastern and Western Europe be restored? What assistance should be rendered to Central and Eastern European countries to consolidate their recently gained independence and to accommodate their desire to participate regionally and globally, on an equal basis, as democratic countries on issues related to multinational security?<sup>4</sup>

These questions were answered by the leading countries of the Alliance at the London Summit in July 1990, after adopting the “London Declaration” when they extended a “hand of friendship” and offered new avenues of cooperation with all the countries of Central and Eastern Europe. By December 1991, the North Atlantic Cooperation Council was formed. This was a forum convened by NATO and its new partner countries at which issues related to common security interests were discussed. Initially the discussions within

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<sup>1</sup> Dragan Simić, *The Science of Security: Contemporary Approach to Security* (Belgrade: Official Gazette of the FRY and the Faculty of Political Science, 2002), 65–82.

<sup>2</sup> The concept of “collective security” is derived from analyzed content and current definitions found in the following literature: Ashton Carter, William Perry, and John Streinbruner, *A New Concept of Cooperative Security* (Washington, D.C.: The Brookings Institution Press, 1993); Richard Cohen and Michael Mihalka, *Cooperative Security: New Perspectives on the International Order* (Garmisch-Partenkirchen: George C. Marshall, European Center for Security Studies, Publication No. 3, 2001), 3–4, 10, 35; I. William Zartman and Victor Kremenyuk, *Cooperative Security: Reducing Third World Wars* (Syracuse, NY: Syracuse University Press, 1995), 26; Gereth Evans, “Cooperative Security and Intra-State Conflict,” *Foreign Policy* 96 (1994): 3–20; David Dewit, “Common, Comprehensive and Cooperative Security,” *The Pacific Review* 7:1 (1994): 3.

<sup>3</sup> Cohen and Mihalka, *Cooperative Security*, 1–28; Dragan Simić, *The Science of Security*, 87–101.

<sup>4</sup> Radovan Vukadinovic, *Post-Cold War Trends in International Relations* (Zagreb: Faculty of Political Science, 2000).

the North Atlantic Cooperation Council related to security issues remaining from the Cold War era. Everything was geared to a multilateral political dialogue, but there were no opportunities for special cooperation among all partner countries and NATO.

This changed with the establishment of the Partnership for Peace (PfP) Program – the main program for practical bilateral cooperation between NATO and individual partner countries. It represented a leap forward in the process of cooperation. A common statement by program founders and signatories to the Framework Documents at the Brussels summit on 19 January 1994 reads: “This Partnership for Peace has been established to jointly affirm that stability and security in the Euro-Atlantic space may be achieved only through cooperation and interaction. Guaranteeing and protecting basic freedoms and human rights, as well as protecting rights and peace through democracy, are the common values that lie at the core of the partnership.”<sup>5</sup>

Events that marked the breakup of the former Republic of Yugoslavia provided a practical test of NATO’s cooperation with its partners in the search for effective responses to present-day challenges and threats. While NATO changed to be able to address new challenges in the security environment, which itself had changed, the Partnership continued to evolve. In 1994 a Partnership Coordination Cell was established within the Supreme Headquarters Allied Powers Europe (SHAPE) in Mons, Belgium. The International Center for Coordination was established in 1995, also at the SHAPE headquarters. In the following year, the partner countries would participate in efforts led by NATO aimed at achieving a peace agreement in Bosnia and Herzegovina. In 1997 the Euro-Atlantic Partnership Council was established in Sintra, Portugal to replace the North Atlantic Cooperation Council, with the purpose of building an expanded and more effective partnership. The Partnership for Peace’s operational role was increased that same year at the NATO Summit in Madrid. The following year, in 1998, the Euro-Atlantic Disaster Response Coordination Center was created.

Three Partner nations—the Czech Republic, Hungary, and Poland—joined NATO in 1999. Dialogue and cooperation are the primary components of the major security tasks incorporated in the Alliance’s Strategic Concept. At the Washington Summit of the Euro-Atlantic Partnership Council in 1999 it was agreed to continue to expand the Partnership for Peace and to strengthen its operational role. That same year, the Partner countries deployed forces that became part of the Kosovo force led by NATO. One day after the 11 September 2001 terrorist attacks in the United States, the Euro-Atlantic Partnership Council met and committed to joining all other countries in fighting terrorism. A broad review of the status and needs of the Partners and Allies at the Prague Summit of 2002 prompted the Euro-Atlantic Council and the PfP to draft a Partnership Action Plan to confront terrorism. In 2003, the Partners participated in the NATO-led International Security Assistance Force (ISAF). Seven Partner nations—Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia—joined NATO at the 2004 Istanbul Summit, where the decision was made to enhance the Partnership by adopting an Action Plan to build defense institutions. Two cycles of NATO enlargement have changed the balance among the Allies, which now number twenty-six countries, with twenty-three Partnership countries.

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<sup>5</sup> NATO Summit, Brussels, 1994.

Special relationships with Russia and Ukraine were established after 1997 with the signing of the NATO-Russia Founding Act on interaction, cooperation, and security, and the Charter on the Special Partnership between NATO and Ukraine. Relations with Russia were strengthened with the establishment of the NATO-Russia Council in 2002, where the Allies and Russia met as equals. Steps were taken to deepen and broaden the NATO–Ukraine relationship with the adoption of the NATO–Ukraine Action Plan in November 2002, which aimed at supporting Ukraine’s reform efforts required for full integration into the Euro-Atlantic security structures.

Considering that several Mediterranean countries of Southern Europe share borders with African countries and that European security is closely linked to that region’s security, NATO undertook a new dialogue in 1995 with six southern Mediterranean nations: Egypt, Israel, Jordan, Mauritania, Morocco, and Tunisia. Algeria joined later, in 2000.<sup>6</sup>

Due to Montenegro’s particular relationship with Serbia in 1992, it unfortunately was not involved in the PfP enlargement process. After the breakup of the former Socialist Federal Republic of Yugoslavia, each constituent republic became an independent state in the process of security integration. Slovenia was the first to participate in the PfP from the time of its founding in 1994. Macedonia joined in 1995, with Croatia coming on board in 2000. Only after a referendum on independence on 21 May 2006, when Montenegro became an independent state, were efforts made to include it in the Partnership for Peace. In a letter to NATO Secretary-General Jaap de Hoop Scheffer on 30 August 2006, the government of Montenegro requested Montenegro to be accepted into the Partnership. After numerous doubts, Montenegro, along with Serbia and Bosnia and Herzegovina, was invited to join the Partnership at the NATO Summit in Riga on 29 November, while the Framework Agreement on accession to the PfP was signed at the NATO Center in Brussels on 14 December 2006.<sup>7</sup>

Since Montenegro had restored its independence based on the principles of a modern democratic state, the country tried to make up for time lost over the previous fifteen years by quickly moving toward integration into the Euro-Atlantic security system. Mindful that various countries were showing interest in PfP membership and that such a preparation was a necessary part of the process of becoming a full-fledged member of NATO and then the EU, in June 2005 the Parliament of Montenegro passed the Declaration on European Integration, one part of which has to do with security integration.<sup>8</sup> There is complete consensus among all political actors in Montenegro on the issue of integration; all are convinced that Montenegro will benefit greatly by implementing the prerequisites for accession to the Partnership for Peace Program, which include:

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<sup>6</sup> At the same time the NATO–Mediterranean Dialogue was developing, in November 1995, fifteen EU member states and twelve Mediterranean countries signed the Barcelona Declaration (known as the “Barcelona Process”) to create a partnership on three levels: political and security, economy and finance, social and cultural. For more information, see [www.nato.int/docu/home.htm](http://www.nato.int/docu/home.htm).

<sup>7</sup> The Framework Document was signed by President Filip Vujanovic of Montenegro. A presentation copy of the document was not provided due to a lack of time on the part of the Montenegrin authorities. It was agreed to deliver it at a later time.

<sup>8</sup> Declaration of Accession to the European Union, Government of Montenegro, Doc. No. 36/3. 2005.

- Regional security cooperation and improved relations with neighboring countries
- Democratization of society
- Administrative reform of the state sector
- Development and strengthening of state institutions
- Strengthening of the civilian sector and civilian control over the armed forces and other security structures
- Transparency and budget planning, monitoring, and oversight
- Assistance of experts in successfully restructuring and reforming the armed forces and security structures
- Specialization and training among security forces; participation in peacekeeping missions and in NATO forces
- Effectively fighting corruption and organized crime
- Creating a favorable policy and security climate for foreign investment.

Despite general agreement regarding these advantages, there are some differences of opinion among members of the Alliance and Partners in the PFP regarding mutual obligations in the fight on terrorism.<sup>9</sup> Since Montenegro has made every effort to become a part of the Partnership for Peace Program, its potential capability to participate in, support, and carry out the Program's objectives is a major question that must be answered. Achieving the Alliance's standards both on a political and security level is a complex and dynamic process requiring coordinated actions and efforts by all governmental structures.

### **Areas of Cooperation, Mechanisms and Functional Programs, Instruments and Plans for Implementing the Partnership for Peace**

It has been understood from the day of its founding at the 1994 Brussels Summit that at the core of the Partnership in particular, and of multinational cooperation more generally, are regular discussions and cooperative activities aimed at building openness and trust in the Euro-Atlantic region. On a bilateral level this requires developing a practical working relationship between some Partner countries and NATO that corresponds to their specific needs, situations, and capabilities. Certain areas, programs, instruments, and plans have been identified for the purpose of implementing the agreed-upon levels of cooperation and partnership. With time, these will be refined through special initiatives, declarations, and new working documents at NATO meetings and tailored to current requirements and to new security challenges.

For the purposes of this essay, only those content areas, programs, instruments, and action plans will be examined that are directly related to needs for the initial period of

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<sup>9</sup> A study was conducted recently by CEDEM (Center for Democracy and Human Rights). In their opinion, 36.9 percent of Montenegrin citizens were for NATO membership, while 31.4 percent were against it. At the same time, 76.5 percent support EU integration; only 5.6 percent are against it. See [www.cedem.cg.yu](http://www.cedem.cg.yu).

Montenegro's participation in the PfP, and especially those pertinent to eventual successful accession to NATO membership.

### *Areas of Cooperation*

Areas of cooperation are mainly to be found in the Partnership Work Program. They are very diverse, and are not limited in scope. Each new program usually produces a new and expanded list, but the current set includes:<sup>10</sup>

- Air Force defense-related matters (ADF)
- Airspace management/control
- Consultations, command, and control, including communications and information systems, navigation and identification system, interoperability aspects, procedures and terminology (C3)
- Civil emergency planning (CEP)
- Crisis management (CRM)
- Democratic control of forces and defense structures (DCAF)
- Defense planning, budgeting, and resource management (DPF)
- Planning, organization, and management of national defense procurement programs, and international cooperation in the armaments field (DPM)
- Defense policy and strategy (DPS)
- Planning, organization, and management of national defense research and technology (DRT)
- Military geography (GEO)
- Foreign language training (LNG)
- Consumer logistics (LOG)
- Medical services (MED)
- Meteorological support for NATO partner armed forces
- Military infrastructure
- Political and military actions against the proliferation of nuclear, chemical, and biological weapons
- Concept, planning, and operational aspects of peace support efforts
- Operational, material, and management aspects of standardization
- Military exercises and related training activities
- Military education, professional development, and doctrine.

Cooperation in each of these areas pursues particular objectives and involves types of interaction (training sessions, conferences, working group sessions, visits, and other opportunities for dialogue) specific to the subjects and participating support organizations.

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<sup>10</sup> Partnership Work Program for 2000–01; available at [www.nato.int/docu/handbook/2001](http://www.nato.int/docu/handbook/2001).

The contents of these areas are to be determined every two years and are the result of a general agreement among the Partner countries and the Allies. The Partners do not have to participate in each of these areas; they adopt only those in which they have an interest and which they are able to execute.

### *Mechanisms*

The mechanisms of the Partnership for Peace represent a well-ordered system of relations between Partners and NATO aimed at accomplishing common objectives. This section will address the following PfP mechanisms:<sup>11</sup>

- Euro-Atlantic Partnership Council
- Partnership for Peace Trust Fund
- Euro-Atlantic Disaster Response Coordination Center.

*Euro-Atlantic Partnership Council.* The Euro-Atlantic Partnership Council (EAPC) offers a common political and security framework for multilateral and bilateral relations between NATO countries and members of the Partnership for Peace. It brings together NATO members and Partners in a single forum. All members of the Partnership for Peace are members of the Euro-Atlantic Partnership. At present, forty-nine countries participate in this multilateral forum, conducting regular dialogue and consultation, and making all significant decisions regarding the Partnership in the spheres of politics, economics, information, science, environment, defense, and military cooperation.<sup>12</sup>

The Euro-Atlantic Partnership Council has many variants (depending on the topic at hand) that allow for contacts between the Allies and Partners, as well as contacts within small but open working groups. The key to this type of activity is its flexibility. Most Partner countries have diplomatic missions at the NATO Headquarters in Brussels; this facilitates regular communication and affords the opportunity to consult when necessary. The Euro-Atlantic Partnership Council meets monthly at the ambassador level, annually at the ministerial level, and periodically holds summits. The EAPC Security Forum began meeting annually in 2005 to discuss significant security issues and ways that NATO could join with Partner countries to successfully address them.<sup>13</sup>

*Partnership for Peace Trust Fund.* The Partnership for Peace Trust Fund was established in 2000 as a mechanism to help Partner countries safely destroy their stockpiles of anti-personnel mines. After the successful elimination of many land mines, the fund's scope was expanded to include other demilitarization projects aimed at destroying munitions and infantry and light weapons. The use of Fund resources has increased in order to offer assistance to Partner countries in managing the consequences of defense reform through initiatives to retrain redundant military personnel, convert military equipment to other uses, or close down military bases. NATO members and Partner countries provide

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<sup>11</sup> *Security Through Partnership* (Brussels: NATO Public Diplomacy Division, 2005), 8, 28, 30; available at [www.nato.int/docu/sec-partnership](http://www.nato.int/docu/sec-partnership).

<sup>12</sup> Bosnia and Herzegovina, Montenegro, and Serbia were invited to join the Partnership for Peace at the NATO Summit in Riga on 28–29 November 2006. Prior to that there were forty-six members in the EAPC.

<sup>13</sup> For more about the Euro-Atlantic Partnership Council see [www.nato.int/issues/eapc/index.html](http://www.nato.int/issues/eapc/index.html).



funding on a voluntary basis, and may donate equipment or other materials. The NATO Maintenance and Supply Agency, located in Luxembourg, administers the projects and is responsible for implementing their technical and financial aspects.<sup>14</sup>

*Euro-Atlantic Disaster Response Coordination Center.* The Euro-Atlantic Disaster Response Coordination Center began operating in response to a Russian proposal in 1998 at the NATO Headquarters. The Center operates around the clock and represents a central clearinghouse for sharing information and coordinating NATO interaction with Partner countries in the event of natural catastrophes in the Euro-Atlantic area. The Center works closely with international emergency response and management agencies, including the United Nations Office for the Coordination of Humanitarian Affairs, the Organization for the Prohibition of Chemical Weapons, and other similar organizations. It arranges lengthy training exercises in civil emergency measures to develop responses to natural or man-made disasters, or to deal with the consequences of acts of terrorism involving chemical, biological, or radioactive substances.<sup>15</sup> It was also agreed to form disaster response units made up of various national elements that the countries would make available on short notice when a disaster occurs.<sup>16</sup>

### *Programs*

The PfP Program for partnership and cooperation should be considered as a dynamic and evolving process of developing relations between NATO and Partner countries. Considering that one of the main criteria of NATO is creating a “strong and operational Partnership,” the entire process of building the Partnership for Peace has been characterized by constant efforts to improve it. The Partnership for Peace Framework Document contains the objectives that Partner countries are to pursue in their cooperation with NATO, as well as the Partner countries’ and NATO’s responsibilities and authority.<sup>17</sup> During the preparation for the 1997 NATO Summit in Madrid, the idea of a more developed and robust Partnership emerged. This concept called for expanding and deepening its role. To implement this idea, in the spring of 1997 the foreign and defense ministers of the Allied countries proposed a number of measures to develop the PfP. These measures gave new impetus to the Partnership for Peace and significantly reinforced it in political, security, military, and institutional terms.<sup>18</sup> Measures to develop a more operational partnership were ultimately adopted at the Washington Summit in 1999, in a report entitled “Toward a Partnership for the 21<sup>st</sup> Century: The Enhanced and More Operational Partnership.”<sup>19</sup>

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<sup>14</sup> For additional information, visit [www.nato.int/pfp/trust-fund.htm](http://www.nato.int/pfp/trust-fund.htm).

<sup>15</sup> In 2002, Croatia organized exercises in conjunction with the Euro-Atlantic Disaster Response Coordination Center entitled: “Taming the Dragon—Dalmatia 2002.” See Radovan Vukadinovic, Lidiya Cehulic, and Drago Lovric, *NATO in International Relations* (Zagreb: Faculty of Political Science, 2006), 161.

<sup>16</sup> Additional information can be found at [www.nato.int/eadrcc/home.htm](http://www.nato.int/eadrcc/home.htm).

<sup>17</sup> Partnership for Peace Framework Document, agreed at the NATO Summit, Brussels, 1994, paragraphs 3, 6–7.

<sup>18</sup> For more about this, see “MC Concept for PfP Enhancement” (2<sup>nd</sup> draft), Members of the Military Cooperation Working Group with Cooperation Partners, Brussels, 1997.

<sup>19</sup> “Partnership for Peace: An Enhanced and More Operational Partnership,” NATO Summit, Washington, D.C., 1999.

Today the PfP has become the main mechanism for implementing practical security ties between NATO and its Partners. The program's chief objective is increasing the level of stability, eliminating threats to peace, and building strong security relationships between individual Partner countries and NATO, as well as among the Partner countries themselves. To achieve this objective, each of the Partner countries can use bilateral cooperation to:

- Increase the number of troops available to participate in operations under the aegis of the United Nations and other organizations
- Conduct scientific research jointly with the Allies and other Partner countries
- Raise combat readiness to Western levels while meeting NATO standards
- Democratize its armed forces and increase civilian control of the military
- Develop a military doctrine and a national security system
- Utilize new NATO capacities.

The Partnership for Peace Program offers these opportunities on a voluntary, flexible, and transparent basis, respecting the principles of self-differentiation and accessibility.

The *Security Through Science Program* of the NATO Science Committee is aimed at using science to address challenges of security, stability, and solidarity among nations. This program supports collaboration on research topics such as the fight against terrorism and other security threats. The fight against terrorism has become the chief priority for the Allies and Partners, and NATO intends to render assistance to scientific research to develop more effective methods of detecting chemical, biological, radioactive, or nuclear weapons, and to develop measures that will offer protection from such attacks. Workshops and seminars are being organized to bring together scientists working on reducing threats to critical infrastructure (including energy, transportation, communications, and life-support systems); developing protection from eco- and cyberterrorism; improving border security; fighting human trafficking; and developing more effective means of detecting explosives. Threats to security and stability include environmental degradation (such as increased desertification, erosion of soil, or contamination of common waterways) and shortages of non-renewable resources, which may contribute to regional and border disputes.<sup>20</sup>

The NATO Science Committee's *Challenges of Modern Society* program deals with issues related to protecting the environment and the public by calling upon national agencies to collaborate in conducting short-term and long-term studies in these fields. Activity is thus coordinated and information exchanged, which is then sent to the appropriate authorities in the region, ultimately exerting significant influence on measures to protect the environment.<sup>21</sup>

NATO's *Civilian Science Program* is designed to afford scientists in the region easier access to information on recent scientific research. The idea is that, in addition to its con-

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<sup>20</sup> *Security Through Partnership* (Brussels: NATO Public Diplomacy Division, 2005), 33, 34; available at [www.nato.int/docu/sec-partnership](http://www.nato.int/docu/sec-partnership).

<sup>21</sup> *Ibid.*

tribution to science, the program also has a role in preventing a monopoly on information and can be an important factor in the process of democratizing a society. In light of the fact that most Partner countries and their associates have little opportunity to take advantage of the benefits of the Information Age or realize the potential of the Internet, the NATO Civilian Science Program has provided many researchers and educational institutions with access to the Internet.<sup>22</sup>

### *Instruments*

Partnership instruments can be used after receiving an invitation to become a Partner and signing the Partnership for Peace Framework Document, under which each Partner country assumes certain obligations. The next step for each Partner country is to develop and submit a Presentation Document, in which the Partner country, based on its ambitions and capabilities, identifies specific political, military, security, and other areas that the country wishes to develop together with NATO.<sup>23</sup>

A Partner country is accepted into the Partnership for Peace Program on the following conditions:

- Implementation of planned activities reflected in the Individual Partnership Program
- Participation in various PfP and NATO training activities
- Implementation of activities in the plans for bilateral cooperation with other Partner countries
- Preparation and implementation of PfP operations under NATO supervision
- Participation of Partner countries in the fight against terrorism.

Activities to be implemented within the framework of Partnership instruments are planned and approved according to the appropriate political and military activity frameworks. The major frameworks in the Program are:

- Partnership for Peace Framework Document
- Political and Military Framework for PfP operations under NATO's leadership role
- Partners' Action Plan for participation in the fight against terrorism
- Combined Joint Task Force Concept.

It should be emphasized that for Partner countries the achievement of capabilities, implementation of PfP operations under NATO supervision, and participation in the fight against terrorism are major imperatives for participation in the PfP.

The Partner country carries out these activities through the main Partnership Instruments within the framework of the respective military-political rules. All important decisions related to a Partner country's activities are made within the Euro-Atlantic Partnership Council, while the instruments are prepared by Partner and NATO working groups. The PfP Working Groups offer opportunities for coordinating Partners' capabilities via the

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<sup>22</sup> *Ibid.*, 35.

<sup>23</sup> *NATO Handbook* (Brussels: NATO Public Diplomacy Division, 2006); available at [www.nato.int/docu/handbook/2006](http://www.nato.int/docu/handbook/2006).

Partnership Instruments and for improving the Instruments. The PfP Working Groups include:

- Political-Military Steering Committee on the Partnership for Peace
- Defense Working Group for Military Cooperation
- Cell for Partnership Coordination
- PfP divisions at NATO headquarters.

Activity instruments in the Partnership for Peace facilitate cooperation between Partners and NATO and afford Partner countries the opportunity to prepare their forces for future membership. This section will address the following PfP instruments:

- Partnership Work Program (PWP)
- Individual Partnership Program (IPP)
- Planning and Review Process (PARP).

*Partnership Work Programs (PWP)* and *Individual Partnership Programs (IPP)* are PfP instruments that, through the principle of self-differentiation, allow each Partner country to select areas in which they will carry out certain activities together with NATO. The Partnership Work Program offers a “menu” of activities that the Partner country can perform with NATO.<sup>24</sup> The Individual Partnership Program is a bilateral agreement between Partner countries and NATO that governs the joint accomplishment of selected activities from the Work Program, as mentioned earlier in the section on Areas of Cooperation.

Under the Partnership Work Program’s Individual Programs, each Partner nation works to achieve interoperability in their selected area of focus. The *NATO Glossary of Terms and Definitions* defines interoperability as the “ability of the NATO forces, and when required, forces of Partner countries and other non-NATO countries, to utilize common equipment and training and successfully work together to perform assigned missions and tasks.”<sup>25</sup> From this definition, one can conclude that interoperability implies a set of capabilities of Allied and Partner forces that provides the efficiency required to carry out joint activities. If we recall that the Partnership for Peace represents a bilateral agreement between NATO and the Partner country, it follows that interoperability within the Partnership provides the Partner country the ability to join NATO in executing joint activities. Interoperability within the Partnership for Peace is first reflected in the ability of Partner country forces to carry out PfP operations under NATO supervision and participate in the fight against terrorism. Interoperability is achieved in operational, material, and administrative areas. For the Individual Partnership Program, key areas of focus for achieving interoperability include military procedures and actions, military equipment, consultation systems, command and control, logistics, and terminology. The primary means of achiev-

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<sup>24</sup> Vukadinovic, et al., *NATO in International Relations*, 161.

<sup>25</sup> *NATO Glossary of Terms and Definitions* (Brussels: NATO, document AAP-6, updated April 2007), 2-I-7; available at [www.nato.int/docu/stanag/aap006/aap6.htm](http://www.nato.int/docu/stanag/aap006/aap6.htm).

ing interoperability is standardization, which implies common development and implementation of the NATO Standardization Documents.

Under the new NATO standardization programs it has been decided that to achieve interoperability it is necessary to implement operational and administrative standardization at the level of common interests and standardization of materials both in terms of compatibility and replacement when it comes to multinational forces' munitions, supply, and repair and maintenance. This permits participation in the standardization process for new NATO members, Partner countries, and other non-NATO countries whose military equipment has not yet achieved a common level in the material standardization process. A Partner country achieves interoperability by actively participating in the NATO standardization process and by adopting and implementing NATO Standardization Documents through Partnership Instruments, but first and foremost through the Individual Partnership Program. It is also important to stress that in the process of achieving interoperability by implementing planned activities from the IPP, each Partner is geared to specific regulatory frameworks that define important areas of force interoperability, primarily those specified in the Defense Capabilities Initiative<sup>26</sup> and the Prague Capabilities Commitment.<sup>27</sup>

The *Planning and Review Process (PARP)* is an instrument that offers the opportunity to clearly identify and assess forces and capabilities that might be used in the process of multinational training exercises and operations with NATO forces.<sup>28</sup> The Planning and Review Process builds on NATO's significant experience in defense planning. During preparation for the Madrid Summit in 1997, NATO defense and foreign ministers adopted several recommendations. It was decided to develop political courses for planning the process for each PARP cycle, with the consent of the defense ministers of the participating countries. These courses perform the same function as the NATO ministerial defense planning structure. In addition, it was decided to extend the PARP cycle from two to six years.

Not all Partner countries are obliged to participate in the PARP; rather, participation is purely elective. The process helps the Partners to establish robust and strong armed forces and to implement major efforts in defense reform.<sup>29</sup> This is a cyclical process involving bilateral and multilateral factors. The bilateral aspect is reflected in the fact that each Partner wishing to participate in the PARP assumes responsibility for a certain cycle and provides NATO with information on its defense policy, its progress in advancing democratic control of its armed forces, its national policies on cooperation within the PfP, relevant financial and economic plans, and many other issues.<sup>30</sup> A planning and review process is developed for each Partner nation based on the information the Partner provides in its response to the "Survey on Overall PfP Interoperability." Especially important is preparation of the *Partnership Goals*, which indicate the measures to be taken by each Partner in order to achieve interoperability within the PfP (in essence, by implementing the Partnership Goals, the Partner countries achieve interoperability within the PfP and prepare their

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<sup>26</sup> "Defense Capabilities Initiative," NATO Summit, Washington, D.C., 1999, paragraphs 3 and 5.

<sup>27</sup> "Prague Capabilities Commitment," NATO Summit, Prague, 2002, paragraph 1.

<sup>28</sup> *NATO Handbook*, 72.

<sup>29</sup> *Security Through Partnership*, 11.

<sup>30</sup> *Ibid.*, 73.

forces for future NATO membership).<sup>31</sup> The Partner nation and NATO then jointly approve the Planning and Review Assessment and Partnership Goals. Finally, representatives of NATO and of all countries participating in the PARP approve a Consolidated Report, which briefly describes each accepted assessment and the forces made available by the Partner countries.

### *Action Plans*

The *Membership Action Plan (MAP)* is based on the need for NATO enlargement in former communist countries based on the 1999 Washington agreement.<sup>32</sup> The Membership Action Plan enables the integration of all the activities of candidates for NATO membership prior to entering the process, and permits NATO and the candidate nations to manage this process. When the Czech Republic, Hungary, and Poland were accepted into NATO membership, it was realized how difficult and complex the process was, and the decision was made to simplify the process by establishing clearly defined areas of activity. The Membership Action Plan provides a catalog that describes the desired profile and characteristics of a NATO aspirant in five spheres of activity: political and social, defense and military, financial, security, and law. For all categories the candidate country prepares an *Annual National Program (ANP)*, which it submits to NATO. This process is a special procedure wherein the ANP submitted in the previous year is substantiated before representatives of all twenty-six NATO members, each of which makes comments and suggestions and asks questions. The document's heading specifies steps to be taken to achieve interoperability in the sections designated by the deputy ministers of defense or foreign affairs who lead their nations' military agencies. The MAP is implemented in four annual cycles. After each annual cycle, the foreign and defense ministers present the results of the reform programs and future activities to the NATO Council, which then assesses individual nations' success in preparing for membership. Going through four cycles does not guarantee that a candidate country will be invited to become a NATO member.

*Individual Partnership Action Plans (IPAP)* were adopted at the Prague Summit in November 2002 and apply to Partners that possess the political will and ability to deepen their relationship with the NATO Alliance. Plans are developed for two-year periods; they must clearly define the Partners' objectives and priorities, and must specify mechanisms that directly support those priorities. The objectives identified relate to political and military issues, security, public information, science and environmental protection, civil and emergency planning, administrative issues, and resources.<sup>33</sup>

The *Partnership Action Plan Against Terrorism* began functioning after the terrorist attacks on the U.S. in September 2001. Those events were an impetus to the further development of the Partnership for Peace. The Partners and Allies within the Euro-Atlantic Partnership Council made a common decision for the Partners to take part in joint actions against terrorism. Later, the Action Plan Against Terrorism was adopted at the 2002 NATO Summit in Prague. This plan provides the framework for cooperation and sharing

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<sup>31</sup> Vukadinovic, et al., *NATO in International Relations*, 155.

<sup>32</sup> "Membership Action Plan," NATO Summit, Washington, D.C., 1999.

<sup>33</sup> Additional information is available at [www.nato.int/issues/eapc/index.html](http://www.nato.int/issues/eapc/index.html) and [www.nato.int/issues/pfp/index.html](http://www.nato.int/issues/pfp/index.html).

experience in this field via political consultation and practical measures. It promotes better sharing of intelligence information and collaboration in such fields as border security, anti-terrorism training, and developing better capabilities to protect or recover from terrorist attacks.<sup>34</sup>

The *Partnership Action Plan on Defense Institution Building* was established at the NATO Summit in Istanbul in June 2004. The plan's objective is to strengthen Partners' efforts to initiate and implement the reform and restructuring of their defense institutions in accordance with domestic needs and international commitments. The Action Plan's objectives include: effective and transparent agreements on democratic control of defense activities; public participation in developing defense and security policy; effective and transparent legal and judiciary oversight of the defense sector; better assessment of security risks and national defense requirements consistent with developing and maintaining capacity; willingness to manage defense ministries and other agencies with joint force structures; harmonization with international rules and experience in the defense sector, including export control; effective and transparent financial procedures; defense planning and resource allocation procedures; effective management of defense spending and of the socio-economic consequences of defense restructuring; effective and transparent structures and activities of defense sector employees; effective international cooperation and neighborly relations on defense and security issues. One of the best examples of how the points in this plan can be applied can be found in Ukraine's reform of its defense sector.<sup>35</sup>

A key element of the plan is training and education in the context of defense transformation. That was the objective of establishing eleven Training Centers and three NATO schools. The training centers are distributed so as to provide diverse and comprehensive forms of training and professional development to both Partner states and NATO members. The training centers are:

- Austrian Training Center for Peacekeeping Operations
- Finnish Defense Forces International Center
- Multinational Peace Support Operations Center, in Greece
- PfP Regional Center for Defense Resources Management, Romania
- National Defense Academy in Slovakia
- PfP Language Training Center, Slovenia
- Swedish Armed Forces International Center
- Geneva Center for Security Policy
- PfP Training Center, Turkey
- Yavorov PfP Training Center
- U.S. Army Postgraduate School.

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<sup>34</sup> *Security Through Partnership*, 15.

<sup>35</sup> *Ibid.*, 24–26. Additional information available at [www.nato.int/docu/nato\\_after\\_istanbul](http://www.nato.int/docu/nato_after_istanbul).

The three NATO schools established under the rubric of this action plan are the NATO Defense College in Rome, the NATO Communications and Information Systems School in Latina, Italy, and the NATO School in Oberammergau, Germany.<sup>36</sup>

All of these fields and activities, mechanisms and action programs, instruments, and implementation plans have been instituted to achieve a high level of cooperation to more effectively realize treaty obligations and commitments under the Partnership for Peace, so that Partners may be more rapidly engaged in the Euro-Atlantic security system. They are evolutionary and dynamic, and are geared to regional and world security challenges and threats.

### **Specific Circumstances of Montenegro and Challenges it Faces in Joining the Partnership for Peace**

Montenegro entered a new chapter in its history after 21 May 2006, when it became independent by referendum. Although the period from 1992 (when the Federal Republic of Yugoslavia was formed with Serbia) to 2003, which saw the declaration of the State Union of SCG, can be considered lost time for Montenegro in terms of the processes of European and Euro-Atlantic integration, this is nonetheless considered an important fact relating to its relationship with other republics of the SFRY. Montenegro is the smallest of the former Yugoslav republics, with a population of 620,145 according to the 2003 census. Out of these, 70 percent belong to one form or another of Orthodox Christianity. The largest ethnic group of the population is Montenegrins, at 43 percent, then Serbs at 32 percent, followed by Bosnians, Albanians, Croats and other smaller ethnic groups.

Considering the nationalist policy that led to the breakup of the SFRY, Montenegro's national structure, and its ability to resist the Greater Serbian ambitions of Slobodan Milosevic's regime, one can confidently conclude that Montenegro made the right decision. While other republics of the SFRY received their independence by fighting (except for Macedonia, thanks mostly to NATO and the EU), Montenegro decided to gain its independence through a democratic process familiar to all modern Western democracies. Having adopted new standards in order to hold a referendum, unprecedented at the time in the EU's experience, and acting under the influence and pressure of its High Representative for Referendums, Miroslav Laicak, the EU provided favorable conditions for the authorities and the opposition in Montenegro to adopt a law to determine what the citizens thought about independence.<sup>37</sup> This is yet another positive example for the international community (and particularly for the EU) of successful preventive action to resolve political and security issues in the region. The way Montenegro achieved independence is the main reason that the country was recognized by the UN and the OSCE, as well as by many other countries and international organizations.

After the referendum in September of the same year, parliamentary elections were held at the republic level. An absolute majority of votes was received by the coalition parties—the DPS, or Democratic Party of Socialists, and the SDP, or Social-Democratic Party—that had held power during the preceding period. Although the winning coalition was led by the head of Montenegro's

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<sup>36</sup> More about the Centers and NATO Schools can be found at <http://www.act.nato.int/content.asp?pageid=330>.

<sup>37</sup> Law on Referendums in Montenegro, Parliament of Montenegro, 1 March 2006.



government at the time, Milo Đukanovic, he decided to leave his official government posts but remain as head of the DPS.<sup>38</sup> Western commentary on this decision was generally positive, with the move considered to be smart and rational; this commentary also stressed the need for new political directions in the European and the Euro-Atlantic integration processes.<sup>39</sup> This is an important consideration, since it is uncharacteristic for Balkan leaders to voluntarily give up power. Some time after Đukanovic's decision, Predrag Bulatović, who had been the leader of Montenegro's most powerful opposition party prior to the parliamentary elections in September, left the post of Chairman of the SNP, or Socialist People's Party.

Although the same parties that had existed previously remained, this nonetheless led to certain changes in Montenegro's political landscape. Aside from the DPS (which held thirty-four seats in the parliament) and the SNP (which held eight), other parties represented in parliament included the SNS, or Serbian People's Party (eight seats); the SPD (seven); the NS, or People's Party (two); the LP, or Liberal Party; the DSS, or Democratic Serbian Party; the DSTsG, or Democratic Union in Montenegro; and the DUA, or Democratic Union of Albanians (all of which held one seat each). There were also other parties represented in parliament that had been absent under the previous mandate, such as the PZP, or Movement for Change (eleven seats); the BS, or Party of Bosnians (two seats); and a group of parties with only one seat apiece, including the SRS, or Serbian Radical Party; the NSS, or People's Socialist Party; the DSI, or Democratic Unity Party; the KhGI, or Croatian Civil Initiative; and the AA, or Albanian Alternative. Out of eighty-one members of the parliament, seven are women. If in the past there were clear distinctions within the parliament between supporters and opponents of Montenegro's independence, the present contingent in principle focuses on the processes of European and the Euro-Atlantic integration, privatization of property in Montenegro, and issues related to the standard of living in the new nation.

To accelerate the reform process, one must begin by improving the functioning of the parliament, primarily in terms of its legislative functions, which means professionalism of parliamentarians, the forthright obligation to follow the rules of domestic order, and efficient (rational) legislative work. Greater professionalism on the part of members of parliament could ensure higher quality and more responsible work and could hinder or limit conflicts of interest. In addition, funds must be provided to engage experts in various fields who are competent to assist the deputies in developing legal and other documents.<sup>40</sup> The Parliamentary Assembly of the Council of Europe (PSSE), which for the last ten years has monitored elections in Montenegro through its representatives, plays a significant role in parliamentary reform. The major requirements are to change election laws and adopt a new constitution, which should be the beginning of national reconciliation and the democratization of Montenegrin society. Montenegro has been presented with conditions that it must incorporate in amendments to its 1992 constitution if it is to be accepted into the Council of Europe parliament in April 2007. This includes clauses in the new constitution, adopted by resolution via a two-thirds majority in the Constituent Assembly of Montenegro, or through a statement of policy with fewer than two-thirds of the votes (which the

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<sup>38</sup> "Meeting of the DPS Presidium," *Independent Daily Vesti*, Podgorica (3 October 2006).

<sup>39</sup> "Dr. Judy Bat, Expert at the European Union Institute for Security Studies (EUISS) in Paris," *Independent Daily Vesti*, Podgorica (5 October 2006).

<sup>40</sup> "Analysis and recommendations for long-term development of the Montenegro Parliament, prepared by the U.S. National Democratic Institute (NDI)," *Independent Daily Vesti*, Podgorica (24 September 2006).

parties will deem binding) signed by the chairman of the parliament, the government, and the leaders of the major opposition parties.<sup>41</sup> These conditions include:

- Firmly establishing the civilian nature of the government
- Avoiding politics as a determinant in selecting judges and prosecutors
- Requiring prosecutors to represent the government in civil disputes
- Protecting human rights, at least at the level of the former Union Charter, retroactively
- Abolition of the death penalty
- Regulation of the status of armed and security forces and the intelligence community, with parliamentary oversight
- Placing a civilian in the post of commander-in-chief, as mandated by law.

Significant changes in the political system and in domestic policy from 2002 to 2006 led to improvements in Montenegro's legal system, bringing it into greater harmony with present-day European law. A total of forty-three laws were passed, of which eleven were already in the approval process and seven were in preparation. Twelve programs and strategy documents were approved, and two more were in preparation.<sup>42</sup>

However, implementation (rather than the quality of the legislation) has turned out to be a problem. In addition, in its 2007 Annual Report on the Progress of Montenegro in the Stabilization and Accession Process, Brussels expressed misgivings about insufficient activity in fighting corruption and organized crime (in the previous year's report, Brussels recommended changes in the "Law on Conflicts of Interest," but it remains unchanged). Furthermore, appointment of judges is still based on political considerations, and institutions and administrative capacities are insufficiently developed.<sup>43</sup>

With the formation of the first government in independent Montenegro in November 2006, the task of forming a new Montenegrin society that would eventually accede to membership in NATO and the EU began.<sup>44</sup> Željko Šturanovic, the former Minister of Justice, was named Prime Minister. Judging from the mandate<sup>45</sup> presented to the deputies in parliament and the government program for 2007,<sup>46</sup> one could conclude that the major themes to be addressed by the government of Montenegro would be in the following areas:

- Formation of an institutional and legal framework compatible with international and EU standards in all areas

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<sup>41</sup> Policy Committee, Parliamentary Assembly of the CE, Strasbourg, 23 January 2007.

<sup>42</sup> Program and regulatory activities in the policy and foreign policy system for the period from 2002 to October 2006, Government of Montenegro, November 2006.

<sup>43</sup> European Commission, Brussels, 8 November 2007.

<sup>44</sup> Changes and additions to the Order on the Organization and Conduct of Governance, SLRTsG, Doc. No. 38/03.2006.

<sup>45</sup> Željko Šturanovic, "Presentation of Mandates to Form a Government of Montenegro," the Parliament of Montenegro, 10 November 2007.

<sup>46</sup> Work Program of the Government of Montenegro for 2007, Official Gazette of the Republic of Montenegro, Doc. No. 45/01.2007; available at [www.vlada.cg.yu/biblioteka.php](http://www.vlada.cg.yu/biblioteka.php).

- Achievement of rapid and sustainable economic development by increasing economic freedom, strengthening the influence of economic factors, and raising the overall level of macroeconomic stability
- Raising the population's living standard, strengthening neighborly relations, and cooperating and actively participating in regional projects and initiatives
- Joining the processes of European and Euro-Atlantic integration in the political, economic, and security arenas
- Intensifying economic reforms that will bring Montenegro's economic system closer to the international market and support sustainable and dynamic development, thereby creating an investor-friendly business climate
- Pursuing active membership in the Council of Europe and efficiently performing membership obligations, particularly those related to protecting human rights and minority rights
- Ensuring the free movement of people, goods, services, and capital via implementation of a single South Eastern European Free Trade Agreement (CEFTA 2006).

The basis for implementing these goals in the areas specified will be a new government action plan containing short- and mid-term recommendations from the updated European Partnership for an Independent Montenegro, the Accession Strategy and Main Challenges for 2006–07, and the Annual Report on Progress by Montenegro in Stabilization and Accession.<sup>47</sup>

In the context of security reform, the government has promised to give special attention in the future to EU security and defense policy, development of political and military cooperation with NATO and countries in the region, as well as cooperation with global and regional organizations, primarily with the UN and the OSCE. The ongoing reform of the police and the development and implementation of integrated border management concepts continues, as do efforts to reform the armed forces. Full implementation of the obligations assumed by virtue of signing the Partnership for Peace Framework Agreement in Brussels on 14 November is considered essential in order to accomplish these objectives.<sup>48</sup>

The military forces of Montenegro were formed on the basis of those troops located on the territory of Montenegro at the time that the independence referendum was passed. In June, the government adopted a strategy document—the National Security Strategy of Montenegro<sup>49</sup>—that lays out the early stages of the process of reforming the armed forces. The Defense Strategy, Military Doctrine, the Law on Defense, and the Law on the Armed Forces are still in draft form. Based on a decision by President Filip Vujanovic on 29 July 2006, the draft has been abolished and Montenegro's armed forces is to be transformed into a professional force. The new government has also created a Ministry of Defense, which did not exist previously.

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<sup>47</sup> European Commission, Brussels, 8 November 2006.

<sup>48</sup> Draft document, Partnership for Peace, Montenegro-NATO, Brussels, 2006.

<sup>49</sup> National Security Strategy, Government of Montenegro, Podgorica, 2006; available at [www.vlada.cg.yu/biblioteka/1154096968.doc](http://www.vlada.cg.yu/biblioteka/1154096968.doc).

The reform process began by cutting the armed forces from 6000 service members in 2004 to 2500 in late 2006. The military force now consists of the following organizational elements:<sup>50</sup>

- General Staff of Montenegro Armed Forces
- Honor Battalion
- Military Police Company
- Special Operations Brigade
- Training and Support Brigade
- Air Force Base
- Naval Base.

All organizational structures of Montenegro's military are in the process of formation and are not yet at full operational strength. The major problems in military reform are:

- Lack of strategy documents, laws, and other regulatory acts
- A personnel structure that fails to meet current needs
- Infrastructure that fails to meet current needs
- An insufficient level of foreign language knowledge
- Obsolete equipment, armaments, and technology
- Surplus of military personnel.

It is unrealistic to expect all these problems to be solved quickly, considering that the Ministry of Defense has been established as a civilian body only recently. Following a visit to Montenegro by then-U.S. Secretary of Defense Donald Rumsfeld on 29 September 2006 and a meeting with Montenegro officials, it was announced that an agreement would be signed with the National Guard of the State of Maine.<sup>51</sup> Multilateral military cooperation is planned via the establishment of a joint military and security system, supply of arms, regular military-civilian cooperation, and civilian cooperation to be implemented through various special courses and expert exchanges once the U.S. administration approves the agreement with Montenegro. This was followed by intensive establishment of military relationships and cooperation with the armies of neighboring countries, countries of the region, the U.S., and NATO. In addition, following a meeting between a Montenegrin military delegation (led by the Chief of the General Staff, Lieutenant-General Jovan Lakcevic) and the Greek Defense Minister Vangelis Meimarakis and the Chief of the Greek General Staff Panagiotis Kinofotis on 6 February 2007, it was agreed that Greece would serve as the "contact point" for Montenegro's cooperation with NATO. The national defense structure of Greece will assist Montenegro in dealing with personnel issues and modernizing its military. Under this agreement, an exchange of experts from the two

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<sup>50</sup> More information is available at [www.vcg.cg.yu](http://www.vcg.cg.yu).

<sup>51</sup> *Independent Daily Vesti*, Podgorica (29 September 2006).

countries' General Staffs will soon be arranged to finalize the details of future cooperation.<sup>52</sup>

When NATO intervened militarily in FRY in 1999, Montenegro officially supported this action and openly opposed the regime in Belgrade. This led to strained relations between the Yugoslav and the Montenegro police, which at the time numbered more than 20,000. After these events, only the police were able to guarantee Montenegro's security until it gained independence in 2006. While other countries of the former Yugoslavia obtained independence in a different manner, placing primary emphasis on reform in the military and defense structures, in Montenegro the emphasis was on reforming the police. Accordingly, the other Yugoslavian republics had military veterans and distinguished warriors, while Montenegro had distinguished police officers, which complicated the reform process.

Reform began in April 2002 with the adoption of "Principles of the Strategy to Reform the Ministry of Internal Affairs of the Republic of Montenegro." The next step was to sign an agreement on cooperation between the Montenegro Ministry of Internal Affairs and the Danish Institute for Human Rights (DIHR) on 24 September 2003, aimed at developing and implementing an MIA reform plan that would be financed by the Danish Ministry of Foreign Affairs. A cooperation agreement with the OSCE was signed on 1 March 2004. This represented the beginning of coordinating international assistance to support overall reform of the MIA. Under this agreement, a Strategic Planning Unit was formed to cooperate with the OSCE and the DIHR, and together they developed the MIA Development Vision Document.<sup>53</sup> Two more plans were developed in cooperation with the OSCE. One of them, called "The Police in Local Society," was aimed at putting the police in service to the people; this plan has not yet been implemented, although the OSCE has completed comprehensive training of all members of the Montenegro Police.<sup>54</sup> The second, called "Reform of Montenegro Police Training," was the basis for the establishment in September 2006 of the Police Academy in Danilovgrad.<sup>55</sup> Aside from these activities, the Montenegro Police gained significant security competency in guarding the borders of Montenegro from the armed forces of the federation during late December 2003.

Unfortunately, not all these activities had made significant progress in police reform prior to passing of the new Law on the Police<sup>56</sup> and the Law on National Security,<sup>57</sup> under which the police and the National Security Agency were moved out of the organizational structure of the Ministry of Internal Affairs. The establishment of the Committee on Security and Defense<sup>58</sup> and the Council for Civilian Control of the Police<sup>59</sup> provided parlia-

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<sup>52</sup> *Independent Daily Vesti* (7 February 2007).

<sup>53</sup> *Vision Document*, Book I, II, III (Podgorica: Republic of Montenegro, Ministry of Internal Affairs, May 2005).

<sup>54</sup> Decision to begin implementation of the plan: "Police in Local Society," Government of Montenegro, 2004.

<sup>55</sup> Reform of the Montenegro Police, Resolution No. 02-60/1, Government of Montenegro, 2005.

<sup>56</sup> Law on the Police, Official Gazette of Montenegro, No. 28/1, Podgorica, 2005.

<sup>57</sup> Law on the National Security Agency, *Official Gazette of Montenegro*, No. 28/2, Podgorica, 2005.

<sup>58</sup> Decision to Form Departments of the Parliament of Montenegro on Security and Defense, *Official Gazette of Montenegro*, No. 36/3, Podgorica, 2005.

mentary and civilian control of these important security entities. The present Director of the Police, Veselin Veljović, is the first chief of the police organization to have been required to undergo scrutiny by the Security Committee before assuming his post. He reported on his work program and responded to parliamentarians' questions. Significant changes were made to the personnel structure, which resulted in police professionals being put in crucial posts. In September 2006, the Montenegro police created a special anti-terrorism unit to deal with terrorism within Montenegro. On September 19, the Montenegro Police Administration was accepted as a full-fledged member of INTERPOL at the international police association's General Meeting in Rio de Janeiro. The MPA then established contacts among the international police community.

But despite this strong trend to reform policy in Montenegro, the nation is still faced with many problems that it is not yet prepared to address, such as:

- Lack of a strategy to develop Montenegro's police
- Corruption and organized crime
- Personnel redundancy
- Lack of professionalism among the police
- An outmoded model for police work
- Lack of a modern information infrastructure
- Lack of qualified specialists with foreign language abilities.

New procedures for the organization and systematization of job positions within the police administration were adopted early this year,<sup>60</sup> representing yet another effort to complete the process of improving resource utilization and developing professional personnel within the police structure. Also, the Ministry of Internal Affairs has adopted a "National Strategy for Emergency Situations" on the basis of which Montenegro could find solutions to the challenges of crisis management.<sup>61</sup>

A number of non-governmental organizations have been included in the Euro-Atlantic integration process in addition to the armed forces and the police. The Euro-Atlantic Club in Montenegro was established in November 2006, and by December was already accepted into the Atlantic Treaty Association (ATA). In January, the Youth Atlantic Treaty Association (YATA) was formed.<sup>62</sup> Also very active is the Center for Civilian Education, which together with the Center for the Development of Non-Governmental Organizations and the European Movement in Montenegro has thus far organized four-month sessions of the School of European Integration.<sup>63</sup> In addition, the Center for Democracy and Human Rights (CEDEM) plays a significant role. Unfortunately, it is the only organization in

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<sup>59</sup> Article 93, Law on the Police, 2005.

<sup>60</sup> Procedures for Organization and Systematization of Job Positions in the Police Administration of Montenegro, January 2007; additional information available at [www.upravapolicije.vlada.cg.yu](http://www.upravapolicije.vlada.cg.yu).

<sup>61</sup> National Strategy for Emergency Situations, Government of the Republic of Montenegro, Podgorica, 2006.

<sup>62</sup> Additional information available at [www.atag.org/en/index.php](http://www.atag.org/en/index.php).

<sup>63</sup> Additional information available at [www.cgo.cg.yu](http://www.cgo.cg.yu).

Montenegro conducting polls of public opinion on issues related to European and Euro-Atlantic integration.<sup>64</sup>

One of the greatest challenges in the early stages of Montenegro's engagement in the Partnership for Peace is the lack of scientific personnel in certain key fields. For example, there is not a single university division or department studying security issues. There is also an absence of research and scholarly publications in the field of security or security integration—research that is needed for the process to fully achieve the objectives of Montenegro's membership in NATO and the EU.

### **Capabilities, Needs, and Experiences from the Immediate Environment, and Montenegro's Priorities in the Partnership for Peace Program**

To know with confidence what a society, organization, or institution needs at a given point in time, one must have accurate indicators from appropriate areas, as well as people who are able to utilize those indicators. A well-developed strategic planning mechanism for such purposes exists at the institutional level in NATO member countries. On the other hand, there is also a well-developed mechanism for long-term observation and analysis of planning activities that have been implemented, which has the reciprocal function of improving and supporting the continuity of strategic planning. In theory, all of this is an ongoing process of observing the relationship between capability and needs and finding appropriate solutions indicated in especially important strategy documents.

Capabilities can in principle be determined with confidence, as they are limited by certain factors or indicators of actual conditions. On the other hand, needs are naturally endless, but the ability to fulfill them is limited by available resources. Finding the optimal balance of needs and resources is a step toward attaining the ultimate goal. In analyzing the relationship between resources and needs, a key consideration is the national budget available to finance certain needs. It determines the unavoidable realities of limited resources throughout the fiscal year. Essentially the budget is the basic measure of how to meet needs during the year. To maintain continuity in the security sector throughout a given period, a strategic review of documents is often conducted in order to look at the overall situation in the defense sector. The elements of this review include:

- Security environment
- Foreign policy and its influence on defense policy
- National defense and security interests
- Security threats and risks assessment
- Defense policy
- Defense policy goals and objectives
- Defense system status and military capabilities
- Defense system organization
- Status of human resources, material interests, and finances

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<sup>64</sup> Additional information available at [www.cedem.cg.yu](http://www.cedem.cg.yu).

- Mission, vision, and goals of the military
- Functions of the military
- Organization of the military
- Resources required for the military to perform its functions
- Required defense system capabilities and development priorities
- Major prerequisites for defense planning
- Development of the MOD organization in the near term
- Development of the military organization in the near term
- Development of logistics
- Development of an intelligence-security system
- Development of human resources and ability to support planned forces
- Development of a telecommunication-information system
- Development of a scientific research system
- Defense system cost projections
- Priorities of development, modernization, supply, armaments, and military equipment
- Strategy for the implementation of organizational changes.

In addition to the strategy review, there is another document of great importance to studying possibilities for satisfying defense needs: a long-range plan for building the armed forces. This plan begins with drafting a defense system development plan and studying the required budget resources. Unfortunately, Montenegro does not yet have such strategy documents, and the budget available for developing the defense system is modest, at 41 million Euros.<sup>65</sup> And while this is a relatively small defense budget, if 2 percent of the nation's GDP (2.28 billion Euros in 2007) must be allocated in order for Montenegro to achieve interoperability with NATO forces, this 41 million Euros represents a significant proportion (over 7 percent) of Montenegro's national budget that is being devoted to rapid and effective reform of the defense sector. Let's compare, for instance, Croatia's 1.7 percent allocation for the needs of its armed forces in 2007; this comes to approximately 680,000,000 Euros, which is spread across armed forces made up of 20,000 service members. This represents a larger amount than Montenegro allocating 2 percent for its 2,500 servicemembers. The difference is that Croatia's GDP is significantly larger. Considering that the Montenegro military does not have obligations to its troops and veterans, as is the case with the armies of the other former Yugoslav republics, it can take advantage of the benefits offered by the PfP to move more quickly and effectively toward reform based on the actual resources at its disposal.

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<sup>65</sup> Budget of the Republic of Montenegro, Government of Montenegro, 2007, 104.



The police budget for Montenegro exceeds the defense budget, and stood at EUR 50 million in 2007.<sup>66</sup> To achieve EU standards, which call for three to four police officers per one thousand inhabitants, the Montenegro Police will have to quickly reduce its present numbers by 50–60 percent. This will be difficult, considering the important role played by the police in the process of attaining independence.

When one analyzes key parameters of Montenegro's security resources and needs—including political and demographic considerations, geographic factors, the regional security environment, and security threats specific to Montenegro—there is a genuine necessity for the government of Montenegro to consider the possibility of developing a plan to establish a gendarmerie, or military police function.<sup>67</sup>

A military police organization, or gendarmerie, could be formed from existing military organizations—such as the Special Operations Brigade and military police company, police units of the Police Administration, and special anti-terrorism units and separate police units—which have similar structure and operational approaches. This organization could become part of these forces for purposes of integration into the EU.<sup>68</sup> Along with appropriate support from the air force and the navy, the military training and support brigade, the Police Academy in Danilovgrad, and the Center for Underwater Mine Disassembly in Bijela, they could quite reliably deal with security threats and challenges on land or sea, and in a narrow or broad security zone. In the continuing process of developing the gendarmerie, they could even participate with other Partners in joint operations led by NATO or the EU, which are similar in terms of their nature and the need to engage combined military-police forces.<sup>69</sup>

#### *Lessons Learned: The Example of Slovenia*

Lessons learned, particularly those learned from countries that have undergone a similar integration experience, will play an irreplaceable role in the process of making decisions to develop strategic documents, laws, and PfP instruments. Slovenia, which became an EU and NATO member in 2004, and Croatia, which is well on the way to EU and NATO membership, have experience that is invaluable for Montenegro.

Immediately after becoming independent in 1991, the National Congress (Parliament) of the Republic of Slovenia adopted a new democratic constitution.<sup>70</sup> Slovenia has been a PfP member from the very start. In its integration experience, priority was given to quickly drafting strategy documents and laws. In 1994, the first separate program under the PfP was established. Participation in NATO exercises began in 1995, and in 1997 Slovenia

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<sup>66</sup> “Address by Director of the Police of Montenegro, Veselin Veljović,” *Independent Daily Viesti*, Podgorica (21 December 2006).

<sup>67</sup> Interview with Professor Anton Grizold, Dean of the Department of Political Science in Ljubljana (Slovenian Defense Minister when Slovenia joined the NATO), Sipan-Dubrovnik, Croatia, 13 July 2006; interview with Ambassador Dr. Prezymuslav Grudzinski, Professor at the George C. Marshall Center, Garmisch-Partenkirchen, Germany, 4 February 2007.

<sup>68</sup> Lidiya Chehulic, *European Defense* (Zagreb: Political Culture, 2006), 172.

<sup>69</sup> Anton Grizold and Lidiya Chehulic, *International Security and NATO in a New World Order* (Zagreb: Faculty of Political Science, 2006), 58.

<sup>70</sup> Constitution of the Republic of Slovenia, Ljubljana, U1 RS, No. 33/1991.

started participating in international peace operations. In 1996, in cooperation with NATO, the PARP process began—the single most vital instrument for executing the required reforms in the Slovenian armed forces and security structures. There is little room in such a process for improvisation or acts that are less than transparent to the public and to all NATO members. PARP was also open to the exchange of various ideas, referring to the structure and potential of military forces that Slovenia would need for future NATO membership. After the NATO Summit in Washington in 1999, Slovenia adopted a MAP for accession and developed four annual national programs. In developing its defense system using the MAP in cooperation with NATO experts, the importance of becoming a NATO member became clear.

In the same manner, the MAP represented a practical tool to identify weaknesses in the country's defense structure and establish the required links within the project to restructure the Slovenian armed forces. In the process of studying the program for future adaptation to NATO structures, one of the first steps was a general adoption of the principles of socialization and diversification among the Allies and their armed forces restructuring and modernization programs. The National Assembly of Slovenia adopted a number of important documents in that area, including a general long-term program for developing and supplying the Slovenian military for the term 2002–07, and size and structure projections for the military for both the short term (until 2004) and medium term (until 2010).

Significant progress was made in defense planning by using this experience. The Slovenian government ensured stability in the reform process by adopting a long-term budget. Accordingly, a long-term strategy (extending to 2015) for modernizing the military was established, with the goal of creating conditions consistent with the demands of the new security environment. Establishing a consistent and effective personnel policy proved a most difficult challenge. For that reason, the Law on Defense<sup>71</sup> (a Law on the Professional Armed Forces was also adopted) called for reform of public administration. In accordance with this, the Slovenian government decided to abolish conscription starting in June 2004, and continued a requirement to serve in the reserves through 2010.<sup>72</sup> The armed forces command expressed the expectation that it would achieve full professional strength by 2008. At the same time, a volunteer reserve was planned until 2012.

In terms of defense reform, this process was tied to certain conditions: political consensus and support, finances, and changes to the education system. After NATO's official invitation to initiate accession negotiations in 2002, Slovenia conducted a public referendum on joining NATO and the EU, which was supported by the citizens. Increased defense spending was one of the government's newest decisions. In June of 2002, the government approved a defense spending plan for 2003–08. Defense spending was to gradually increase through the ensuing years until it reached 2 percent of the GDP. A two-year budget was approved,<sup>73</sup> and the Law on Basic Development Programs was extended to 2007, which represented a real and stable start to managing the country's defense resources for that period. For 2002–08 the plan calls for gradually increasing the level of de-

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<sup>71</sup> Law on Additions and Changes to the Law on Defense, Ljubljana, UI RS No. 40/2004.

<sup>72</sup> Anton Grizold, "Slovenia in a Changed Security Environment," Ljubljana, 2006.

<sup>73</sup> Law on calculations performing [unk], Republic of Slovenia in 2003 and 2004, Ljubljana (ZIPRS0304), UI Republic of Slovenia, No. 121/2003.

fense spending relative to GDP from 1.6 percent (USD 304 million) in 2003 to 2 percent (USD 616 million) in 2008. Distribution of these funds was governed by the Constitution of Slovenia. Based on Article 92 of the constitution, the National Congress makes decisions on the utilization of the armed forces and the declaration of national emergencies, while the president of the republic is the commander-in-chief of the armed forces, based on Article 102 of the constitution. The process of reforming the rest of the security sector proceeded in parallel to this reform.

*Lessons Learned: The Example of Croatia*

Croatia became a Partnership for Peace member in 2000, but was unprepared to begin the process. At the time Croatia did not have a single strategy document, and its personnel potential was unprepared to take on the transformation challenges associated with entry into the PfP. During the first NATO accession cycle, transformation must be accomplished with respect to all segments of society, particularly in the security sector. Changing opinions on the process of making the adjustments required for PfP membership was initially an intellectual exercise; it then became an institutional and political issue, and only at the end did it become a military question.<sup>74</sup> Croatia's formal participation in PARP began in October 2000, when the Croatian government responded to NATO's questionnaire on PfP interoperability. Partnership goals, intended to enhance interoperability between Croatia and NATO, occupied a special place in the PARP. Croatia is now working on implementing forty-nine partnership goals that largely govern the process of making changes in the Croatian armed forces, as well as in the governmental structure, and they cover many areas of cooperation required for accession to NATO membership. In February 2001, NATO approved the first Croatian Individual Partnership Program for 2001. This document contained a list of PfP activities in which Croatia wished to participate during its first planning cycle. This involved opening a mission at NATO Headquarters in Brussels and a Croatian office at the PfP, which served to promote greater interaction and intensity of contact between Croatia and NATO.

By May 2001, Croatia was invited to join the Membership Action Plan (MAP). Croatia then adopted a number of strategy documents and laws aimed at reforming its security sector. After assuming the obligations of the MAP, Croatia developed its first Annual Membership Program in 2002–03, which stressed its “strong commitment to joining NATO.” Based on this fact, fulfilling the criteria needed to become a member was now not just an obligation of the defense and foreign ministers, but of the entire government.<sup>75</sup> During 2002 Croatia proposed several programs under the Partnership Work Plan, which offers over two thousand activities in thirty-three areas, where each Partner can choose to make proposals. That same year a joint exercise called “Taming the Dragon–Dalmatia 2002” was conducted in conjunction with the Euro-Atlantic Disaster Response Management Center.

Thus far, Croatia has completed three MAP cycles and is currently in its fourth. During 2003 Croatia joined the U.S.-Adriatic Charter, established under an initiative at the NATO Summit in Prague in 2002. The U.S.-Adriatic Charter, based on the principles of the Baltic

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<sup>74</sup> Vukadinovic, et al., *NATO in International Relations*, 153.

<sup>75</sup> *Ibid.*, 160.

Charter (Vilnius Assembly),<sup>76</sup> envisions principles and cooperation commitments for Albania, Croatia, and Macedonia on their course to full membership in NATO. The document requires the strengthening of democracy, protecting minority rights, fighting terrorism, countering foreign crime and weapons of mass destruction, and furthering security sector reform. In 2006 Croatia adopted the Strategic Defense Review and a Long-range Development Plan for the period from 2006 to 2015.

Based on this experience, one can identify certain steps that should be priorities for Montenegro as it goes about making decisions related to its first year of participation in the Partnership for Peace. At the national level, the following steps are crucial:

- Adoption of a new Montenegrin constitution based on EU principles and standards, to meet methods and standards for managing the defense and security sector
- Creating institutions for democratization of the defense and security sector and ensuring civilian control over them<sup>77</sup>
- Developing, refining, and coordinating these institutions with constitutional clauses, and adopting strategy documents, laws, and other statutory acts required to successfully implement the commitments Montenegro assumed prior to joining the PfP<sup>78</sup>
- Developing a presentation document entitled “Montenegro and the Partnership for Peace” that would outline the priorities and goals of Montenegro under the Program and would serve as the basis for subsequent, more detailed plans<sup>79</sup>
- Creation of a diplomatic mission at NATO HQ in Brussels and an office in the Partnership Coordination Cell, staffed by appropriate civilian and military personnel. This is necessary to promote unhindered communication and timely coordination in developing required documents and instruments for Partnership reorganization and to tailor the government administration to the needs of the PfP
- Professional development of personnel in government bodies, with special emphasis on security issues<sup>80</sup>
- Intensive language study in all government institutions directly related to implementing the measures required by the PfP.

At the level of the Ministry of Defense, the following steps must be taken:

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<sup>76</sup> Ibid., 173.

<sup>77</sup> Interview with Dr. Fritz Rademacher, Professor at the George C. Marshall Center, Garmisch-Partenkirchen, Germany, 26 January 2007.

<sup>78</sup> Ljubisa Perovic, Deputy Minister of Defense for Defense Policy, said that “the Law on Defense and the Armed Forces and the strategy documents Defense Strategy and Military Doctrine are in the final intensive phases, but there is a strong opinion that there is no need to hurry, considering the importance of such documents, and that they must ultimately pursue the process of preparing and adopting a very important government act.” *Independent Daily Viesti*, Podgorica (8 February 2007).

<sup>79</sup> Interview with Dr. John Kriendler, Professor at the George C. Marshall Center, Garmisch-Partenkirchen, Germany, 25 January 2007.

<sup>80</sup> “Experience of Slovenia, Dr. Special Advisor to the Government of Slovenia on EU Relations,” *Independent Daily Viesti*, Podgorica (6 December 2006).

- Creation of a PfP Planning, Coordination, and Analysis Group. This group would include representatives of other government institutions that are vital to implementing the goals of the Partnership. Its role would be most visible in coordinating and supporting intra-institutional cooperation, both with NATO and within Montenegro, and especially within the defense and foreign ministries<sup>81</sup>
- Training defense ministry personnel at NATO schools and training centers. Such training must be consistent with the priorities identified in the presentation document. During the initial period, training should be geared to defense reform and everything associated with that process (establishment of democratic institutions, democratic control, development of documents and instruments under the PfP, and so forth)<sup>82</sup>
- Implementation of existing strategy documents and laws, as well as drafting of new ones
- Development of an Individual Partnership Plan based on cooperation priorities, in order to begin the process of achieving interoperability through activities in the area of operations and material and administrative standardization<sup>83</sup>
- Conducting the necessary preparatory work to join the NATO PARP in order to establish a basis to identify and assess forces and capabilities that may be available for multinational training and joint operations with NATO forces
- Initiating a public information campaign aimed at educating the public about the importance of the principle of transparency and public participation in the process of NATO accession.<sup>84</sup>

## Conclusion

Not all countries that have passed through NATO's Partnership for Peace Program on their way to full NATO membership have been confronted with identical security challenges and threats, both in the Euro-Atlantic zone and beyond. Thus, all NATO members have been accepted into NATO in different ways. For example, the Czech Republic, Hungary, and Poland became full members within less than a decade after the end of the Cold War, in a significantly different security environment than the one which currently exists. Circumstances have changed with time, and at its summits NATO has consistently undertaken initiatives and made suggestions on how to respond to security challenges.

The main characteristics of the current security environment, with directives and priorities for the next ten to fifteen years, were articulated at the NATO Summit in Riga on 28–29 November 2006. These are particularly pertinent for Bosnia and Herzegovina, Montenegro, and Serbia, for whom they represent the basis for discussing policy goals and practical actions for their processes of NATO accession. Global terrorism, with the capa-

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<sup>81</sup> Interview on the experience of Croatia with Dr. Dragan Lozancic, Professor at the George C. Marshall Center, Garmisch-Partenkirchen, Germany, 9 February 2007.

<sup>82</sup> Interview with Dr. Fritz Rademacher, 26 January 2007.

<sup>83</sup> Interview with Dr. John Kriendler, 9 February 2007.

<sup>84</sup> Address by Defense Minister Boro Vucinic at the International Conference "NATO and Public Relations," as reported in the *Independent Daily Viesti*, Podgorica (2 December 2006).

bility to inflict increasingly lethal consequences, and the proliferation of weapons of mass destruction are likely to be the major threats to the Alliance in the next ten to fifteen years. The major challenges associated with this new threat scenario include:

- Instability resulting from the collapse of existing state governments
- Regional crises and conflict
- Increased availability of sophisticated weapons systems
- Misuse of technology and violations in delivering vital resources
- Obstacles in providing vital resources.

The Alliance will continue to pursue a policy of broad access to security, as reflected in the 1999 strategic concept, with primary emphasis on security, mutual consultation, armaments and defense, crisis management, and partnership. In pursuit of these goals, NATO has a number of requirements:

1. The Alliance will require energy and adaptability to respond to complex and unpredictable challenges, while ensuring effective interaction in sharing information and intelligence
2. The Alliance must maintain the ability to carry out large high-intensity operations and a variety of low-intensity operations simultaneously
3. Each operation will seek a command and control structure capable of planning and executing strategic and operational tasks
4. For the purpose of executing operations, the Alliance requires an additional number of ground forces and corresponding sea and air components. This is supported by policy decisions on the requirement for 40 percent deployable ground forces and 8 percent in operations
5. NATO and the EU must continue to develop procedures for ensuring coherent and transparent relations and interaction in developing capabilities common to both organizations
6. Increasing investments in key capabilities will require members to change priorities and efficiently use resources, to include combining forces and other forms of cooperation
7. As the security environment changes over the next ten to fifteen years, so will the need to counter conventional and asymmetric risks and threats, which will be the basis for achieving the following capabilities:
  - Execute and maintain multinational and joint expeditionary operations in remote locations, with minimal (or no) support from the country where the operations are being conducted
  - Head off, thwart, and defend against terrorist attacks
  - Protect information assets
  - Conduct operations involving the threat of possible use of WMD and the ability to use NATO forces to deal with a missile attack
  - Conduct operations in challenging geographic settings and climates

- Demonstrate capability and flexibility in conducting operations in conditions where it is necessary to coordinate with local authorities, institutions, and governments
  - Provide military support to stability operations and reconstruction efforts through all phases of a crisis, including the security phase; this includes security sector reform, demobilization, disarmament and reintegration, and military support for humanitarian operations
  - Capability of practical interoperability and standardization with allies, as well as flexibility in cooperation with partners
8. Implementing these capabilities will require being open to new technologies, concepts, and doctrines. This includes improving the ability to assess the situation and timing for planning operations and decision making.

The main priorities for NATO in meeting these requirements include the development of common expeditionary forces and the capability of supporting them; the preparation of rapidly deployable forces; the ability to deal with asymmetric threats, such as those often posed by terrorist actors; ensuring a position of information superiority; continuing to build the ability to more effectively utilize all of the Alliance's instruments in a crisis; and effectively coordinating with all actors, both NATO members and Partner nations.<sup>85</sup> How Montenegro ultimately uses the advantages accruing from participation in the Partnership for Peace, which priorities it chooses, and what contribution it makes to the Alliance and to the Partnership will depend primarily on its own decisions.

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<sup>85</sup> NATO Summit in Riga, Latvia, 28-29 November 2006, NATO publications, [www.nato.int/docu/pub-form.htm](http://www.nato.int/docu/pub-form.htm).

# The Principle of Distinction and Weapon Systems on the Contemporary Battlefield

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## Abstract

This article examines, primarily from the perspective of U.S. forces, the challenges faced by technologically advantaged forces on the asymmetrical battlefield vis-à-vis the legal principle of distinction. Distinction, the linchpin of international humanitarian law, requires that parties to a conflict conduct their operations in a manner that distinguishes between combatants and civilians, as well as between civilian objects and military objectives. Paradoxically, the technological edge that advanced militaries enjoy over their enemies may present problems in terms of ensuring compliance with the distinction principle, particularly at the tactical level of warfare. The conflict in Iraq has demonstrated that on an asymmetrical battlefield, the weaker party may adopt tactics that violate the norm in order to offset its technological disadvantage. When this occurs, compliance by the advantaged party is also complicated. Safeguarding the principle of distinction, therefore, requires altering the cost-benefit calculations of the side facing defeat at the hands of its stronger opponent.

**Keywords:** asymmetry, distinction, military objective, proportionality, international humanitarian law, law of war, *jus in bello*

For United States forces on the modern battlefield, application of the principle of distinction poses novel challenges. Quite paradoxically, many of these challenges result from the extraordinary technological advantage the U.S. military enjoys over its enemies. This article examines such challenges, primarily at the tactical level of warfare.<sup>1</sup>

In its *Nuclear Weapons* advisory opinion, the International Court of Justice labeled distinction one of two “cardinal” principles of international humanitarian law.<sup>2</sup> This “intransgressible” norm rises to the level of customary law in both international and non-international armed conflict, a status acknowledged by the United States in the 2007

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<sup>1</sup> In U.S. military doctrine, the tactical level of warfare is the level “at which battles and engagements are planned and executed....” It is distinguished from the operational and strategic levels of warfare. Joint Chiefs of Staff, Joint Publication 1-02, *DOD Dictionary of Military and Associated Terms* (Washington, D.C.: U.S. Department of Defense, 12 April 2001), as amended through 17 October 2007, at 532.

<sup>2</sup> *Threat of Use of Nuclear Weapons*, Advisory Opinion, 1996 I.C.J. Rep., para. 78.



*Commander's Handbook on the Law of Naval Operations*, its most current manual of international humanitarian law (IHL).<sup>3</sup>

Article 48 of the 1977 Protocol Additional I, which provides that “[p]arties to the conflict shall at all times distinguish between the civilian population and combatants and between civilian objects and military objectives and accordingly shall direct their operations only against military objectives,” codifies the core principle,<sup>4</sup> while specific rules prohibiting attacks on civilians, civilian objects, and specially protected individuals and objects, such as those who are *hors de combat* and medical facilities, further operationalize it.<sup>5</sup> The United States, which is not a Party to the Protocol, recognizes most such rules as customary law.<sup>6</sup>

Within the general framework of distinction, the proportionality principle and the requirement to take precautions in attack are of particular relevance for U.S. forces. The former prohibits attacks “which may be expected to cause incidental loss of civilian life, injury to civilians, damage to civilian objects, or a combination thereof, which would be excessive in relation to the concrete and direct military advantage anticipated.”<sup>7</sup> The latter requires an attacker to take precautions that minimize effects on the civilian population. These include, among others, doing “everything feasible” to verify that the proposed target is a lawful military objective; choosing weapons and tactics so as to minimize collateral damage to civilian objects and incidental injury to civilians; and selecting that target from among potential targets offering “similar military advantage,” the attack on which causes the least collateral damage and incidental injury.<sup>8</sup> Although the *Commander's Handbook* sets out the precautions requirements in lesser detail than the Protocol, U.S. practice demonstrates general acceptance of its core notions.<sup>9</sup>

<sup>3</sup> See *Threat of Use of Nuclear Weapons*, para. 79, for characterization as intransgressible. On the customary nature of the principle, see International Committee of the Red Cross, *Customary International Humanitarian Law, Rules 1 & 7* (2005) [hereinafter CIHL]; Michael N. Schmitt, Charles H.B. Garraway and Yoram Dinstein, *The San Remo Manual on the Law of Non-International Armed Conflict: With Commentary* (San Remo: International Institute of Humanitarian Law, 2006), para. 1.2.2, reprinted in *Israel Yearbook on Human Rights* 36 (2006) (Special Supplement); and Naval Warfare Pamphlet 1-14M, *The Commander's Handbook on the Law of Naval Operations*, para. 8.2 (July 2007) [hereinafter NWP 1-14M].

<sup>4</sup> Protocol Additional (I) to the Geneva Convention of 12 August 1949, and Relating to the Protection of Victims of International Armed Conflicts, 12 December 1977, 1125 UNTS 3, 16 International Legal Materials 1391 (1977) [hereinafter API].

<sup>5</sup> See esp. API, art. 51.2 (“The civilian population as such, as well as individual civilians, shall not be the object of attack.”) and API, art. 52.1 (“Civilian objects shall not be the object of attack or of reprisals. Civilian objects are all objects which are not military objectives.”). The CIHL suggests that the following are specially protected under customary IHL: medical and religious personnel and objects, humanitarian relief personnel and objects, journalists, protected zones, cultural property, works and installations containing dangerous forces, the natural environment, and those who are *hors de combat* (wounded, sick, shipwrecked, those who have surrendered, prisoners of war). CIHL, Parts II and V.

<sup>6</sup> See generally the prohibitions contained in NWP 1-14M, especially Chapter 8.

<sup>7</sup> CIHL, Rule 14; API, arts. 51.5(b), 57.2(a)(iii), 57.2(b); NWP 1-14M, para. 8.3.1.

<sup>8</sup> CIHL, Rules 15-21; API, art. 57.

<sup>9</sup> NWP 1-14M, para. 8.3.1.

The conflicts in Afghanistan (Operation Enduring Freedom) and Iraq (Operation Iraqi Freedom) aptly illustrate the phenomenon of asymmetrical technological advantages driving a disadvantaged enemy to adopt asymmetrical means (weapons) and methods (tactics) of its own that endanger application of these prescriptive norms.<sup>10</sup> Combating an asymmetrical opponent involves avoiding enemy strengths, leveraging one's advantages, and exploiting enemy weaknesses and vulnerabilities. Generally conceived of in "methods and means" terms, it may also encompass direct and indirect communication (with one's own public, the enemy public, other states, and the international community), often through diplomacy, the media, and non-governmental organizations; economic wherewithal, both in terms of ability to fund the war effort and the use of sanctions and other economic tools; logistics; law, particularly limitations on the use of force; and morality.<sup>11</sup>

With regard to asymmetry, technological superiority best characterizes the position of U.S. forces in Afghanistan and Iraq. U.S. weapons have greater firepower, range, and precision. High-tech surveillance and reconnaissance platforms, together with other intelligence assets, render the battlefield incredibly transparent. Communications systems are redundant, pervasive, and secure, thereby allowing U.S. commanders an unprecedented degree of command and control over their forces. From conducting attacks with unmanned combat aerial vehicles piloted from the United States, such as the MQ-9 Reaper, to logging into military "chat rooms" with Blue Force Tracker laptops in the remote mountains of Afghanistan, the technological wizardry is nothing short of dazzling.

These assets allow U.S. forces to "get inside the enemy's OODA (observe, orient, decide, act) loop." In other words, they can observe enemy forces, analyze their actions, disseminate information, determine an effective course of action, act, and evaluate the effects of their operations much more quickly than their opponents. In theory, repeatedly doing so stuns the enemy into a purely reactive mode, for it can only act once U.S. operations are either well under way or complete. In extreme cases, the enemy simply shuts down out of a sense of helplessness.

Although pundits might dispute the purported benefits of asymmetry, there is no denying that, on any battlefield the United States has found itself on, or is likely to for the foreseeable future, technological asymmetry is a dominant reality. This reality generates a number of consequences.

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<sup>10</sup> Such practices were outlined in a series of discussions held with U.S. commanders, military intelligence officers, and judge advocates conducted at the United States Naval War College. Some of the practices are further described in Michael N. Schmitt, "Conduct of Hostilities During Operation Iraqi Freedom: An International Humanitarian Law Assessment," *Yearbook of International Humanitarian Law* 6 (2003), as well as Michael N. Schmitt, "Asymmetrical Warfare and International Humanitarian Law," in *International Humanitarian Law Facing New Challenges*, eds. Wolff Heintschel von Heinegg and Volker Epping (Berlin: Springer Verlag, 2007), and the sources cited therein.

<sup>11</sup> Asymmetry occurs at every level of war. For instance, at the strategic level it can relate to the ability to form and maintain alliances. At the operational level, an ability to command and control forces over large areas and across time may yield asymmetrical advantage, and at the tactical level advanced weaponry yields immediate superiority over a lesser-equipped opponent.

First, the reach and precision of U.S. weapon systems is such that range, geography, weather, and enemy defenses pose only slight obstacles to the conduct of operations across the enemy's land, sea, air, and cyber-territory. Lines of battle have become battlespaces in which legal norms (such as the prohibition on conducting operations in neutral territory), not technological limitations, define operational boundaries. Recall that the first attack of Operation Iraqi Freedom consisted of a cruise missile strike near Baghdad against Saddam Hussein.

Second, an enemy identifiable on an open battlefield will usually be killed by his or her technologically superior opponent, often with a minimal risk to the attacker. As a result, hostilities inevitably migrate to urban or other dense, congested areas. Yet even in such areas, identification as a participant in the hostilities places one at extreme risk. The same dynamic applies to weapon systems and other equipment. Once located and identified as such, the technologically advantaged opponent can typically destroy them, almost effortlessly.

In such an environment, the disadvantaged party must seek its own asymmetrical advantages. Predictably, U.S. opponents have done exactly that. Consider the means of warfare (weapons) to which they have turned. Lacking access to the global high-tech weapons acquisition network (or the financial wherewithal to acquire such systems and know-how to employ them), the enemy in both Afghanistan and Iraq is countering U.S. superiority by leveraging low-tech weaponry. This has been accomplished in a number of ways.

Small arms from the vast licit and illicit global market have found their way into both countries. Furthermore, in Afghanistan small arms were already widely possessed by the warring factions, whereas in Iraq they soon became available when Coalition forces failed to secure and safeguard weapons storage areas of the Iraqi military. Although small arms might not be horribly useful when facing a high-tech enemy on the open battlefield, they are effective in urban and guerrilla operations, which typically involve ambushes and other hit-and-run tactics.

U.S. opponents have also turned to "unconventional" weapons. For instance, improvised explosive devices (IEDs) and vehicle-borne improvised explosive devices (VBIEDs) can be built using such "off-the-shelf" material (commercially available and intended for civilian use) as mobile phones, cars, copper wire, fertilizer, and gasoline. Explosive material can also derive from U.S. and Coalition unexploded ordnance (UXO) or indigenous abandoned ordnance (AXO), like that recovered from Iraqi Army ammunition depots.

In another example, computers linked to the Internet are increasingly employed for such tasks as communications and gathering information from open sources, especially as the Iraqi network comes back on-line. In the future, computer network attacks directly against U.S. military (and perhaps civilian) systems are inevitable, for the heavy U.S. military reliance on computers surely represents an irresistible vulnerability for the enemy. Similarly, low-tech forces have turned to mobile phones as excellent tools for command and control and intelligence gathering and dissemination.

Sadly, the disadvantaged sides in today's asymmetrical conflicts have also adopted unlawful means of warfare.<sup>12</sup> For instance, dead bodies and the wounded have been booby-trapped in violation of the customary norms of international law codified in Protocol II of the Convention on Certain Conventional Weapons.<sup>13</sup> U.S. opponents have also resorted to the use of suicide bombers. While it is not a violation of international humanitarian law to give one's life to kill enemy combatants and civilian direct participants in hostilities, it is a breach to perfidiously feign civilian status in order to get close enough to the enemy to conduct a suicide attack.<sup>14</sup> If an attack is designed to kill even a single civilian, the suicide bomber would be guilty of a war crime.<sup>15</sup>

Such asymmetrical means of warfare present U.S. commanders with a number of challenges in the area of distinction. The most obvious is developing effective counter-systems. Consider IEDs and VBIEDs. The United States and its allies have successfully used existing electronic warfare platforms like the EA6B Prowler to "jam" radio signals that detonate IEDs. Although jamming sometimes interferes with civilian activities or damages civilian equipment, by and large the harm is minimal, at least relative to the military advantage accruing from protecting one's own forces.

Operationally speaking, it would be preferable to detonate the IEDs in advance, because destruction precludes their use in future attacks. Therefore, U.S. forces are turning to new radio-controlled counter-IED systems that transmit signals that cause the IEDs to explode before they can be effectively used. The challenge for any commander employing such systems should be apparent—a lack of knowledge as to the location of the bomb at the time of detonation complicates the proportionality calculation enormously. Might it detonate while a civilian vehicle is passing? What if the IED is being carried though a crowded civilian area on its way to placement alongside a road? What if an undeployed IED is in a house or other building containing civilians? What if there are a number of such devices in the same location, such that the resulting explosion will be huge? And so on.

As these examples illustrate, counter-systems intended for use against threats (whether individuals or weapons) that are difficult to reliably locate or identify can heighten the risk to civilians and civilian property. Unfortunately, in an asymmetrical conflict, a difficult-to-

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<sup>12</sup> Complicating matters, no Additional Protocol I, Article 36, review is conducted prior to the fielding of such weapons, nor are they generally subject to arms control agreements or transfer monitoring. In other words, their use lies beyond legal and practical control. Article 36 provides that "[i]n the study, development, acquisition or adoption of a new weapon, means or method of warfare, a High Contracting Party is under an obligation to determine whether its employment would, in some or all circumstances, be prohibited by this Protocol or by any other rule of international law applicable to the High Contracting Party."

<sup>13</sup> CIHL, Rule 80; Prohibitions or Restrictions on the Use of Mines, Booby-Traps and Other Devices, art. 6, 10 October 1980, 1342 U.N.T.S. 168, as amended, 3 May 1996, art. 7, 35 International Legal Materials 1206 (1996), to the Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects, 10 October 1980, 1342 U.N.T.S. 137.

<sup>14</sup> At least according to API, art. 37.1(c).

<sup>15</sup> API, art. 85.3(a); Rome Statute of the International Criminal Court, art. 8.2(b)(i), 17 July 1998, UN Doc. A/CONF. 183/9\*, 37 International Legal Materials 1002 (1998).

locate or identify weapon or combatant is exactly what one needs to offset an adversary's technological advantage.<sup>16</sup>

Commanders face countless other challenges when seeking to apply the distinction principle in such an environment. Many items used by the weaker side are dual-use – that is, they have both military and civilian purposes. This fact makes it difficult for U.S. forces to distinguish weapons, weapon components, and other military items from their civilian equivalents. As an example, when soldiers spot an individual on a mobile phone, what conclusion should they draw? That the caller is gathering intelligence? Preparing to detonate a bomb? Calling home? Is a truck carrying fertilizer that has been stopped at a road-block transporting bomb making material or agricultural chemicals? Does an empty car by the side of the road contain a VBIED or has it been parked by its owner while running errands? Is an individual spotted at night carrying a rifle doing so to attack U.S. forces or to defend himself from violent criminals or sectarian militia?

Dramatic asymmetry in weaponry has a particularly pernicious effect, namely the creation of a sense that somehow the fight is unfair, that the advantaged party is a “bully.”<sup>17</sup> Sensitive to this reality, commanders are concerned that their actions might be characterized as disproportionate – not necessarily in the sense of the legal principle, but rather in terms of inequality of force. For example, a video clip that has circulated on the Internet depicts an Iraqi insurgent with an AK-47 automatic rifle being killed by a U.S. tank shot. The video evoked a visceral reaction on the part of some viewers that the tank crew had acted wrongfully. Yet, there is no legal distinction between killing a combatant with a tank shell or a rifle bullet (except that of the expected relative collateral damage and incidental injury, if any). When technological asymmetry generates a “bully” perception, commanders justifiably worry that even their lawful actions will be styled unfair or unlawful.

Finally, U.S. forces today wield an impressive array of information operations (IO) capabilities, including the ability to conduct computer network attacks (CNA). IO assets offer an astonishing technological advantage. However, the legality of “striking” certain “target sets” against which such capabilities would be useful—like broadcasting facilities, websites, email systems, and financial assets—remains unsettled. Two schools of thought dominate. The first, based on a strict reading of the definition of “attack” found in Article 49 of Additional Protocol I,<sup>18</sup> argues that the prohibition on attacking civilians or civilian objects applies only to “violent” operations, i.e., those likely to cause death or injury to the former or destruction of or damage to the latter.<sup>19</sup> The other embraces an expansive reading of the notion of attack, focusing on Article 48's language limiting operations to those

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<sup>16</sup> Of course, certain steps can be taken to limit the risk to civilians and civilian property. These include use outside areas populated by civilians, use when civilians are unlikely to be present, limiting the range or direction of the system, and barring civilians from the area while the system is in use.

<sup>17</sup> See discussion of the “bully syndrome” in Michael N. Schmitt, “21<sup>st</sup> Century Conflict: Can the Law Survive?” *Melbourne Journal of International Law* 8:2 (2007).

<sup>18</sup> “‘Attacks’ means acts of violence against the adversary, whether in offence or in defense.” API, art. 49.1.

<sup>19</sup> See Michael N. Schmitt, “Wired Warfare: Computer Network Attack and International Law,” *International Review of the Red Cross* 84:846 (June 2002): 365–99.

directed against military objectives (and combatants). This interpretation would prohibit most forms of CNA against civilian “cyber-targets,” even if the consequences did not involve death, injury, destruction, or damage.<sup>20</sup> U.S. forces controlling CNA and other IO assets must therefore be sensitive to the possibility that their operations, even if compliant with the law as interpreted by the first school of thought, may generate criticism from those adopting the more restrictive approach.

As problematic for U.S. commanders as the weapons used by technologically disadvantaged opponents are the methods they adopt. There is, as noted above, a general tendency for weaker forces to move into densely-built areas populated by civilians. This tactic makes them difficult to locate, identify, and target, particularly since they are unlikely to be wearing uniforms. Additionally, because disadvantaged forces are likely to lose any direct confrontation with the superior U.S. forces, they tend to engage in “shoot and scoot” tactics. In other words, they fire at U.S. forces and immediately flee. There is also a growing tendency to use vulnerable groups for military purposes. In particular, U.S. opponents have used women to gather intelligence, transport supplies, and conduct attacks, sometimes in the form of suicide bombings.

Especially troublesome from a distinction perspective is the adoption of unlawful tactics that leverage the protection the principle extends to civilians and civilian objects. U.S. opponents have, among others, employed both voluntary and involuntary human shields, feigned civilian status in order to conduct surprise attacks, and exploited locations enjoying special protection under IHL. During the 2004 battle for Fallujah, to cite one example, Iraqi insurgents used sixty of the one hundred mosques in the city for military purposes. In some cases, they used them for weapons storage and mustering points; the minarets were particularly valuable as sniping locations and observation points.

These tactics amount to patent breaches of customary international humanitarian law, as well as violations of Additional Protocol I for the Parties thereto.<sup>21</sup> However, it is important to understand that they equally constitute logical tactical responses to technological asymmetry. They variously improve the enemy’s ability to avoid detection, hinder U.S. attacks, locate U.S. forces, and get close enough to conduct attacks against them.

More than the immediate battlefield implications of such methods and means of warfare must be considered. U.S. opponents have now adopted “lawfare” as a method of warfare to counter U.S. advantage. In lawfare, one side in a conflict attempts to paint the other as unlawful so as to undercut the adversary’s domestic and international support and to bolster the resistance of its own military and public. There is certainly no problem with conducting lawfare against an opponent that is in fact violating the law; to do so enhances the likelihood of IHL’s enforcement. But lawfare is often employed in the absence of violation. One classic technique is to ensure that the media has access to gruesome scenes of civilian death, suffering, and destruction. How can anyone fairly evaluate such images and

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<sup>20</sup> See Knut Dormann, “Applicability of the Additional Protocols to Computer Network Attack,” in *International Experts Conference on Computer Network Attack and the Applicability of International Humanitarian Law: Proceedings*, ed. Karin Bystrom (Stockholm: Swedish National Defense College, 2005).

<sup>21</sup> API, arts. 37, 51, 53.

reports in the absence of knowledge as to the military advantage the attackers expected to gain through the operation?

In Iraq, the enemy has even “baited” U.S. forces in an attempt to create exploitable collateral damage and incidental injury. The use of civilian shields best exemplifies this practice. Likewise, Iraqi insurgents have launched mortar shells from civilian areas in the hope that U.S. forces will respond with counter-battery fire. That lawfare has become an accepted counter to technological advantage was perhaps best illustrated by Hezbollah’s adoption of similar tactics, such as firing rockets from civilian apartment complexes, during the 2006 Israeli incursion into Lebanon.<sup>22</sup>

There have even been cases of U.S. opponents dispensing altogether with the principle of distinction, especially during the occupation of Iraq. Unable to prevail by targeting occupation forces, they attacked individuals and groups who qualified as civilians under IHL, including police, politicians, representatives of non-governmental organizations (including, tragically, the ICRC and UN), and the public itself. By shifting the conceptual centre of gravity from the military to the civilian population, the insurgents sought to deter cooperation with the occupation regime and to create a level of instability that would be ripe for exploitation. The civilian violence also weakened international support for the continuation of Coalition operations, including in nations that had contributed troops.

Such tactics have presented U.S. commanders with an array of distinction challenges. Significantly, the phenomenon of combat migrating to populated areas has made application of the principle arduous; after all, in urban warfare many legitimate targets lie in close proximity to civilians and civilian objects. Thus, proportionality issues loom large, as do requirements for precautions in attack regarding weapons, tactics, and target selection. At times, proportionality even bars U.S. forces from striking valuable targets at all because the likely collateral damage and incidental injury would be excessive relative to the anticipated military advantage. Additionally, potential civilian casualties sometimes result in a moral pause that exceeds legal requirements. U.S. troops have often refrained from executing operations that would otherwise be lawful out of concern for the affected civilian population.

It is self-evident that methods of warfare that directly exploit civilian protections for military ends only exacerbate matters. If enemy combatants elect, for instance, to dispense with uniforms, the U.S. soldier on the ground has little way to distinguish combatants and civilians directly participating in hostilities from innocent civilians. As a result, U.S. forces sometimes adopt “self-defense”-style rules of engagement (ROE), under which an individual must perform a “hostile act” or demonstrate “hostile intent” before being engaged. Doing so is driven by policy, not legal, concerns about the practical problem of distinction in contemporary conflict; IHL’s much more liberal scheme would allow engaging an en-

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<sup>22</sup> See Israel Ministry of Foreign Affairs, “Preserving Humanitarian Principles While Combating Terrorism: Israel’s Struggle with Hizbullah in the Lebanon War,” Diplomatic Note 1 (April 2007), 7; UN Human Rights Council, Special Rapporteur, Mission to Lebanon and Israel, “Report of Investigation sent to UN General Assembly” (2 October 2006), 14.

emy combatant or civilian directly participating in hostilities at almost any time and anywhere, regardless of whether he posed an immediate threat.<sup>23</sup>

Even when ROE-imposed restrictions exceed those of IHL, civilians can remain at risk. As mentioned, the disadvantaged side in an asymmetrical conflict often adopts a “shoot and scoot” approach to attacks. One common tactic adopted by Iraqi insurgents is to fire a rocket propelled grenade (RPG) down an alley at a U.S. vehicle passing on a cross street. In the vehicle under attack, confusion momentarily reigns as young soldiers look through smoke to see civilians running in every direction. Since insurgents wear civilian clothing, the soldiers struggle to determine who launched the attack. If the soldiers spot a young male fleeing through the streets, they will logically assume he had attacked them and engage him. But, in fact, the real attacker probably fled the scene as soon as he fired, since it would be suicidal to stay and fight the U.S. forces. What the U.S. soldiers actually saw was an innocent civilian running for shelter in the knowledge that a gunfight was about to break out. The risk posed to civilians by the adoption of tactics designed to compensate for technological weakness should be clear.

Along the same lines, U.S. commanders are being forced to deal with the enemy practice of baiting them into causing collateral damage and incidental injury. They are cognizant of the lawfare dynamic, and therefore are highly sensitized to the consequences attendant to civilian casualties, even when they are not excessive as a matter of law. For example, U.S. forces seldom respond with return fire against mortars fired from urban areas, and there are no reported cases of striking targets that were voluntarily or involuntarily shielded by civilians. Inequitably, then, tactics that include knowing violations of humanitarian law can prove highly effective in offsetting an adversary’s technological advantage.

A further challenge for U.S. commanders is how to use their weaponry effectively in this type of battle. Once the enemy immerses itself within the civilian population and fails to distinguish itself, high-tech systems become dramatically less effective. In the first place, many involve indirect fire—i.e., the weapons used do not rely on visual (or other reliable sensors) monitoring of the target area in real-time. But absent a real-time picture, collateral damage and incidental injury estimates for urban attacks become increasingly unreliable over time. Of course, known patterns of civilian behavior (e.g., fewer civilians will be on a bridge at 2 AM than during the day) can alleviate the likely incidence of civilian harm, but as every combat commander understands, unpredictable fluidity always

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<sup>23</sup> The issue of when a civilian directly participating in conflict may be attacked remains controversial, and is the subject of a major study being conducted by a group of experts under the auspices of the ICRC. Reports of this study are at [www.icrc.org/Web/eng/siteeng0.nsf/html/participation-hostilities-ihl-311205](http://www.icrc.org/Web/eng/siteeng0.nsf/html/participation-hostilities-ihl-311205); the group’s final “interpretive guidance” will be released in 2008. For judicial treatment of the matter by the Israeli Supreme Court, see HCJ 796/02, *The Public Committee against Torture in Israel v. Israel (et al.)* (Dec. 2006) [Targeting Killing case]. For academic treatment of the issue in articles relied on by the Court, see Michael N. Schmitt, “Direct Participation in Hostilities and 21st Century Armed Conflict,” in *Crisis Management and Humanitarian Protection*, eds. Horst Fischer, Ulrike Froissart, Wolff Heintschel von Heinegg, Christian Raap (Berlin: Berliner Wissenschafts-Verlag, 2004) and Michael N. Schmitt, “Humanitarian Law and Direct Participation in Hostilities by Private Contractors or Civilian Employees,” *Chicago Journal of International Law* 5 (2005): 511–46.



characterizes the urban battlespace. Inability to view the target in real-time also facilitates baiting tactics, particularly those executed through “shoot and scoot” methods. The example of counter-battery fire against mortar attacks cited above exemplifies this reality.

It must also be recognized that the intended usage of some weapons fielded by U.S. forces assumes a relatively identifiable target. The sniper rifle is highly effective, for instance, but only if the sniper can reliably pick out his victim. The same applies to night vision goggles. Imagine an individual walking with a shovel along a road at night. Absent a uniform or other distinguishing clothing, is he an insurgent burying an IED or a farmer going home? Or consider pre-planned aerial attacks, i.e., those against fixed targets, planned in advance. In classic hostilities, they are conducted against military objectives readily identifiable as such: bases, airfields, naval docking facilities, rail lines and other lines of communications serving military purposes, armament factories, and the like. Such entities, consistent with the mandate of Article 58 of Additional Protocol I, are usually located away from concentrations of civilians.<sup>24</sup> In Iraq, by contrast, “military” objectives against which pre-planned operations might be useful were often originally civilian in character and are present in urban areas, factors which render attack with weaponry designed for easily identifiable targets problematic.

Finally, commanders are struggling with cultural sensitivities bearing on the principle of distinction, both those of the enemy population and its own soldiers. For instance, and as noted, insurgents regularly use mosques for weapons storage and other purposes. The fact that U.S. forces are hesitant about entering mosques (or conducting operations which might damage them) has not been lost on their opponents. Similarly, U.S. forces, because of their own sensitivities (and those of the population), hesitate to search women; typically, only female soldiers do so. Again, this lesson has not been missed by the enemy. The October 2007 capture in Afghanistan of a tall Siberian red-headed blue-eyed male foreign fighter wearing a burqa is bizarrely illustrative.<sup>25</sup>

Violations of the principle of distinction and other IHL norms by U.S. opponents have clearly affected the attitude of soldiers in the field. A 2006 survey by U.S. military mental health specialists in Iraq produced shocking results. Only 47 percent of the soldiers and 38 percent of the marines surveyed believed they should treat all non-combatants with dignity and respect. 17 percent of both groups suggested that all non-combatants should be treated as insurgents, while 39 percent of the marines and 36 percent of the soldiers would accept torture to gather critical intelligence about insurgents. 12 percent of the marines and 9 percent of the soldiers had unnecessarily damaged or destroyed Iraqi property, and only 40 percent of the marines and 55 percent of the soldiers would report another for “injuring or killing an innocent non-combatant,” despite having received training that doing so is re-

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<sup>24</sup> API, art. 58 provides that parties “shall, to the maximum extent feasible ... endeavour to remove the civilian population, individual civilians and civilian objects under their control from the vicinity of military objectives; avoid locating military objectives within or near densely populated areas; [and] take the other necessary precautions to protect the civilian population, individual civilians and civilian objects under their control against the dangers resulting from military operations.”

<sup>25</sup> David Rohde, “Foreign Fighters of Harsher Bent Bolster Taliban,” *New York Times* (30 October 2007), 1.

quired.<sup>26</sup> The point is that when one side violates the law, it becomes very difficult for the other side's commanders and non-commissioned officers to maintain respect for that law among the troops.

As is usually the case, the news is not all bad. The advanced technologies that contribute to a technologically disadvantaged party's unlawful methods and means of warfare can clearly serve humanitarian ends. The precision of modern weaponry allows an attack to avoid much of the collateral damage and incidental injury it might otherwise cause. The attacker also has a greater capability to estimate likely collateral damage in advance of an attack using modern intelligence, surveillance, and reconnaissance assets. Likewise, its ability to assess the results of a strike is enhanced, thereby lowering the requirement for follow-up attacks (which might harm civilians and civilian property) in order to ensure the target has been neutralized. Additionally, advanced visual, voice, and computer communications equipment allow for better command and control of forces in contact with the enemy, helping them to avoid civilian consequences. Of course, the variety and diverse capabilities of systems available to modern militaries measurably increase the options available to them in terms of verifying potential targets and selecting those weapons, tactics, and targets to achieve their objectives while minimizing civilian casualties. In that regard, the distinction requirement to take precautions in attack is fostered.

## Conclusion

Somewhat paradoxically, the vast superiority in weapons systems and other military technology enjoyed by U.S. forces has impelled their enemies toward methods and means of warfare that often violate distinction norms, thereby complicating compliance with their own distinction obligations. One might conclude that the problem lies in asymmetry and that, therefore, the remedy lies in somehow equalizing the battle. It does not, nor would militarily powerful states accept such a premise. Rather, the key lies in the fact that technologically disadvantaged parties to a conflict often rationally conclude that it is more advantageous to violate the norms of IHL than it is costly. It is this cost-benefit calculation that must be altered. How to do so in a way that is practical, while preserving the existing protections for the civilian population inherent in the principle of distinction, is a subject that merits further study.

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<sup>26</sup> Office of the Surgeon, Multinational Force-Iraq and Office of the Surgeon General, U.S. Army Medical Command, Mental Health Advisory Team ("MHAT") IV Operation Iraqi Freedom 05-07: Final Report (17 November 2006), 35-38.

# Solving Transnistria: Any Optimists Left?

*Cristian Urse* \*

Since 1992, there has been an ongoing debate regarding the situation in Transnistria, the breakaway republic on the border between Moldova and Ukraine. After the conclusion of the agreement that ended the armed conflict, the Moldovan government in Chişinău and the Transnistrian authorities in Tiraspol made efforts to find a political solution, under the supervision of a negotiation mechanism that included, until the end of 2005, Russia, Ukraine, and the OSCE. Russia's 2003 plan to that end was rejected by the Moldovan leadership. This triggered a set of political and economic punishments from Moscow. The political changes of 2005 have given a new impetus to the negotiations on the resolution of the Transnistrian conflict. The changes in Georgia and Ukraine and the resuscitation of GUAM have significantly influenced the premises for a settlement, while the United States and the European Union have become observers in the negotiations format.

At the end of 2007, however, the prospects of solving the Transnistria issue are no longer that promising. The present negotiating mechanism continues to lose relevance. Meanwhile, developments in Kosovo, relevant for the case of Transnistria, are taking international affairs down a path where the frozen conflicts of the former USSR are losing importance as time goes by.

This article argues that the decisions of the actors involved have negatively affected the negotiating mechanism. During 2005–06, the parties took unilateral steps that they perceived as likely to improve their position in the future. Meanwhile, the heated debate on Kosovo and the tangled political evolution of Ukraine in the last two years have seemed to lead the conflict in Transnistria to a dead-end, at least in the short and medium term.

## The Conflict in Transnistria

Some scholars have tried to explain the war in Transnistria as an ethnic conflict. Without understating this dimension of the conflict, it is necessary to examine the region's ethnic realities more closely. In 1989, Moldovans made up roughly 65 percent of the entire population of Moldova. Ukrainians ranked second, at around 14 percent, and Russians third, with 13 percent. In Transnistria, Moldovans were still a relative majority (40 percent), while Ukrainians formed 28 percent of the population, and Russians 26 percent.<sup>1</sup> However, the minorities used Russian as a means of communication. Therefore, the claim that the language law of August 1989 provoked concerns among the Russian-speakers is true to a certain extent. This legislative package decided that the state language be Moldovan, and that a return to the Roman alphabet should take place. It also stated that language profi-

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<sup>1</sup> Charles King, *The Moldovans: Romania, Russia, and the Politics of Culture* (Stanford, CA: Hoover Institution Press, 2000), 97, 185.

ciency would be required of all citizens by 1 January 1994 (although it guaranteed the use of Russian and Gagauz at the local level).<sup>2</sup> Nevertheless, unlike in the Baltic States, the requirement for proficiency in the state language was never enforced in Moldova.

Factors other than ethnicity appear to have made more significant contributions to the breakout of the conflict. In Transnistria, the Moldovan national agenda clashed with the Soviet ideological conceptions and the economic interests of the local leaders. Within the framework of the Soviet development plans, most of the industrial infrastructure of Moldova was built in Transnistria. It was therefore profitable for its leaders to attempt to secede in order to preserve full control of the region's economic assets.

Since the end of World War II, Transnistria has always been seen as a source of reliable cadres for the Moldovan Communist Party. Immediately after 1945, Transnistrian Communists were considered more loyal to the USSR than their colleagues from the recently integrated province of Bessarabia. Therefore, in the first decades after the war, the party leaders in Chişinău usually came from Tiraspol. This situation began to change after a couple of decades.<sup>3</sup> By 1989, the Moldovan Party leaders were often from Bessarabia, and were the key players in promoting perestroika and the national awakening movement that emerged at that time. Tiraspol was still an important economic center of the republic, but its leaders feared they would lose their positions under the pressure of the reformist movement. Thus, trying to preserve their traditional positions, Transnistrian leaders found themselves fighting perestroika and, later on, the Moldovan national movement.

After the adoption of the language laws in Moldova, groups of workers from the Eastern bank of the Dniester went on strike to express their concern with the would-be requirement of proficiency in the state language. In June 1990 the Supreme Soviet of Moldova adopted a declaration of sovereignty. In September, the reaction of Transnistrians was to proclaim the Dniester Moldovan Autonomous Republic (RMN). The Moldovan Supreme Soviet declared this act null and void, but could not enforce this decision on the ground. While pursuing its own path to independence, Chişinău was losing control of Transnistria.

In the days of the August 1991 coup in Moscow, Mircea Snegur (the first Moldovan president) and the Moldovan leadership sided with Mikhail Gorbachev and condemned the plotters. On the opposite side, the Transnistrian leadership hailed the putsch, stated that the Soviet Union must be saved, and promised troops to the plotters. Once the coup failed, Transnistrians rushed to set up their self-proclaimed state.

In December 1991, the first serious clashes between the paramilitary detachments of the RMN and the Moldovan police broke out in Dubăsari (Transnistria), over control of government buildings. Reportedly, the Transnistrian forces used weapons from the deposits of the Soviet 14<sup>th</sup> Army. In March 1992, hostilities occurred again in Dubăsari, extending then to other localities. In response, Moldovan president Snegur declared a state of emergency throughout the country.

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<sup>2</sup> Erika Dailey, *Human Rights in Moldova: The Turbulent Dniester* (New York: Human Rights Watch, 1993).

<sup>3</sup> King, *The Moldovans*, 135.

The Soviet 14<sup>th</sup> Army was a key factor in the conflict. In early 1992, the Moldovan president tried to secure control over this formation and issued a decree that transferred all the former Soviet military troops and equipment to the emerging Moldovan Defense Forces. That decree remained a simple piece of paper, and on 1 April President Yeltsin officially transferred the 14<sup>th</sup> Army to the Russian Federation command.<sup>4</sup> In May, the 14<sup>th</sup> Army launched attacks against Moldovan forces, driving them out of some villages on the left bank of the Dniester. The bloodiest fighting occurred in June, when the 14<sup>th</sup> Army again intervened (this time officially) in favor of separatists who were losing the city of Tighina (Bender), driving out the Moldovan forces.<sup>5</sup> On 21 July 1992, a peace accord was signed by presidents Yeltsin and Snegur, providing the establishment of peacekeeping forces comprising Russian, Moldovan, and RMN troops, under the supervision of a Joint Control Commission.

### Attempts to Negotiate

Beginning in April 1992, talks between the representatives of Russia, Ukraine, Romania, and Moldova led to the creation of a quadripartite mechanism for the resolution of the conflict, and a cease-fire agreement mediated by the four parties was signed. A meeting of the presidents of the four states was held in Istanbul in June 1992, establishing the creation of security zones and corridors, while the status of the 14<sup>th</sup> Army remained to be determined in future Russian-Moldovan consultations. The Russian-Moldovan agreement of July 1992 effectively put an end to the quadripartite mechanism, leaving Romania and Ukraine outside the process of negotiation, as Russia no longer considered it necessary to consult Bucharest (or Kiev). The Moldovan leadership thus inexplicably put its fate in the hands of Moscow, in an obviously disproportionate negotiation.

On 21 October 1994, Moldova and Russia signed an agreement calling for the withdrawal of the Russian troops within three years. The document was criticized by Moldovan experts and former members of the negotiating commission for two reasons: it stipulated the principle of synchronization of the withdrawal with granting autonomous status to Transnistria, and it was ambiguous with respect to the date of its entering into force.<sup>6</sup> Moldova ratified the agreement immediately and expected that Russia, doing the same, would proceed with withdrawal by 1997. By 1996, however, Moscow had not ratified the agreement, asserting that the status of Transnistria should take precedence over its military commitments. The document thus became obsolete.

Ukraine was later included in a new format of discussions, with Russia's blessing, in an attempt to give negotiations on Transnistria an international face. Thus, in 1997, Chişinău and Tiraspol signed a memorandum intended to normalize their relations, with Russia, Ukraine, and the OSCE as guarantors of the subsequent negotiating process. Three years later, in 2000, President Putin established a state commission presided over by former Foreign Minister Yevgeny Primakov, which was tasked to elaborate a plan for the settle-

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<sup>4</sup> Mihai Gribincea, *The Russian Policy on Military Bases: Georgia and Moldova* (Oradea: Editura Cogita, 2001), 157.

<sup>5</sup> Dailey, *Human Rights in Moldova: The Turbulent Dniester*, 16.

<sup>6</sup> Gribincea, *Russian Policy on Military Bases*, 181–92.

ment of the Transnistrian matter. During the same year, the commission presented a document that advanced the idea of a “common state” of Moldova and Transnistria, within the recognized borders of the Republic of Moldova, based on a special treaty guaranteed by Moscow and Kiev. As the proposal favored Tiraspol, advancing even the idea of Transnistria’s right to secede from Moldova under certain circumstances, it was silently set aside by Chişinău, whose interests were seriously jeopardized by such a provision.

The lack of progress after ten years has to be understood not only as the consequence of a lack of involvement on the part of the international community. Moldova made important mistakes, like the one in 1992 that terminated the consultation mechanism that included Romania and Ukraine, or like the conclusion of an unclear agreement in 1994. Meanwhile, the speed of negotiations has also depended on the evolution of relations between the governments in Chişinău and Moscow. Good relations with Russia were not accompanied by substantial progress in the negotiations on Transnistria. Russia, for its part, was content with maintaining the status quo, which allowed her to have full control in Transnistria and an important lever to be used from time to time to pressure Chişinău.

This oscillation of the Moldovan leadership in relation to Russia had two damaging effects. First, it allowed Russia to interpret in its favor the confusing or even sometimes contradictory bilateral documents. Second, it made the international community reluctant to get involved in a dispute that time and again seemed to be regarded as a bilateral issue by both Chişinău and Moscow.

## **The Kozak Memorandum**

In 2001, after early elections, the Party of Moldovan Communists (PC) came into power, taking advantage of a negative vote that punished the lack of success of the reformist alliance that had formed the previous government. The Communists won the elections on a pro-Russian platform. Among other things, they favored Moldova’s membership in the Russia-Belarus Union, a project that did not materialize. However, close relations with Russia and an anti-Western rhetorical stance dominated their political discourse. According to the new provisions of the Moldovan Constitution, the president of the republic was elected by the parliament. With 71 seats (out of 101), the Communists did not have any problem with electing their leader, Vladimir Voronin, as the country’s president.

With respect to Transnistria, Voronin and the Party of Moldovan Communists seemed convinced that they would be able to bring it under Chişinău’s control. As early as 2001, the discussions with the Transnistrian leadership appeared to be bearing fruit. As a promising result, one of the political prisoners held in Tiraspol, Ilie Ilaşcu, was freed.<sup>7</sup> The leadership in Chişinău believed that its close relationship with Moscow would ensure a smooth resolution of the conflict, with Voronin emerging as a strong and successful leader

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<sup>7</sup> As of 1992, four Moldovan citizens who fought on Chişinău’s side during the war were held prisoner in Tiraspol, after a Soviet-style “trial.” One was released in 2001. In 2004, the European Court of Human Rights condemned Russia for their illegal imprisonment and asked for their immediate release and for compensation to be paid. Russia paid the compensation, but claimed no responsibility for the imprisonment, blaming it all on Tiraspol. The last prisoners were released after serving the full sentence meted out at the “trial,” in total disregard of the European Court decision, whose credibility will be questioned ever after this.

able to reunite the country. Unfortunately for them, those expectations have proven to be mere wishful thinking.

In 2002, representatives of Russia, Ukraine, and the OSCE submitted a draft for an agreement between Chişinău and Tiraspol. The document proposed the federalization of the country, within which territorial entities (Transnistria first) were supposed to retain power over a wide spectrum of issues. President Voronin's stated goal was to hold elections throughout the entire republic (including Transnistria), in hopes of a peaceful and legitimate takeover of the left bank of the Dniester. By mid-2003, however, negotiations had stalled once again.

Faithful to Moldova's relationship with Russia, President Voronin entered into direct negotiations with Moscow, leaving Ukraine and the OSCE aside. The Russian Deputy head of the Presidential Administration, Dmitri Kozak, was tasked by President Putin with reaching a compromise between Chişinău and Tiraspol on constitutional matters. Kozak's shuttle diplomacy was able to produce a document by October 2003, detailing the principles of a federal structure that favored Tiraspol. Thus, Moldova was to become an asymmetric federation, with only one unit clearly defined: Transnistria. The remaining part of the country was referred to in the document as "the federal territory," while Gagauzia was supposed to be represented in the newly established upper house of the parliament, with an option to elevate its status within the future federation. The way the upper house of the parliament was supposed to make decisions on important matters (such as organic laws) gave Transnistria a *de facto* veto, as a three-fourths majority was required for such decisions.<sup>8</sup>

After the document was apparently agreed to in both Chişinău and Tiraspol, Russia presented it to the OSCE and Ukraine, the other guarantors of the negotiation process. Aware of the underlying Russian-Moldovan negotiations, the OSCE had tried to get involved during 2003, but Russia had constantly refused to give it a role. In accord with its Istanbul commitments, Russia was supposed to withdraw its troops and ammunition from Moldova at the end of 2002, during the Portuguese chairmanship of the organization. A one-year extension granted by the ministerial conference held in Lisbon brought that term to December 2003. Therefore, the situation was of particular importance for the Dutch chairmanship of the organization at the time. Feeling shunted aside, the chairman was more than suspicious with regard to the document that Russia presented in late 2003. Moreover, the United States clearly signaled that it would not favor the agreement.<sup>9</sup>

On the other hand, public opinion within Moldova exerted intense pressure on the country's leadership to block the conclusion of the agreement. The Kozak Memorandum was seen as an inadmissible concession made by the Communist government to Russia and a tether holding Moldova hostage to Russian interests for years to come. The document came at the end of a year during which the opposition had been rallying in the streets for many weeks, protesting against the government's policy on language matters, as 2003 was the year when the Communist government tried to elevate the status of the Russian lan-

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<sup>8</sup> Steven Roper, "Federalization and Constitution-Making as an Instrument of Conflict Resolution," *Demokratizatsya* 12:4 (Fall 2004).

<sup>9</sup> John Löwenhardt, "The OSCE, Moldova and Russian Diplomacy in 2003," *Journal of Communist Studies & Transition Politics* 20:4 (December 2004).

guage (making it almost the second official language of the country), while questioning the use of Romanian history and language textbooks in schools. The Kozak Memorandum thus became an excellent opportunity for the opposition to stage another round of public demonstrations, making the situation even more difficult for the government.<sup>10</sup>

Last but not least, it appeared that the final form of the document contained a couple of elements that upset President Voronin and his government.<sup>11</sup> The initial draft of the memorandum contained no reference to the situation of the Russian troops in Transnistria. However, at Tiraspol's request, Russia agreed to offer guarantees that its troops would remain in the region for another twenty years.<sup>12</sup> At this point, although he had initialed the document, Voronin realized that his main objective—that of bringing Transnistria under his control, and subsequently emerging as a hero to his electorate—would never be achieved. The continued presence of the Russian troops eliminated the prospects for a peaceful change of the political elite in Tiraspol, which was actually obtaining a role in the decision making process in Chişinău. All of Moldova would have become, in effect, a hostage of Tiraspol and Moscow.

In the absence of any clear political gain, without any support from the international community, and with public opinion opposing the document, President Voronin decided not to sign it, and canceled the ceremony that was to be attended by the Russian President Vladimir Putin in Chişinău on 25 November 2003. Russia's reaction was harsh, and marked a clear breakdown of its relationship with Chişinău. On its part, Tiraspol was given the chance to claim that Voronin could not be trusted.

The Kozak Memorandum episode was a bitter failure for Russian diplomacy. Instead of putting pressure on Moldova, the entire construction put Moscow in the position of having to ask for the OSCE's support after months of rejecting any serious dialogue with the Dutch chairmanship on Transnistria. As the December ministerial conference was just days away, Moscow had to face Western criticism for failing to abide by the terms that she had agreed to one year earlier, when the extension for the withdrawal of the Russian troops from Moldova had been granted. The subsequent Russian political attack on Voronin was the logical consequence of the outcome of the negotiations.

## **Moldova After the Kozak Memorandum**

The events that followed deepened the alienation of the Moldovan leadership from its former Russian friends. The OSCE ministerial conference of 2003 was the first to fail to reach a common position on the matter of Russian troops in Transnistria, with Russia trying to ignore its 1999 Istanbul commitments.<sup>13</sup> The final declaration of the NATO Summit held in Istanbul in 2004 expressed the Allies' regret with regard to Russia's inability to

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<sup>10</sup> *RFE/RL*, 25 November 2003.

<sup>11</sup> The Moldovan side stated that the final draft of the document presented for signature was not the one previously agreed to, while Russia dismissed such an accusation. "Local conflicts: 'Moscow's hand' Got no Support from Russia," *Defence & Security* (7 December 2005.)

<sup>12</sup> Löwenhardt, "The OSCE, Moldova and Russian Diplomacy in 2003."

<sup>13</sup> The same has happened in 2004, 2005, 2006, and 2007.



comply with the terms of the withdrawal of its troops from Transnistria.<sup>14</sup> Most important, a July 2004 decision by the European Court of Human Rights stated that Russia contributed decisively to the establishment of the regime in Transnistria, was responsible for the fate of the political prisoners illegally held in Tiraspol by the separatists, and was to pay damages and undertake the necessary steps for their release.<sup>15</sup> Finally, Moldova itself was under close scrutiny from the Council of Europe for its record in the field of human rights and democratization, which determined some positive changes in those directions.<sup>16</sup>

Because of this particular international political context, as well as the severe deterioration of his relations with Moscow, President Voronin chose to execute an interesting political twist. With no hope of peace with Moscow, he and his party took a pro-European stance in the wake of the general elections of March 2005. The change of government in Romania gave him the opportunity to improve relations with Bucharest, which had previously deteriorated. The outcome of the Ukrainian Orange Revolution also contributed to the viability of this option. The Communist Party won the elections comfortably, gaining the population's approval not only for its pro-European platform, but also for its firmer approach towards Moscow.

The 2+3 negotiations on Transnistria, which began taking place on a monthly basis as of April 2004, kept Moldova in an uncomfortable position.<sup>17</sup> As many analysts argued,<sup>18</sup> there was usually a four-against-one format of debate, with Ukraine and the OSCE mission in Chişinău invariably siding with Moscow and Tiraspol. Constantly isolated in the debates, it was difficult for Chişinău to convince the international community of the righteousness of its position. This began to change in early 2005, when Kiev also chose a pro-European direction that rendered the government more likely to pay attention to the Western approach towards Transnistria.

The Ukrainian Orange Revolution was a significant factor for Moldova's approach to the Transnistrian matter. First, it changed the balance within the negotiation mechanism. Seeking a closer relation with the EU and NATO, Ukraine began offering nuanced alterations of its position with regard to the conflict, no longer agreeing with all Russian proposals. As an example, under the aegis of the EU, Ukraine concluded a border agreement with

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<sup>14</sup> NATO Istanbul Summit Communiqué, available at <http://www.nato.int/docu/pr/2004/p04-096e.htm>.

<sup>15</sup> *The case of Ilascu and others vs. Republic of Moldova and the Russian Federation* (available at [www.coe.int](http://www.coe.int)). In the words of the European Court of Human Rights, "the authorities of the Russian Federation contributed both militarily and politically to the creation of a separatist regime in the region of Transdnistria, which is part of the territory of the Republic of Moldova," and "even after the ceasefire agreement of 21 July 1992 the Russian Federation continued to provide military, political and economic support to the separatist regime [...], thus enabling it to survive by strengthening itself and by acquiring a certain amount of autonomy *vis-à-vis* Moldova."

<sup>16</sup> Since its foreign policy change, Moldova is considered to be playing a more active role in taking into account the Council of Europe's recommendations; an overall improvement of its human rights record has been seen as a consequence.

<sup>17</sup> These negotiations were between Chişinău and Tiraspol, with Russia, Ukraine, and the OSCE as mediators.

<sup>18</sup> Vladimir Socor, "Unedifying Debut to 5+2 Negotiations on Moldova," *Eurasia Daily Monitor* (1 November 2005).

Moldova in late 2005, aimed at eliminating the illegal traffic that went through the Transnistrian sector of the Ukrainian-Moldovan border.

Second, and more importantly, changes in Kiev caused Moldova to reevaluate its entire foreign policy. As the events in Ukraine came one year after the Georgian Revolution, the March 2005 Moldovan elections were seen by many in the West as an opportunity for “the next colored revolution” in the former Soviet area. Although it is not clear what popular support such a revolution would have had, Moldovan opposition parties borrowed political symbols and slogans from their neighbors; thus, during the electoral campaign, the Christian Democratic Popular Party adopted the color orange and used a poster in which its leader and the Ukrainian President Yushchenko appeared together. Improving relations with Moscow was no longer an option for Voronin and the Communist Party. Even worse, certain Russian political circles signaled that they would support a centrist coalition in the Moldovan elections. Thus, the government in Chişinău picked the only viable option for its electoral platform, that of the European integration project. The Communist Party retained an absolute majority of parliament seats (54 out of 101) and reached an agreement with an opposition party that secured another term for President Voronin.

The most important political outcome of the March 2005 elections was the solid pro-European stance of all political parties represented in the parliament. In 2001, the Communists opposed the pro-European discourse of the opposition, and even debated the potential membership of Moldova in the Russia-Belarus State Union. By 2005, the project of European integration was embraced by all significant parties that entered the electoral race.

With regard to Transnistria, this offered the premises for a more active policy. On 10 June 2005, following a settlement plan presented earlier by the President of Ukraine, Viktor Yushchenko, the new Moldovan Parliament adopted with a large majority three documents regarding the future status of Transnistria. The documents spoke about the necessity of decriminalizing, demilitarizing, and democratizing the Transnistrian area of Moldova, while at the same time granting it a large degree of autonomy. The parliament’s move did not have any immediate practical consequences, as Transnistrian leaders did not renounce their own agenda with regard to the presence of Russian troops in the area. However, it had a strong symbolic impact, showing that Moldova was no longer in a defensive position on the Transnistrian matter on the international stage. On the contrary, Tiraspol (along with Moscow) was supposed to react to Moldova’s proposals. As expected, Transnistria repeatedly stated its opposition to what it perceived to be an “asymmetric federation,”<sup>19</sup> claiming equal status with Chişinău within a future political arrangement, and also maintaining a different view with regard to the long-term presence of Russian troops.

By the end of 2005, Moldova signaled that she considered the negotiating format obsolete and, failing its reformation, would renounce it.<sup>20</sup> As a result, Tiraspol and Moscow agreed to have the U.S. and EU as observers in the negotiating format. Rather than improving the debates, the new equilibrium strengthened Moldova’s capacity to disagree

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<sup>19</sup> “Transnistria Against Asymmetric Federation with Moldova,” *Itar-Tass Weekly News* (19 July 2005).

<sup>20</sup> Chişinău and Tiraspol plus Russia, Ukraine, and the OSCE.

with Moscow and Tiraspol and further undermined the prospects for reaching a solution within this framework.

Another result of Ukraine's change of orientation was the reactivation of GUAM.<sup>21</sup> As Moldova, Georgia, and Azerbaijan all had to deal with Russian-supported territorial separatism, GUAM became an appropriate framework to address these concerns, increasing international pressure on Russia. On 23 May 2006, the GUAM Summit in Kiev decided to institutionalize the organization, renamed The GUAM Organization for Democracy and Economic Development, and established its secretariat in the capital of Ukraine. The Summit Declaration condemned the occupation of a country's territory by military force, stating that "territorial annexations and the creation of enclaves can never become legal," a clear reference to the frozen conflicts in Moldova, Georgia, and Azerbaijan. In their individual declarations, the presidents of Moldova and Azerbaijan were even more explicit in pointing to the secessionist movements on their territories, calling for a better coordination of GUAM members in international organizations on topics related to those conflicts.<sup>22</sup>

In November 2005, Moldova and Ukraine concluded an agreement regarding the Transnistrian side of their border. The agreement, backed by Brussels, provided for a strict joint control of the Ukrainian side of the border, with the participation of an EU Border Assistance Mission. The mission consists of sixty-nine experts seconded by EU countries and around fifty local support staff; its two-year mandate has just been extended up to 2009. It has its headquarters in Odessa, and another six field offices along the Moldovan-Ukrainian border.<sup>23</sup> The mission is aimed at capacity building for border management, through improving customs controls and creating an effective monitoring mechanism on the Transnistrian segment of the Moldova-Ukraine border, and is supposed to curb the illicit traffic that allowed the survival of the separatist regime in Tiraspol.<sup>24</sup> As part of its commitment, Moldova facilitated the registration of Transnistrian firms with the authorities in Chişinău, renouncing its rights to tax these businesses. Thus, Moldova began exerting symbolic control over these firms, making them legitimate and allowing them to trade abroad.

Since April 2005, Moldova has had to face another problem. The Russian authorities banned imports of meat products, fruits, and vegetables, a decision seen by many analysts as pressure exerted by Moscow in order to punish Chişinău for its conduct in foreign affairs. This decision was extended in 2006 to include Moldovan wine,<sup>25</sup> which, together with the other agricultural products, was traditionally available on the Russian market. Far from generating compliance, this measure sharpened Chişinău's resolve. President Vo-

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<sup>21</sup> This regional cooperative organization derives its name from its four original members: Georgia, Ukraine, Azerbaijan, and Moldova.

<sup>22</sup> *Interfax*, 23 May 2006.

<sup>23</sup> "Background information on EU Border Assistance Mission to Moldova and Ukraine," available at [www.consilium.europa.eu/uedocs/cmsUpload/051129Ukraine\\_back\\_separate.pdf](http://www.consilium.europa.eu/uedocs/cmsUpload/051129Ukraine_back_separate.pdf).

<sup>24</sup> Vladimir Socor, "Moscow Against International Legal Order in Transnistria," *Eurasia Daily Monitor* (9 March 2006).

<sup>25</sup> A similar measure targeted the export of Georgian wine to the Russian market.

ronin stated that Russian economic sanctions against his country were “the price for independence, sovereignty, and territorial integrity” that the people would continue to pay.<sup>26</sup>

Georgia and Moldova signaled in 2006 that they might question Russia’s accession to WTO if the ban on agricultural exports continues. Russia’s ban is seen as a unilateral sanction against two WTO members, an act that is not in line with the organization’s rules. While it is not clear how much weight Georgia and Moldova’s opposition might carry against Russia’s bid for WTO membership, this is one more political problem for Moscow.

Commentators have pointed out another step that would make the situation more difficult for Moscow. In October 2005, the Georgian Parliament required the government to assess the overall activity of the Russian peacekeeping troops in South Ossetia and Abkhazia. In July 2006, the parliament adopted a decision to evacuate the Russian peacekeepers from the two separatist regions, based on the conclusion that their influence was doing more harm than good. The presence of the Russian peacekeepers in Transnistria is based on the Russian-Moldovan agreement that ended the armed conflict in July 1992.<sup>27</sup> While the resolutions adopted by the Moldovan Parliament in June and July 2005 asked for the withdrawal of the Russian troops (in line with the Istanbul commitments), the government in Chişinău has been reluctant to denounce the 1992 agreement, in order to avoid a unilateral step that might have been criticized by the international community. However, this option remains viable, especially after the decision of the Georgian Parliament. The termination of the agreement would make illegal the presence of Russian troops on Moldovan territory, forcing Russia to take into consideration the idea of an international peacekeeping force (eventually under a UN mandate). Talks have been already held in May 2006, in Brussels, in a 3+2 framework (Russia, Ukraine, OSCE as mediators and the U.S. and EU as observers), on the idea of transforming the present peacekeeping operation in Moldova into an international one.<sup>28</sup> The simple fact that Russia agreed to discuss the matter speaks for itself.

Moldova’s active foreign policy during 2005–06 marked a substantial difference from the previous period. Chişinău has acted independently of the constraints of the negotiating format. First, the Moldovan Parliament adopted a package of resolutions and laws that addressed the problem of the status of Transnistria. Second, Moldova threatened to withdraw from negotiations, short of a reform of its format composition (driving the invitation of EU and U.S. as observers). Third, Moldova took advantage of the new political context in Ukraine, increasing its bilateral cooperation with Kiev. Moldova was thus able to secure the implementation of the border agreement with Ukraine, denounced as an “economic blockade” by Moscow and Tiraspol, and made use of GUAM on the international stage. In sum, Moldova has proven it was prepared to act independently from the existing negotiating mechanism.

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<sup>26</sup> *Rusia la zi*, 23 June 2006.

<sup>27</sup> Vladimir Socor, “Moldova Can Follow Georgia’s Example on Russian ‘Peacekeeping’ Troops,” *Eurasia Daily Monitor* (15 May 2006).

<sup>28</sup> Vladimir Socor, “Proposal on the Table to Transform Russian ‘Peacekeeping’ in Moldova,” *Eurasia Daily Monitor* (30 May 2006).

## Moldovan Leadership in 2007

However, 2007 has brought unexpected changes in the attitude of the Moldovan President. Returning to the mode of oscillating policy, Voronin found reason to launch public attacks on Bucharest, while attempting reconciliation with Moscow. Romania was blamed for being too assertive in regard to the Romanian identity of Moldovans. The Moldovan President accused Bucharest of financing various publications and “even political forces” within Moldova, in an attempt to “Romanianize” his country.<sup>29</sup> Bucharest was also blamed for granting Romanian citizenship to Moldovan citizens, allegedly to the same end.<sup>30</sup> To mark his divorce with Romania, President Voronin has even questioned the legitimacy of his country’s national symbols—the flag, the coat of arms, and the national anthem—adopted, according to him, “through a backdoor maneuver” in 1990.<sup>31</sup>

This attitude was accompanied by a sustained effort to improve relations with Russia. Rumors spread about a bilateral deal between Moldova and Russia with regard to Transnistria in the summer of 2007. President Voronin publicly admitted in July 2007 that talks with Russia were underway, arguing that Russia was a traditional partner that Moldova should not alienate. Part of the deal regarded lifting the ban on Moldovan exports to Russia, which started to materialize as a token of good will throughout 2007. In her turn, Moldova pledged not to oppose Russia’s accession to WTO membership.

These reactions of President Voronin came as no surprise to anyone who has followed the evolution of Moldovan domestic politics. In June 2007, the Party of Communists suffered a serious setback in the local elections. The Communists again lost the mayoralty in Chişinău, while anti-communist coalitions started to form in most Moldovan cities’ local assemblies. Voronin’s anti-Romanian rhetoric and a friendly approach to Russia were easily read as an attempt to reach out to the traditional electorate of the Party of Communists, with a view toward the general elections of 2009.

In the same vein, irritated by criticism of his back-door talks with Vladimir Putin on Transnistria, President Voronin expressed his disappointment with the West’s lack of support, as he perceived it, in a speech delivered to the assembled Western ambassadors on 28 June 2007. He stated that talks with Russia were mostly economic, and that he was hoping Moscow would soon lift barriers to imports of Moldovan products, signaling that not enough progress had been made in the economic sphere in Moldovan–West relations. With regard to Transnistria, while acknowledging talks with Russia, President Voronin said that any proposal would have to eventually become public and be discussed in the parliament.

Finally, by the end of 2007, on the same anti-Romanian stance, President Voronin accused Bucharest of undermining the settlement of the Transnistrian conflict. He stated that

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<sup>29</sup> *Evenimentul Zilei*, interview with President Voronin, 12 November 2007.

<sup>30</sup> According to the Romanian legislation, former Romanian citizens and their descendants can claim Romanian citizenship under certain, favorable conditions. It is especially the case of former citizens from the Republic of Moldova, who lost their citizenship as a consequence of the Soviet occupation in 1940.

<sup>31</sup> The Moldovan flag is the same as the Romanian one, having in addition the national coat of arms on it (which is also similar to that of Romania).

every time a solution for Transnistria seems close, Romanian politicians start taking steps in the opposite direction.<sup>32</sup> This statement was accompanied by another groundless allegation: “Bucharest does not see the Republic of Moldova as an independent and sovereign country.”<sup>33</sup> Curiously, this statement was made at the time when Russia was opening polling stations in Transnistria for the parliamentary elections held on 2 December 2007, a far more serious challenge to Moldova’s integrity and sovereignty. This event has been, however, treated in a quiet and more calculated manner by Chişinău.<sup>34</sup>

Increasing tensions with Bucharest might pay off in Moldovan domestic politics, but it is far from bringing about any good in the international arena. These problems are perceived as going hand-in-hand with the bilateral negotiations with Russia, negotiations that excluded any Western involvement, a mistake that President Voronin also committed at the time of the Kozak Memorandum. The difference is that, in 2007, the West is more committed than back in 2003 to solving the conflict. In 2005, the U.S. and EU became part of the 5+2 negotiating mechanism, as observers, while the EU agreed to send the Border Assistance Mission to the Moldovan-Ukrainian border. As proof of this interest, Western diplomats have insistently asked for the would-be Moldovan-Russian confidential agreement (which resulted in a nervous reaction from President Voronin in June 2007), and they did so in order to avoid losing face as observers to the negotiations who were unaware of a secret accord. Therefore, a private Moldovan-Russian deal would be badly resented by the U.S. and EU, and would seriously damage Chişinău’s relations with the West.

### **Status Quo: Russia’s Profound Wish**

After the failure of the Kozak Memorandum, Russia tried to discredit Moldova in the eyes of the international community. Russian officials declared that the leaders in Chişinău could not be trusted, as they changed their mind at the last moment with respect to the agreement with Russia. This line of argument continued throughout 2004, when an OSCE proposal redrafted the main ideas of the Russian plan for the settlement of the conflict. However, this came too soon after the experience of the Kozak Memorandum, in a time of mounting political tension between Chişinău and Moscow.

As the March 2005 elections did not bring a significant political change in Moldova, Russia proceeded with economic sanctions against Chişinău. Although it cited internal regulations (regarding levels of pesticides, heavy metals, etc.) that the Moldovan (and Georgian) products did not comply with, Russia had little success convincing international opinion that the measures were anything other than economic retaliation against the political attitude of the two countries. On the other side, Moldovan officials stated that no laboratory evidence was presented by Russia in support of its decision, while the country continued to export wine to other markets that were equally interested in consumer safety.<sup>35</sup>

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<sup>32</sup> *Mediafax*, 27 October 2007.

<sup>33</sup> *Ibid.*

<sup>34</sup> “Moldova Objects to Russian Polling Stations in Dniester Region,” *ITAR-TASS Daily* (30 November 2007).

<sup>35</sup> Economist Intelligence Unit, *Country Report, Moldova*, May 2006, available at [www.eiu.com](http://www.eiu.com).

The 2007 rapprochement between Russia and Moldova has brought some changes in Russia's policy with regard to Moldovan agricultural exports. Russia has agreed, in the first place, to allow some wine exports, mainly from Russian-owned wineries in Moldova. By the end of 2007, it signaled that most of the bilateral problems with regard to wine export had been solved, expecting some support for its WTO bid in exchange.

Also in 2007, Moscow chose to challenge the West in the security arena. The Russian authorities kept saying that they had fulfilled all legal commitments undertaken at the 1999 OSCE Istanbul Summit, and repeatedly demanded that NATO states ratify the Adapted CFE Treaty. Short of such ratification, Russia has threatened to suspend the implementation of this treaty. The Extraordinary Conference of the State-Parties to the CFE, held in Vienna from 11–15 June 2007, failed to bring about an agreement between Russia and NATO. Russia withdrew from the treaty, a decision that became effective as of 30 November 2007, which Moscow tried to present to public opinion as a "suspension," although the treaty does not include such a clause. The entering into force of the decision on the last day of the OSCE Ministerial Conference in Madrid has shown that Russia is ready to further discredit the OSCE in order to achieve its individual goals.

With Kosovo being expected to declare independence from Serbia, the situation in the Balkans has attracted most of the attention of the international community, casting Transnistria and the other frozen conflicts in its shadow.<sup>36</sup> Moscow has tried to make a parallel between the frozen conflicts in Moldova and Georgia on the one hand and the status of Kosovo on the other. As international negotiations on Kosovo's final status began in early 2006, Russian officials (including President Putin) stated that Kosovo should be regarded as a precedent for settling the post-Soviet frozen conflicts. Tiraspol's announcement that it would hold a referendum on independence in September 2006 was encouraged by Moscow. Thus, Konstantin Kosachev, president of the Russian Duma's Committee for Foreign Relations, declared that a transparent referendum should be taken into consideration by the international community as a legitimate expression of the will of the people of Transnistria.<sup>37</sup> However, Russia has no reason for rushing to formally recognize the independence of the separatist province, and there are several reasons for this.

First, it is by now clear that Russia will not agree to a negotiated solution on Kosovo along the lines spelled out by the Ahtisaari Plan. No form of conditional or supervised independence of Kosovo is acceptable for Russia, who prefers to strengthen its ties with Serbia and block a UN Security Council decision on the fate of the province. Russia is preparing the ground for extracting the maximum political benefits from this situation, while claiming to defend a legalistic point of view. Once the U.S. and some EU countries recognize Kosovo's independence, Russia will have one more reason to disregard its 1999 Istanbul commitments. It will claim that the West has undermined international law by not respecting the territorial integrity of Serbia. While pointing to the misconduct of the U.S. and drawing a parallel with Transnistria and the other frozen conflicts, Russia will most probably increase the support granted to the separatist regimes in the former USSR and assure their security. Recognition of independence would be a risky step, and it is not clear

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<sup>36</sup> Kosovo declared independence from Serbia on 17 February 2008.

<sup>37</sup> *ZIUA*, 18 July 2006, available at [www.ziua.ro](http://www.ziua.ro).

who would follow a would-be (but unlikely) unilateral recognition of Transnistria's independence by Moscow. On the contrary, maintaining the status quo will allow Russia to claim a pacifist and legalistic role at the same time.

Second, Russia would be worse off if it recognized Transnistria's independence. On the one hand, Moscow would face some international criticism from the West, although she could invoke the Kosovo "precedent." OSCE's Chairman in Office in 2005, Belgian Foreign Minister Karel de Gucht, has strongly criticized the idea of a referendum in Transnistria, calling upon Tiraspol to cancel the initiative and to rejoin the negotiations mechanism, while making clear that the OSCE has no intention to observe or support the organization of a referendum that would question Moldova's territorial integrity.<sup>38</sup> The Kosovo parallel can work only to a limited extent; beyond that, the different histories of the conflicts, the long-term presence of international monitoring in Kosovo, and the internationally supervised negotiations that were lacking in the case of the post-Soviet frozen conflicts will be valid arguments against such a comparison. On the other hand, in the long run, an independent Transnistria (sandwiched between Ukraine and Moldova) might become less responsive to Moscow's wishes. Keeping the elite of Tiraspol completely dependent on Moscow seems the best strategy Russia has in its arsenal.

Third, such an extreme stance would definitively alienate Moldova from Russia for years to come. At present, Moldovan politicians stress from time to time the need to maintain good relations with Russia. Some do so just for the sake of rhetoric, while others seek some kind of electoral payoff. However, if Russia recognizes Transnistria's independence, no politician in Chişinău will ever again speak favorably of Moscow.

Russia has been successful so far in maintaining the status quo. The agreement of 1992 allowed the consolidation of the Transnistrian leadership, and the one in 1994 tried to link the settlement of the conflict with solving the status of Transnistria. Every time she proposed a solution, Russia intended to legalize a potential right of secession of Transnistria from Moldova, or at least to ensure a veto right for Tiraspol on the most important decisions made in Moldova. Short of such a decision, Russia undermined any other Moldovan efforts to solve the problem.

Moscow expected a change in Moldovan politics after the March 2005 elections. As this did not occur, Russia played the card of economic retaliation against Moldova, while hoping for a change in Ukraine with the March 2006 elections. Thus, Russia paid less attention to the 2+3 negotiations on Transnistria, hoping for a positive (for her) political change in either Moldova or Ukraine. This discredited the negotiating mechanism, which has been unable to achieve any significant progress.

### **Ukraine's Approach to the Transnistrian Conflict**

In June 2006, the Ukrainian Foreign Minister Boris Tarasyuk expressed his support for Romania's participation in the existing negotiating format on Transnistria.<sup>39</sup> Openly opposed by Russia and previously rejected also by Ukraine, this turn-about has surprised

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<sup>38</sup> *ZIUA*, 22 July 2006, available at [www.ziua.ro](http://www.ziua.ro).

<sup>39</sup> *ZIUA*, 28 June 2006.



many. Nevertheless, at the time Tarasyuk might have reached the conclusion that Ukraine should not oppose Russia on the topic of Transnistria alone, preferring to share the burden.

During President Kuchma's regime, Ukraine was a quiet ally of Russia as far as Transnistria was concerned. Odessa was arguably the key transit point for the traffic of goods to and from Tiraspol. Ukraine's attitude changed after the Orange Revolution in December 2004, as it moved closer to the West. Kiev presented its own plan for the settlement of the conflict in April 2005 (known as "The Yushchenko Plan"),<sup>40</sup> while advocating for the inclusion of the U.S. and EU in the negotiation mechanism (which Moldova had proposed earlier). Ukraine went even further, concluding the border agreement with Moldova that had been strongly condemned by both Moscow and Tiraspol. Thus, the government in Kiev came under severe criticism from Russia, not a comfortable position within the context of its difficult bilateral talks with Moscow (including critical negotiations on the supply of natural gas).

Throughout 2005 and in the first half of 2006, Ukraine maintained its position with respect to Transnistria, further upsetting Tiraspol and Moscow. While visiting Chişinău in June 2006, the Ukrainian foreign minister stated that restoring Moldova's territorial integrity and sovereignty is one of his country's foreign policy main tasks.<sup>41</sup> Tarasyuk went on to accuse Moscow and Tiraspol of blocking the negotiation mechanism, using the "false excuse" of an "economic blockade" against Transnistria. In return, some pickets in Transnistria named Tarasyuk an agent of the United States and "inspirer of Ukraine's anti-Transnistrian actions."<sup>42</sup> Kiev's position was no longer as vocal after the Yanukovich government was sworn in, and rumors about illegal trafficking to and from Transnistria have once again begun to spread. Nevertheless, the EU Border Assistance Mission remains in place, and its mandate has been extended for another two years, up to November 2009.

At the OSCE Istanbul Summit in 1999, Russia committed to withdraw its troops and ammunition from Moldova by 2002. Ukraine's role was expected to increase with respect to the long-term settlement of the conflict. Thus, by 1999, the Transnistrian leadership was openly criticizing Russia's decreasing involvement in Transnistria, meanwhile advocating for Kiev's broader participation in the settlement of the conflict.<sup>43</sup> Ukraine was seen at the time as the natural successor of Russia regarding the provision of security guarantees for Transnistria, as Moscow appeared ready (and willing) to give up, in the long run, its former empire.

However, Russia's ambitions grew again after Vladimir Putin came into power in 2000. As Russia reaffirmed its readiness to continue assisting (and protecting) the elites of the breakaway regions of Moldova and Georgia, Ukraine's profile did not increase as expected. Furthermore, as the current Ukrainian leadership has stated its goal of joining NATO, the Russian troops in Transnistria could be, in the near future, an effective lever for Russia in its relationship with Ukraine. Public protests by the Russian-speaking popu-

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<sup>40</sup> Eugen Tomiuc, "Chişinău, Tiraspol Welcome Ukrainian Plan, but Settlement Remains Far Off," *RFE/RL*, 18 May 2005; available at [www.rferl.org/featuresarticle/2005/5/76C623AB-1188-4357-BAD2-C5CCAFE766BB.html](http://www.rferl.org/featuresarticle/2005/5/76C623AB-1188-4357-BAD2-C5CCAFE766BB.html).

<sup>41</sup> *Moldpres*, 27 June 2006.

<sup>42</sup> *Interfax*, 26 June 2006.

<sup>43</sup> "Moscow's Tiraspol Problems," *Defence & Security* (3 February 1999).

lation of Crimea in 2006 led to the cancellation of a joint Ukraine-U.S. military exercise, a fact that raised concerns in Kiev. A strong (or even independent) Transnistria that would allow the continuous presence of Russian troops in the region could only serve to increase those security concerns. A declaration by Russia's minister Sergey Ivanov showed that Russia continues to cast about for various arguments for maintaining its troops in Transnistria. Ivanov has accused the global community of applying a double standard in the assessment of the foreign military presences of Russia and the United States, arguing that, while 2,500 U.S. troops were to be deployed in Bulgaria as a result of a U.S.-Bulgarian agreement, Russia was being unjustly criticized for its 1,500 peacekeepers in Transnistria.<sup>44</sup>

Thus, there is no surprise that Ukraine wants an effective settlement of the Transnistrian issue, including the withdrawal of Russian troops.<sup>45</sup> Facing Moscow's criticism for the border agreement concluded with Chişinău, Ukraine wanted to share the responsibility of opposing Moscow in the future with other countries from the region. Romania's participation in the negotiation format would be, in this view, beneficial for Ukraine.

With a recent history dominated by government instability, Ukraine remains a key factor to the settlement of the Transnistrian conflict. However, this lack of stability prevents her from also being an actor in this game. The newly sworn-in Ukrainian government will have to deal again with issues related to Russian gas deliveries and other bilateral challenges that will render Transnistria a marginal topic of discussion for Kiev.

### **The OSCE, the EU, and the U.S.**

In 1993, an OSCE mission was established in Chişinău. As with other similar missions, it was supposed to deliver updated reports about the evolution of the security environment in the country. Because the OSCE was directly associated with the negotiating mechanism in 1997, the mission in Chişinău was assigned the responsibility to represent the organization for that purpose. The mission has come under constant criticism from Moldovan civil society in recent years, as it usually supported Moscow's initiatives, which were perceived in Chişinău as contrary to Moldova's interests. One idea on the table since 2005 has been Moldova's proposal to internationalize the peacekeeping force in Transnistria, but Chişinău has thus far been careful to avoid offering the OSCE a major role in such an effort, hoping that the EU will be more involved.

The EU has been a reluctant actor in the frozen conflicts in the post-Soviet realm. The Union seems to be unwilling to directly confront Russia on issues related to the former Soviet space, although this is by now the organization's immediate neighborhood. One obvious explanation is Europe's dependence on Russia's energy resources. Another is the difficulty of articulating a coherent, far-reaching European foreign policy. Nevertheless, the EU took some steps that addressed the matter. Broadly speaking, in May 2004 the Union elaborated the European Neighborhood Policy, a plan designed to enhance cooperation with countries in her immediate vicinity, based on bilaterally agreed action plans.

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<sup>44</sup> *Itar-Tass Weekly News* (31 May 2006).

<sup>45</sup> Vladimir Socor, "Orange Two Government Can Meet the Transnistria Challenge," *Eurasia Daily Monitor* (29 June 2006).

For Moldova, a progress report is due in 2008, three years after the approval of the action plan. More specifically, the EU decided to politically and materially support the initiative of monitoring the Moldovan-Ukrainian border in order to cut off the illicit traffic that sustains the regime in Tiraspol, meanwhile issuing a visa ban against seventeen leaders of the separatist movement. At the end of 2005, the EU became an observer to the negotiation process on Transnistria.

The EU was, however, less vocal than the U.S., the other observer of the negotiations as of 2005. The U.S. continues to maintain its unequivocal stance with regard to the CFE Adapted Treaty: no NATO country should ratify it as long as Russia does not fulfill its Istanbul commitments regarding the withdrawal of its troops from Moldova and Georgia. As a result, the CFE Treaty Review Conference failed to reach an agreement over a final document, with Russia on one hand and NATO members on the other holding opposite positions.<sup>46</sup> The presence of Western observers (and especially of the U.S.) in the negotiating mechanism helped Moldova escape the constant pressure of Russia. At present, the U.S. is Moldova's main guarantee that it will not be left alone in the future talks on Transnistria. In his official statement at the Ljubljana Ministerial Conference of the OSCE in December 2005, U.S. Under Secretary of State Nicholas Burns made clear that, in line with the CFE Treaty principles, Moldova and Georgia have the right "to decide whether to allow stationing of foreign forces on their territory," and that the two countries "have made their choice." Therefore, Russian troops should leave their territories.<sup>47</sup>

However, Russia's withdrawal from the CFE Treaty leaves the West without an important lever of pressure. A new U.S. proposal regarding Moldova appears to show more flexibility towards Russia, in an effort to break the stalemate in the negotiations on Transnistria.<sup>48</sup> It follows the idea of transforming the peacekeeping operation in Moldova into an international one, while giving the mission an important civilian dimension. The proposal would give the EU a major role, while maintaining an important Russian presence. However, if implemented, this solution would legalize the presence of the Russian troops. On the other hand, Russia's influence could thus be limited, as the EU would never become Moscow's prisoner in a future negotiating format. Another effect will be the eventual termination of the present negotiating format itself (and its replacement with a substantially different one), as an EU peacekeeping mission would never act under a mandate established by the current negotiating mechanism.<sup>49</sup>

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<sup>46</sup> "No Final Document Adopted at the CFE Treaty Review Conference," *Itar-Tass Weekly News* (3 June 2006).

<sup>47</sup> R. Nicholas Burns, Under Secretary of State for Political Affairs, "Remarks to the Thirteenth Ministerial Council of the Organization for Security and Cooperation in Europe," Ljubljana, Slovenia, 5 December 2005; available at [www.state.gov/p/us/rm/2005/57647.htm](http://www.state.gov/p/us/rm/2005/57647.htm).

<sup>48</sup> Vladimir Socor, "U.S. Proposal Tolerates Russian Military Presence in Moldova," *Eurasia Daily Monitor* (30 December 2007).

<sup>49</sup> The EU will never risk the termination of its mission following a decision by Tiraspol or Moscow.

## Conclusion

The developments of the past several years offer little hope for a solution in Transnistria. Yet further prolongation of the status quo and a diminution in the importance of the current negotiating mechanism seem to be the most likely outcomes of the present state of affairs. The unilaterally declared independence of Kosovo will also favor these outcomes.

The enlargement of the negotiating mechanism on Transnistria in September 2005 raised hopes for a final settlement of the conflict. After months of interruption, the resumption of the negotiations, along with the decision to invite the U.S. and EU to join as observers, was seen as the beginning of a fruitful phase of discussions. President Voronin welcomed the presence of EU and U.S. representatives at the negotiations, hoping that this would help the parties reach an agreed solution.<sup>50</sup> In fact, this moment marked a substantial change in the political environment with regard to Transnistria. Far from bringing a solution closer, the enlargement of the negotiations format brought the old framework of dealing with Transnistria closer to its end.

During 2005–06, Moldova took important steps outside the negotiating mechanism. In June and July, important legislation was passed by the parliament, including a document laying out a set of general principles regarding the autonomous status of Transnistria within the Republic of Moldova. In November 2005, Chişinău concluded a border agreement with Kiev, which came into force four months later. The agreement, aimed at eliminating illicit traffic over the Transnistrian sector of the Moldovan-Ukrainian border, was supported by the EU, but strongly condemned by Russia and Tiraspol.

However, Moldova's behavior in 2007 was confusing enough to make its Western partners reluctant. Back-channel bargaining with Russia raised serious concerns, and the way President Voronin responded to them in June was even more confusing. The EU extended the mandate of the Border Assistance Mission for another two years, but this mission is already becoming part of the picture of the new status quo, and it is hard to imagine an enhancement of the EU's participation.

The U.S. continued to state that the 1999 Istanbul commitments still matter, but seems ready to show some flexibility with regard to the way that these commitments will materialize, with the CFE Treaty now seriously endangered.<sup>51</sup> After all, the Moldovan leadership might have lost in 2007 a good part of what it gained in 2006 in terms of Western support.

Blaming Romania for all of Moldova's problems might help President Voronin in national elections, but will hardly help him challenge the status quo over Transnistria. Romania is not necessarily important for maintaining the present level of Western support, but it is key to bringing about any positive change. The EU will maintain its Border Assistance Mission in place, regardless of Moldovan-Romanian relations, but it will hardly agree to any new course of action without the consent of Bucharest. Meanwhile, uncertain of the state of Moldovan-Russian relations, both the U.S. and the EU will be cautious not to get too involved in negotiations, given the risk of being presented with an undesired (and unexpected) back-channel agreement between Chişinău and Moscow.

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<sup>50</sup> *Itar-Tass Weekly News* (4 October 2005).

<sup>51</sup> They were mentioned by the U.S. Under Secretary of State at the OSCE Ministerial Conference held in Madrid, as at the previous ministerial conferences.

The Kosovo issue seems to carry important consequences for the fate of Moldova. It drove Transnistria and the other frozen conflicts off the radar as it captured the lion's share of international attention. The U.S. and some European nations are now concerned with how to present Kosovo's independence as acceptable to the international community. In such a context, nobody is willing to further challenge Russia on other matters. Given these tensions, maintaining the status quo in Transnistria might be perfectly acceptable.

The recognition of Kosovo by the U.S. and others will give Russia the opportunity she was looking for in order to maintain the present situation in Transnistria. Without formally recognizing the separatist regimes in the former USSR, Russia will increase the level of support provided to them, and will assure their *de facto* existence: it will welcome Transnistrian (and other separatist) leaders in Moscow, it will boost economic ties with Tiraspol, and it will draw parallels between Transnistria and Kosovo in public speeches. Short of a UN Security Council Resolution, Kosovo's recognition will give Russia an excuse for keeping its troops in Transnistria indefinitely.

Ukraine realizes it needs a solution in Transnistria along the lines of Moldova's interests, emphasizing reintegration of the country and withdrawal of the Russian troops. A continuation of the status quo or recognition of Transnistria will increase Kiev's difficulties with respect to dealing with Russia, as accommodating Moscow is often at odds with Western interests in Moldova. However, given its current political instability, Ukraine has given up—at least in the short run—any prospects of becoming an actor in the negotiations on Transnistria. She will have to constantly bargain with Russia over energy resources for years to come, and only strong Western encouragement could persuade Kiev to speak up seriously for the withdrawal of the Russian troops from Moldova.

Finally, President Voronin himself seems to have given up his hopes with regard to Transnistria. He and the Moldovan leadership have reluctantly condemned the opening of Russian polling stations in Transnistria for the 2 December parliamentary elections without the approval of Chişinău, a serious issue that officially calls into question Moldova's integrity and sovereignty. Instead, they were vocal in accusing Romania of somehow undermining the settlement of the conflict, a piece of rhetoric clearly aimed at the domestic audience, with little international consequence (other than upsetting Bucharest). Transnistria is thus becoming more of a domestic campaign issue, well-suited to securing some public support, but the Moldovan leaders seem to have lost faith in actually solving the problem.

# The European Union's Energy Security Challenges

*Paul Belkin* \*

## Abstract

Recent increases in energy prices and a steady escalation in global energy demand—expected to rise by nearly 60 percent over the next twenty years—have led U.S. policymakers to engage in a wide-ranging debate over how best to address the country's future energy requirements. Similarly, energy security has become a policy priority for the European Union (EU) and its twenty-seven member states. Together, the United States and Europe represent the world's largest energy market. Although they produce approximately 23 percent of the world's energy, they consume almost 40 percent of the world's supply.

The EU imports about 50 percent of the energy that it consumes. Barring significant changes, the European Commission expects this figure to rise to 65 percent by 2030. Approximately half of the EU's imported energy comes from Russia, in the form of oil and natural gas. Europe's growing dependence on Russian energy has fueled speculation that Moscow is using the "energy weapon" to try to influence European foreign and economic policy.

The EU has traditionally exerted little if any influence over the energy policies of its individual member states. However, in March 2007, in the face of increasing concern regarding Europe's reliance on Russian energy resources, and growing public pressure to address global climate change, the EU member states agreed on a series of policy measures intended to form the foundation of an "Energy Policy for Europe." The March agreement aims to increase the EU's ability to secure and diversify European energy supplies, while seeking to reduce EU-wide carbon emissions by promoting alternative and renewable energy sources.

The United States and Europe have steadily broadened the transatlantic energy dialogue to include joint promotion of collective energy security, energy efficiency, and alternative energy sources. Leaders on both sides of the Atlantic have agreed to pursue U.S.–EU cooperation to develop alternative and renewable energy technologies and to forge coordinated policies with regard to Russia and politically unstable regions with substantial energy resources. U.S. officials have expressed some concern at some European member states' unwillingness to exert more pressure on Russia to comply with EU market principles. On the other hand, European leaders appear increasingly frustrated with U.S. resistance to binding multilateral regulatory frameworks to reduce carbon emissions and promote energy efficiency.

This article examines some of Europe's critical energy security challenges and EU efforts to coordinate a common European energy strategy. It also includes an overview of broader transatlantic energy security cooperation.<sup>1</sup>

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## Introduction

Although the European Union's (EU) twenty-seven member states have ceded some national sovereignty (or competency) to EU institutions in a variety of areas, including economic and trade policy, energy policy remains primarily the responsibility of the individual member states. Decisions regarding long-term oil or gas purchases, the development and improvement of energy-related infrastructure, and the use of particular fuels continue to be made at the national level by EU member states.

At their March 2007 summit, the member states of the EU moved to boost European coordination to help secure and diversify energy supplies, increase the development and use of renewable and alternative energy resources within the EU, and reduce energy demand and consumption. Although member state governments remain reluctant to cede national sovereignty over aspects of their foreign policies related to energy security, they have set binding EU-wide targets for the use of renewable energies and biofuels, and have agreed to ambitious but non-binding energy efficiency and carbon emission reduction targets for the year 2020. In addition, member states are considering potentially significant reforms to further liberalize the European energy market. Nonetheless, most observers expect member states to continue to retain significant national control over their energy markets and their external relations with energy-producing countries.

Europe's renewed interest in energy security has been influenced by both internal and external factors. Internally, steadily rising energy prices, declining European energy production, and a fragmented internal energy market have contributed to anxieties over Europe's ability to meet future demands for energy. Externally, the strain on global demand exerted by the emerging economies of countries such as China and India, persistent instability in energy producing regions, the threat of terrorist strikes against energy infrastructure, and Russia's apparent willingness to use its energy power for political ends are all raising concerns in Europe over how to address external influences that could affect future energy requirements.<sup>2</sup> Recent calls for EU-wide energy coordination have been driven by rising European concern about the effects of energy production and consumption on global climate change. To this end, EU member states' recent energy policy decisions center largely on promoting energy efficiency, developing renewable energy and clean fuel sources, and reducing overall greenhouse gas emissions.

As uncertainties surrounding global energy supply and demand persist, issues pertaining to U.S., European, and global energy security are likely to gain importance on the U.S. political scene. Members of both the Democratic and Republican parties have introduced legislation aimed at increasing energy independence and energy security and reducing car-

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<sup>1</sup> An initial version of this report was written by former CRS Analyst Vince L. Morelli. For additional information, see Robert Pirog and Bernard Gelb, *Russian Oil and Gas Challenges*, CRS Report RL33212 (Washington, D.C.: Congressional Research Service, updated June 2007); available at [www.fas.org/sgp/crs/row/RL33212.pdf](http://www.fas.org/sgp/crs/row/RL33212.pdf). See also Paul Gallis, *NATO and Energy Security*, CRS Report RS22409 (Washington, D.C.: Congressional Research Service, updated August 2007); available at <http://italy.usembassy.gov/pdf/other/RS22409.pdf>.

<sup>2</sup> Jos Van Gennip, *Energy Security*, NATO Parliamentary Assembly paper, No. 170 ESC 06 E (2006); available at [www.nato-pa.int/Default.asp?CAT2=982&CAT1=16&CAT0=2&COM=1000&MOD=0&SMD=0&SSMD=0&STA=&ID=0&PAR=0&PRINT=1](http://www.nato-pa.int/Default.asp?CAT2=982&CAT1=16&CAT0=2&COM=1000&MOD=0&SMD=0&SSMD=0&STA=&ID=0&PAR=0&PRINT=1).

bon emissions. Several of these proposals envision carbon-trading schemes similar to those in use in Europe.<sup>3</sup> On 12 April 2007, the U.S. Senate Foreign Relations Committee reported out the Energy Diplomacy and Security Act (S. 193), which would require the Administration to enhance its efforts to foster international cooperation on energy issues. The bill's sponsor, Senator Richard Lugar, also raised the possibility of a more proactive role for NATO in energy security matters at NATO's summit in Riga, Latvia in November 2006.

## The Context of Europe's Energy Security Debate

### *Background*

Collectively, EU member states import half of the energy that they consume. Barring significant policy changes, this figure is expected to rise to 65 percent by 2030.<sup>4</sup> Today, oil, natural gas, and coal account for 80 percent of the energy consumed in the EU.

Europe's energy imports come primarily from Russia and the Middle East, where approximately 70 percent of global oil and gas supplies originate. Yet the Middle East as a region is fraught with war, terrorism, and politically unstable regimes. Iraq's oil production has not yet reached pre-war levels, and there is fear that terrorist groups could target pipelines and production facilities throughout the region. Iran has threatened to cut back oil production if forced to abandon its nuclear power program. With regard to Russia, recent political and economic behavior exhibited by Moscow has raised the dual specter of reliability and "energy politics."

High demand has also raised questions regarding the future availability of global oil and gas reserves. Although significant shortages are not projected for the next several decades, uncertainties over future exploration and production in areas such as Russia and the Middle East have raised concerns about long-term supply availability. The International Energy Agency (IEA) estimates that close to USD 16 trillion in new investments may be needed over the next thirty years to meet future global energy demand.<sup>5</sup>

European concern regarding the security of its energy supply was first prompted by the Arab oil embargo of the early 1970s. Specifically, the embargo highlighted three main issues. First, it exposed a need for increased energy policy collaboration among European countries and between Europe and the energy-producing world. Second, it became clear that institutional mechanisms for increased coordination in the event of future supply disruptions were essential. Third, consensus emerged that Europe should prepare strategies to

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<sup>3</sup> For more information on the EU's carbon emission trading system see, Larry Parker, *Climate Change: The European Union's Emissions Trading System (EU-ETS)*, CRS Report RL33581 (Washington, D.C.: Congressional Research Service, July 2006); available at [www.usembassy.at/en/download/pdf/eu\\_ets.pdf](http://www.usembassy.at/en/download/pdf/eu_ets.pdf).

<sup>4</sup> See "Energy Overview," Council of the European Commission, June 2006; Commission of the European Communities, "An Energy Policy for Europe," Communication from the Commission to the European Council and the European Parliament, Doc. No. COM(2007) 1 (10 January 2007); available at [http://ec.europa.eu/energy/energy\\_policy/doc/01\\_energy\\_policy\\_for\\_europe\\_en.pdf](http://ec.europa.eu/energy/energy_policy/doc/01_energy_policy_for_europe_en.pdf).

<sup>5</sup> See International Energy Agency (IEA), *World Energy Investment Outlook (2005)*; available at [www.worldenergyoutlook.org/2005.asp](http://www.worldenergyoutlook.org/2005.asp).



prevent it from becoming the victim of future attempts by exporting nations to use energy as a political or economic weapon.<sup>6</sup> The 1974 creation of the International Energy Agency (IEA), which has become Europe's primary instrument for monitoring and analyzing world energy markets, was one response to the embargo. In addition, European countries sought to develop strategies to diversify their energy supply.

After the embargo, European countries began to identify Russia and other Eurasian countries as potential energy suppliers. At the time, Soviet Russia was beginning to realize its energy producing potential, but it required major investments in its energy sector. The prospect of future cooperation in the energy field began to play a key role in European perspectives on developing relations with the Soviet Union.

In 1991, the European Union launched the Energy Charter Declaration, an initiative intended to promote energy cooperation and diversify Europe's energy supply. The Declaration gave way to the 1994 Energy Charter Treaty, which entered into legal force in 1998 and established a framework of rules and agreements to promote international energy cooperation.<sup>7</sup> To date, fifty-one countries and the EU have signed or acceded to the Treaty.<sup>8</sup> The Treaty seeks to create a level playing field of rules regarding the promotion of foreign energy investments. In addition, it provides mechanisms for dispute resolution, and promotes free trade in energy materials, products, and equipment; freedom of energy transit through pipelines and grids; and energy efficiency.<sup>9</sup>

Since the signing of the Energy Charter Treaty, the European Commission has used its existing competencies in competition and environment and consumer protection policy to attempt to shape a European energy policy in a variety of ways.<sup>10</sup> These include promoting an internal gas and electricity market, encouraging the development of alternative energy supplies, and, in cooperation with the office of the High Representative for Common Foreign and Security Policy, pursuing a more cooperative approach to external relations with current and future energy suppliers.

### *Turning Point*

A 2005 German–Russian gas pipeline agreement and more recent Russian manipulation of gas and oil flows to the European market have sparked a newfound sense of urgency

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<sup>6</sup> Daniel Yergin, "Ensuring Energy Security," *Foreign Affairs* (March/April 2006).

<sup>7</sup> For more detailed information on the Treaty, see The Energy Charter Organization, *The Energy Charter Treaty: A Reader's Guide* (Brussels: Energy Charter Secretariat, January 2002); available at [www.encharter.org/fileadmin/user\\_upload/document/document1158668628.pdf](http://www.encharter.org/fileadmin/user_upload/document/document1158668628.pdf).

<sup>8</sup> Although the United States signed the 1991 Energy Charter Declaration, it has not signed the Energy Charter Treaty, so it retains the status of observer to the Charter process. U.S. officials have cited a preference to pursue energy-related matters on a bilateral basis.

<sup>9</sup> *The Energy Charter Treaty: A Reader's Guide*.

<sup>10</sup> The European Commission is the EU's executive and holds the sole right of legislative initiative. However, in many policy-making areas, the Commission remains primarily an administrative body serving the representatives of national governments, which make up the EU's main decision-making body, the Council of Ministers. For more information see Kristin Archick, *The European Union: Questions and Answers*, CRS Report RS21372 (Washington, D.C.: Congressional Research Service, updated April 2006); available at <http://fpc.state.gov/documents/organization/66459.pdf>.

among European leaders regarding the need for a more coordinated energy strategy. These events correspond with growing concern among the European public and political classes regarding the link between energy production and consumption and global climate change.

In 2005, Germany and Russia agreed to build a gas pipeline connecting the countries under the Baltic Sea. While Germany maintains that the pipeline will significantly enhance German and therefore European energy supply and security, a number of EU member states, including Poland and Lithuania, have protested the decision. They counter that, by running the pipeline under sea so it bypasses both countries, and by failing to coordinate with EU neighbors when negotiating with Russia, Germany's actions pose a threat to their individual and broader European energy security.<sup>11</sup> Furthermore, prominent Swedish officials have voiced concerns that the pipeline will provide Russia with a platform to increase both military surveillance and its military presence in the strategically important Baltic Sea.<sup>12</sup> The German–Russian agreement and subsequent responses from Poland, Lithuania, and more recently, Sweden, have reignited calls for a more coordinated European energy strategy.

As internal strife over the German pipeline decision continues, disputes pitting Russia against Ukraine and Belarus have exposed the undesirable consequences of European dependence on Russian energy resources. In late December 2005, Russia's gas monopoly, Gazprom, temporarily suspended gas flows to Ukraine as part of a dispute over gas price increases. Within hours of the shutoff, several European countries, including Austria, Italy, Poland, and Germany, reported drops in their own pipeline pressure by as much as 30 percent.<sup>13</sup> The gas crisis lasted only a few days, and after Russia and Ukraine reached an agreement on gas prices, gas was flowing normally again.

An almost identical dispute between Russia and Belarus with similar consequences for European countries, particularly Germany, occurred in early January 2007. This time, Russian oil pipeline operator Transneft shut down the Druzhba oil pipeline through which Germany receives 20 percent of its oil imports. Germany and the EU sharply rebuked Russia's decision, and Russia resumed oil delivery after three days of price negotiations with Belarus.

Many European observers have characterized the Russia–Ukraine and Russia–Belarus gas and oil crises as “wake-up calls” that exposed Europe's energy security vulnerability, even to unintended supply disruptions. More importantly, however, the crises raised the dual questions of Russia's reliability as an energy partner and Moscow's willingness to use its energy power as a political weapon. In response, European leaders have sought to forge EU-wide policies to secure and diversify energy supply by better coordinating energy-re-

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<sup>11</sup> “Polish Press Slams Germany's Schroeder over Gas Pipeline Deal,” *Agence France-Presse* (12 December 2005).

<sup>12</sup> Alex Bakst, “Baltic Sea Pipeline: Sweden Afraid of Russian Spooks,” *Spiegel Online* (15 November 2006); available at [www.spiegel.de/international/0,1518,448652,00.html](http://www.spiegel.de/international/0,1518,448652,00.html).

<sup>13</sup> See “Q&A: Ukraine Gas Row,” *BBC News* (4 January 2006); and Jim Nichol, Steven Woehrel, and Bernard A. Gelb, *Russia's Cutoff of Natural Gas to Ukraine: Context and Implications*, CRS Report RS22378 (Washington, D.C.: Congressional Research Service, February 2006); available at <http://italy.usembassy.gov/pdf/other/RS22378.pdf>.

lated decisions so as to present a unified front to producer nations like Russia and to promote alternative energy sources and more efficient energy use.

### *European Energy Consumption: By the Numbers*

The EU's twenty-seven member states account for approximately 17 percent of the world's total energy consumption.<sup>14</sup> In 2005, about 80 percent of the energy consumed within the EU was from fossil fuels. Figure 1 provides an overview of the EU's energy consumption by fuel source.

Europe imports about 50 percent of its total energy supply—slightly over 80 percent of its oil, and close to 55 percent of its natural gas. Its dependence on imported energy sources, particularly natural gas, is expected to grow substantially in the coming decades. European Commission estimates suggest that, if current trends continue, Europe will import 65 percent of its total energy requirements by 2030.<sup>15</sup> Russia, Norway, the Middle East, and North Africa are the largest suppliers of EU energy. In 2004, Russia accounted for 26 percent of the EU's oil imports, and 29 percent of natural gas imports.<sup>16</sup>

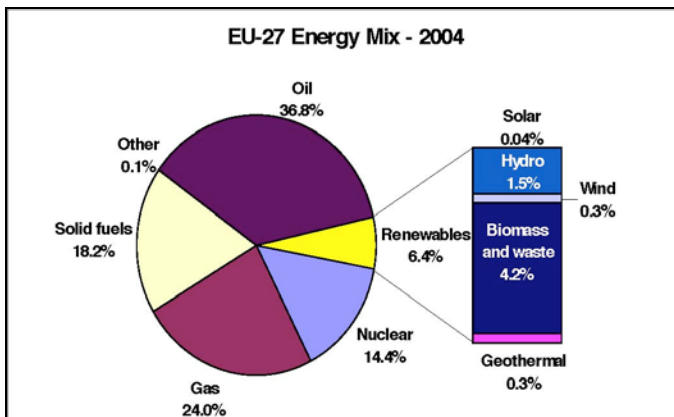


Figure 1: EU Energy Consumption<sup>17</sup>

Forecasters predict that natural gas consumption in the EU will double over the next twenty-five years, as gas has rapidly become Europe's fuel of choice for power generation. European natural gas consumption currently represents 18 percent of world consumption.

<sup>14</sup> Energy Information Administration, "Country Analysis Briefs: European Union," U.S. Department of Energy (January 2006); available at [http://www.eia.doe.gov/cabs/European\\_Union/Background.html](http://www.eia.doe.gov/cabs/European_Union/Background.html).

<sup>15</sup> "An Energy Policy for Europe," op. cit.

<sup>16</sup> "EU Energy Policy Data," European Commission Document SEC(2007)12, (10 January 2007); The European Commission's Directorate-General of Energy and Transport, *Statistical Pocket Book 2006*; available at [http://ec.europa.eu/dgs/energy\\_transport/figures/pocketbook/2006\\_en.htm](http://ec.europa.eu/dgs/energy_transport/figures/pocketbook/2006_en.htm).

<sup>17</sup> European Commission DG TREN, Eurostat; European Commission Staff Working Document SEC(2007)12.

By 2030, Europe is expected to import over 80 percent of its natural gas needs.<sup>18</sup> Today, EU member states and Norway account for just over half of the EU's natural gas supply. The other half is imported primarily from Russia (29 percent) and Algeria (13 percent). Several EU member states are totally dependent on Russian natural gas for their domestic energy consumption. Table 1 illustrates the levels of dependency on Russian natural gas in selected nations of the EU.

Table 1: Imported Gas and Gas from Russia<sup>19</sup>

Country	Dependence on Imported Gas, 2005	Total of Gas Consumption Imported from Russia
Austria	88%	74%
Czech Republic	98%	70%
Estonia	100%	100%
France	98%	26%
Finland	100%	100%
Germany	81%	39%
Italy	85%	30%
Poland	70%	50%

## An Energy Policy for Europe?

The Russia–Ukraine and Russia–Belarus oil and gas crises have corresponded with increasing public calls for concerted European action on climate change, spurring European leaders to renew efforts to establish a more cohesive European energy policy. During their March 2007 summit, EU heads of state adopted a series of European Commission proposals that they expect will form the foundation of an “Energy Policy for Europe.” The adopted measures are among a larger group of recommendations the Commission laid out in a March 2006 “Green Paper” and a more detailed action plan unveiled in January 2007.<sup>20</sup> The Commission proposals focus on three broad interconnected goals: increasing European-wide energy security; enhancing sustainability; and fostering competition in Europe's internal energy market. Commission officials place particular emphasis on the links between energy security, energy efficiency, and an EU-wide reduction in carbon emissions.

<sup>18</sup> Ibid.

<sup>19</sup> International Energy Agency; Eurostat; British Petroleum.

<sup>20</sup> Both the Commission's Green Paper and a more detailed action plan are available at [http://ec.europa.eu/energy/energy\\_policy/index\\_en.htm](http://ec.europa.eu/energy/energy_policy/index_en.htm).

In what some consider a reflection of both increasing public pressure to address global climate change and continued member state reluctance to cede national economic and foreign policy making authority, the EU's March 2007 agreement focused largely on Commission recommendations on sustainability. Member states did commit to take some steps toward further liberalizing the EU-wide energy market and have broadly endorsed increased foreign policy coordination on securing energy supplies. However, the EU's most far-reaching commitments focus on increasing energy efficiency, decreasing greenhouse gas emissions, and promoting the use of renewable energy and alternative fuels and associated technologies.

Specifically, EU member states have committed to reducing total EU-wide carbon emissions by 20 percent compared with 1990 levels by 2020. They have also pledged to seek international agreement on a 30 percent reduction target by 2020 in a post-Kyoto Protocol international carbon emissions reduction treaty.<sup>21</sup> In addition, the EU seeks a 20 percent increase in Europe-wide energy efficiency by 2020, and has mandated that 20 percent of all EU energy consumption come from renewable sources and 10 percent of transport fuel from biofuels by 2020. Member states are expected to agree on country-specific targets to achieve these Europe-wide goals by late 2007.

According to a March 2007 study by the global consulting firm McKinsey and Company, EU member states will need to invest approximately USD 1.5 trillion (EUR 1.1 trillion) in new technologies over the next fourteen years in order to achieve their targets. In preparation for the new push toward alternative and renewable energy sources, the European Investment Bank has announced plans to earmark slightly over USD 1 billion (EUR 800 million) for loans for renewable energy projects from 2007 to 2010.<sup>22</sup> In addition, the Commission envisions a 50 percent increase in EU spending on carbon technology over the next seven years. Although the EU approach appears to be focused largely on developing new and alternative technologies, the McKinsey study suggests it may be more cost efficient for the EU to focus more of its efforts on reducing energy use than on developing and promoting alternative and renewable energy sources.

The Russia–Ukraine and Russia–Belarus oil and gas crises have also ignited calls from the European Commission and several EU member states to increase foreign policy coordination to secure and diversify Europe's energy supply. To this end, EU member states have agreed to cooperate to create an external policy centered on expanding political partnerships with, and increasing pipeline and energy infrastructure investment in, producer and transit countries. European states have specifically singled out Central Asia and the Caspian and Black Sea areas as focal points for such activities. In addition, the EU has called for the formation of a European energy dialogue with African countries of strategic importance. With regard to Russia, member states are seeking to institutionalize a common commitment to market principles as outlined in the Energy Charter Treaty in a new EU–Russia Partnership and Cooperation Agreement. However, bilateral energy agreements between some member states, notably Germany and Russia, illuminate continued dis-

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<sup>21</sup> The United Nations Kyoto Protocol, to which the United States is not a party, is set to expire in 2012. European leaders reportedly see 2009 as the deadline for international agreement on a post-Kyoto treaty.

<sup>22</sup> "EU's 2020 Energy Goals to Cost over 1 Trillion," *EU Observer* (28 March 2007).

agreement within the EU on how best to deal with Russia. In the face of such discord, the EU is seeking to strengthen multilateral mechanisms, including the Energy Charter, to better coordinate global energy policy among consumer, transit, and producer nations.

Many observers consider the European Commission's call to increase competition within and among traditionally protected European energy markets to be its most controversial proposed step. The Commission has advanced proposals to reduce the power of state-owned energy companies by forcing them to split up ownership of generation and distribution businesses. In the face of opposition from countries such as Germany, France, and Spain, the Commission is reportedly seeking backing for a compromise proposal that would allow national energy industries to continue to operate both generation and distribution facilities, but would subject them to oversight from an independent European regulatory body. The Commission is expected to present a formal proposal in the fall of 2007.

Although European leaders increasingly pay lip service to the need for enhanced energy cooperation, the success of an EU energy strategy will likely depend on the ability of member states to frame common objectives in addressing three fundamental challenges. First, how to develop strong partnerships with energy producing and transit regions; second, how to use and further develop indigenous and alternative energy sources while seeking to curb overall consumption; and third, how to establish an internal system to provide dependable and secure energy supplies to all of Europe.

#### *Challenge 1: An External Policy for Energy Security*

Growing energy demand within the EU's twenty-seven member states is mirrored in regions throughout the world.<sup>23</sup> Economic expansion in China and India has added considerably to global demand, as has rising population growth and economic modernization in Latin America, Africa, and even the energy-rich Middle East. In the face of this strain on limited supplies, Europeans must compete for existing and new energy sources. Projections for European energy consumption indicate that one of the most important energy security challenges facing the EU over the next twenty years will be Europe's ability to diversify the sources and modes of transit of its energy imports.

The bulk of the world's energy resources—located in Russia, the Caspian Sea region, the Middle East, and North Africa—are all well within the economic reach of the European Union. In fact, Europe already receives energy supplies from each of these regions. However, Europe's growing dependence on Russia and Russia's apparent willingness to use its energy resources for political purposes have spurred calls from some member states and the United States for a more cohesive EU-wide strategy to further diversify supply. The key for Europe may be to determine the equilibrium point for supply from each geographic region and how to best manage relations with the governments in those regions. By strengthening political relations with these governments, the EU opens additional options for its external energy strategy. According to some, the EU strategy in this regard differs from the stated aim of many U.S. politicians and Bush Administration officials in that Europeans acknowledge they can never gain complete energy independence and therefore

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<sup>23</sup> The European Commission estimates that European electricity demand alone is growing by 1.5 percent annually. See "An Energy Policy for Europe," op. cit.

seek to better manage their energy dependence rather than achieve outright energy independence.<sup>24</sup>

EU member states have endorsed the Commission's calls to develop a collective international energy policy. Nonetheless, while acknowledging that the EU may at times be in a better position to determine what leverage could be used to advance the collective interests of the Union as a whole, member states have been careful not to sacrifice their individual rights to independently pursue foreign policies dedicated to securing energy supplies. Europe's energy relations with Russia best exemplify the tension between calls for a collective external energy policy and support for individual member state policies. Many of the EU's newer member states in Central and Eastern Europe appear skeptical of Russia's reliability as an energy partner, and therefore call on EU member states to work collectively to prevent Russia from exploiting long-term energy dependencies for political purposes. At the same time, other member states continue to pursue long-term bilateral supply contracts with Russia's state-run energy companies, increasing both their energy and, according to some, their political dependence on Russia.

*Russia.*<sup>25</sup> Russia is a major player in world energy markets. In 2004, its 1700 trillion cubic feet (tcf) of natural gas reserves were the largest of any country, making it both the world's largest gas producer and exporter. Russia is also the world's second-largest oil exporter. According to the European Commission, EU member states imported 29 percent of their natural gas and 26 percent of their oil from Russia in 2004.<sup>26</sup> With gas consumption expected to rise more dramatically than oil consumption in the future, some experts predict that Europe could rely on Russia for more than 40 percent of its natural gas by 2020.<sup>27</sup> While Russia's resources and proximity to Europe make Euro–Russian collaboration a necessity, Russia's apparent willingness to use its energy wealth to achieve controversial foreign policy objectives has fueled debate within Europe on how best to manage energy relations with Russia.

Most observers contend that Russian president Vladimir Putin views his country's vast energy resources as a tool to regain Russia's stature as a major force in global affairs.<sup>28</sup> Thus, Putin sees energy as an important political force, just as it is the dominant force driving Russia's economic development. Some experts believe that Russia seeks to control as much of Europe's energy infrastructure as possible in return for its delivery of reliable energy supplies. For these experts, Moscow knows that if the EU is successful in creating a Europe-wide single market for electricity and gas, which is discussed later in this article, "it will be presented with opportunities to become part of the world's largest and most in-

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<sup>24</sup> Interviews with German and EU officials, January–March 2007.

<sup>25</sup> For additional information on Russia's energy situation see Pirog and Gelb, *Russian Oil and Gas Challenges*.

<sup>26</sup> "EU Energy Policy Data," European Commission Document SEC(2007)12.

<sup>27</sup> Keith Smith, "Russian Energy Pressure Fails to Unite Europe," *Eurofocus* 13:1 (Washington, D.C.: Center for Strategic and International Studies (CSIS), 24 January 2007); available at [www.csis.org/index.php?option=com\\_csis\\_pubs&task=view&id=3704](http://www.csis.org/index.php?option=com_csis_pubs&task=view&id=3704).

<sup>28</sup> Keith Smith, CSIS, "Russian Energy Policy and Its Challenges to Western Policy Affairs," testimony before the U.S. Congress, 16 May 2006.

tegrated energy market right on its border.”<sup>29</sup> According to analyst Daniel Yergin, “Putin believes that energy security is about [Russia’s] retaking control of the ‘commanding heights’ of the energy industry and extending that control downstream....”<sup>30</sup>

Energy’s political importance is evident in the fact that the two major Russian energy giants, Gazprom and Rosneft, both have close ties to the Kremlin and, in particular, to President Putin himself. Rosneft is led by a close associate and former KGB colleague of Putin. Gazprom is run by Alexy Miller, a close Putin ally, and Dimitry Medvedev, Russia’s First Deputy Prime Minister, who is presently poised to take over as president when Putin steps down from power in early 2008. Gazprom dominates the Russian gas sector, and controls 100 percent of Russian gas flowing to the EU.

On the investment side, analysts also see Russia playing the political card. The International Energy Agency estimates that the Russian gas sector will require upwards of USD 10 billion in annual investment to meet future global demands. The EU has urged Russia to provide European energy companies the opportunity to invest in the total range of the energy sector, from oil and gas fields to the pipeline system. Thus far, Russia has refused to meet EU demands, and in turn has warned the EU not to attempt to block Gazprom’s plans to buy or invest in firms in Europe’s energy sector. Brushing aside the EU’s policies regarding competition and monopoly practices, as well as the Energy Charter, Gazprom CEO Miller told EU ambassadors in a not so veiled attempt to exert Russia’s energy-driven influence that “attempts to limit Gazprom’s activities in the European market ... will not produce good results.... It is no coincidence that competition for energy resources is growing ... and it should not be forgotten that we [Gazprom] are actively seeking new markets such as China....”<sup>31</sup>

Rather than rely on significant outside investment in its energy infrastructure, observers believe Russia intends to satisfy its long-term gas contracts with European nations through its near monopoly on gas from Central Asia (Kazakhstan, Turkmenistan, and Uzbekistan). Russia currently controls the overwhelming majority of oil and gas transportation routes from Central Asia and, according to analysts, intends to exploit this control and its political leverage over Central Asian governments and European countries to impede European and U.S. efforts to develop alternative pipelines that bypass Russia. For example, critics of Gazprom activities, such as analyst Vladimir Socor, believe that Gazprom’s strategy is to “establish permanent control of the [Hungary/Balkans] markets before Caspian gas can reach them through the proposed Nabucco pipeline....”<sup>32</sup> In moving ahead with this deal, critics believe Gazprom will try to convince other nations that agreed to fund the Nabucco pipeline to withdraw their commitments and rely on the Russia–Hungary pipeline instead. These critics also warn that Russia’s state-owned energy companies aim to increase their

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<sup>29</sup> Andrew Monaghan, “Russia-EU Relations: An Emerging Energy Security Dilemma,” *Pro et Contra* 10:2–3 (Summer 2006); available at <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=18494&prog=zru>.

<sup>30</sup> Daniel Yergin, “What Does Energy Security Really Mean?,” *Wall Street Journal* (11 July 2006).

<sup>31</sup> Gazprom CEO Miller in a speech to EU ambassadors in Brussels, as reported by BBC News, 4 April 2006.

<sup>32</sup> Vladimir Socor, “Gazprom Broadens, Deepens Inroads Into European Union’s Internal Markets, Transport Systems,” *Eurasia Daily Monitor* (21 March 2006).



influence in the face of further European diversification by seeking to acquire controlling stakes in natural gas concerns in North Africa.<sup>33</sup>

*The European Response.* EU member states have established two primary institutional mechanisms with which to collectively address energy relations with Russia: the Energy Charter Treaty and the EU–Russia Energy Dialogue. As outlined above, the Energy Charter Treaty, which Russia has signed but not ratified, would oblige Russia to adopt a legal framework governing investment, transit, and trade in energy resources. Some analysts contend that European leaders should make Russian implementation of the Treaty a requirement of any future EU–Russia Partnership and Cooperation Agreement. Such calls have contributed to delays in current negotiations of such an agreement and have hindered progress on the EU–Russia Energy Dialogue.

Even as the EU leadership in Brussels moves forward with its ideas on a common external energy strategy, many question how far individual member states will agree to push Russia (and Gazprom) to adopt the EU’s principles of competition, open its energy sector to outside investment, and ratify the Energy Charter. Some believe that without such Russian concessions, Europe will ultimately find its energy security largely under Russian control. Indeed, several member states have pursued bilateral energy deals with Russia that will increase their dependence on Russia for years to come. Both Germany and Italy, the largest importers of Russian gas, have negotiated long-term deals with Russia to lock in future gas supplies. For Germany and a few others, “Russia’s role as a key supplier of oil and gas makes Putin a vital strategic partner who cannot be ignored or antagonized.”<sup>34</sup> Such deals are not limited to the major energy consumers. Slovenia and Belgium have entered into negotiations with Gazprom to build a pipeline across the former and to enter the gas distribution market in the latter. Hungary’s oil and gas company, Mol, has joined with Gazprom to extend Gazprom’s Blue Stream pipeline across the Black Sea through the Balkans into Hungary.

These examples of individual member states dealing with Russia bilaterally have drawn harsh criticism from other member states, such as Poland and the Baltic states. They have warned their European colleagues not to make energy deals that will give Russia an undue and possibly dangerous amount of political influence over European decision-making. Many of these nations understand that Europe’s dependence on Russian energy is likely to last no matter what alternatives are included in an EU energy policy. But they also feel Europe does not gain real security by becoming more dependent on Russia. In fact, the growing presence of Gazprom throughout the European energy market has led many to worry about the EU’s ability to develop an energy policy insulated from Gazprom’s influence.<sup>35</sup> In a July 2006 speech, Romania’s President Basescu went so far as to

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<sup>33</sup> Keith Smith, “Russian Energy Pressure Fails to Unite Europe.”

<sup>34</sup> William Drozdiak, “Russia: More Awkward, But Still Indispensable,” *European Affairs* 7:1–2 (Spring/Summer 2006); available at [http://europeanaffairs.org/current\\_issue/2006\\_spring\\_summer/2006\\_spring\\_summer\\_13.php4](http://europeanaffairs.org/current_issue/2006_spring_summer/2006_spring_summer_13.php4).

<sup>35</sup> Comments provided through discussions with representatives of several European member states.

warn that “Europe’s dependence on Russian gas monopoly Gazprom ... could be the biggest threat to the region since the former Soviet Union’s army.”<sup>36</sup>

Initial efforts to institutionalize interaction between the EU and Russia on energy issues came to fruition in 2000 with the creation of the EU–Russia Energy Dialogue. However, results of the Dialogue have reportedly been mixed at best. Despite continued Russian reluctance to allow European investment in its energy sector and to adopt the energy market and transportation principles laid out in the Energy Charter, several European nations continue to pursue policies that result in increased Russian influence in their energy sectors. On the other hand, 2006 negotiations on a renewed Russia–EU partnership agreement were derailed due to Polish and other member state concerns regarding Russian intransigence in several areas, including energy cooperation. Putin and EU leaders have announced their intention to negotiate a renewed agreement with a significant energy component in the first half of 2007; however, neither side has demonstrated a willingness to make significant changes in their approach to the issue.<sup>37</sup> In the face of internal discord, the EU appears to have agreed to focus on achieving its energy goals with regard to enhancing sustainability, while Russia has shown few signs of deviating from its recent policies.

The energy situation with Russia is not yet dire. Russia will continue to be Europe’s primary energy supplier for the long term, and healthy Russian–European relations remain a priority on both sides. If a common external EU energy security policy is to emerge, two options may be considered. First, Europe may move to curb its dependence on Russian energy by diversifying its supply from other regions without threatening Russia’s own market security in Europe. In doing so, Europe might ask if there is a point at which Russia could decide that the EU’s commitment to diversification no longer makes it financially attractive for Russia to continue to invest in new supplies destined for the European market. Second, the EU may attempt to regulate the behavior and practices of Gazprom as it becomes a more dominant energy player in Europe. Thus far, few European countries have demonstrated restraint in seeking bilateral deals with the Russian monopoly that would do just that. If this continues, Europe could risk having Gazprom interfere more and more in its internal political decision-making. To avoid this, the European Union will likely continue to apply pressure on Gazprom to play by Europe’s rules on competition and work to change Gazprom’s corporate mentality by allowing European firms to invest in Russia’s gas industry.

According to some analysts, however, internal discord on how to approach Russia is preventing the EU from applying this kind of pressure. These critics argue that the EU could collectively pressure Russia by enforcing existing EU competition laws and even using Russia’s prospective World Trade Organization (WTO) membership as leverage to open Russia’s domestic energy sector to outside investment.<sup>38</sup> On the other hand, countries such as Germany appear reluctant to take any concerted action that may antagonize Russia,

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<sup>36</sup> President of Romania Traian Basescu, in a speech to the Jamestown Foundation in Washington, D.C., July 2006.

<sup>37</sup> “Merkel Calls for Improved EU-Russia Energy Ties,” *Deutsche Welle* (21 January 2007); available at [www.dw-world.de/dw/article/0,2144,2320330,00.html](http://www.dw-world.de/dw/article/0,2144,2320330,00.html).

<sup>38</sup> Keith Smith, “Russian Energy Pressure Fails to Unite Europe.”

citing the need for a healthy strategic partnership, given Euro-Russian mutual dependencies and the importance of Russian cooperation in addressing other issues of global concern, such as the Iranian nuclear program and the future status of Kosovo.<sup>39</sup>

*Central Asia and the Caspian / Black Sea Regions.*<sup>40</sup> One of the focal points of European energy diversification strategies is Central Asia and the Caspian and Black Sea regions. Indeed, the EU's January 2007 energy policy paper recommends strengthening the EU's so-called Neighborhood Policy with these areas, and European leaders have sought to bolster ties with countries in these regions.

The Caspian Sea in Central Asia is bordered by Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan. After the collapse of the Soviet Union, the international community took an active interest in the region because of the potential oil and gas reserves thought to be located in at least six identified hydrocarbon fields beneath the Caspian Sea.

Presently, the Caspian Sea region is a significant, but not major, supplier of crude oil to world markets. The untapped reserves held by four of these nations might offer Europe an opportunity to gradually pull back from increased dependence on Russian energy. Estimates of the Caspian Sea region's proven oil reserves range between 40 and 50 billion barrels. Production levels in 2005 were estimated to be around 2 million barrels per day. The Caspian Sea region's natural gas reserves are estimated at 232 trillion cubic feet (tcf). Natural gas production in 2004 was approximately 5 tcf.

Europe's formal interest in the energy resources of the region dates back to 1995 with the creation of the Interstate Oil and Gas Transport to Europe program (Inogate). This EU initiative (currently with twenty-one member countries) was designed to promote the construction of regional pipeline systems in order to facilitate the transport of oil and gas to Europe.<sup>41</sup> This was followed by another EU proposal, the "Baku Initiative," which was launched in November 2004 with the participation of the European Commission and the Black and Caspian Sea littoral states. The Baku Initiative was designed to facilitate the progressive integration of the energy markets of the region into the EU market as well as the transportation of the extensive Caspian oil and gas resources to Europe.

At the time Inogate was formed, Russia dominated both oil and gas production and distribution in the region. Since most of the countries involved are landlocked, their oil and gas had to be transported via pipelines. Reflecting Soviet-era dictates and infrastructure, nearly all Caspian crude oil traveled north or west via pipeline to or through Russia to European markets. Some oil also went by tanker through the Bosphorus Straits to Western European markets via the Mediterranean. Natural gas transportation was tied to pipelines traveling mainly north or west through Russia and its monopoly pipeline system, controlled by Gazprom. This has provided Russia with the market power to dictate, in part,

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<sup>39</sup> Interviews with German officials, January–March 2007.

<sup>40</sup> For more information, see Bernard Gelb, *Caspian Oil and Gas: Production and Prospects*, CRS Report RS21190 (Washington, D.C.: Congressional Research Service, updated September 2006); available at <http://italy.usembassy.gov/pdf/other/RS21190.pdf>. See also Jim Nichol, *Central Asia: Regional Developments and Implications for U.S. Interests*, CRS Report RL30294 (Washington, D.C.: Congressional Research Service, updated April 2007); available at <http://fpc.state.gov/documents/organization/86258.pdf>.

<sup>41</sup> A more detailed account of the activities of Inogate is available on its website at [www.inogate.org](http://www.inogate.org).

the price it is willing to pay for the oil or gas; to set transit fees on Caspian energy shipped through its transportation network; and to determine in some cases how much, if any, it is willing to transport. This latter point was made evident in 2005 when Russia's oil pipeline company, Transneft, refused to allow oil from Kazakhstan to be shipped through its pipeline system to Lithuania for refining. The Caspian region nations thus have incentives to develop alternatives to routes through Russia to reach European and other markets and to seek leverage in negotiating transit fees on shipments that do go through the Russian pipeline system.

Changing Central Asia's energy flow from the existing North-South axis to an East-West axis toward Europe could be integral to Europe's energy strategy. Currently, the region relies on three big pipeline projects that will reduce the region's dependence on Russia. The Caspian Pipeline Consortium (CPC) project connects Kazakhstan's Caspian Sea-area oil deposits with Russia's Black Sea port of Novorossiysk. Oil loaded at Novorossiysk is then taken by tanker to world markets via the congested Bosphorus Straits.<sup>42</sup>

The Baku–Tbilisi–Ceyhan oil pipeline (BTC), which opened in July 2006, exports oil from Azerbaijan and up to 600,000 bl/d from Kazakhstan along a 1040-mile route from Baku, Azerbaijan via Georgia to the Turkish Mediterranean port of Ceyhan. This will allow oil to bypass the Bosphorus Straits.

The South Caucasus Pipeline (SCP), a new gas pipeline venture completed in December 2006, runs parallel to the BTC oil pipeline for most of its route before connecting to the Turkish energy infrastructure and on to Europe via a transit pipeline through Greece.

In addition to these pipelines already in service, several additional projects in Europe could be involved. One option for additional oil transport would be to upgrade the existing oil pipeline that runs from Baku in Azerbaijan to Supsa in Georgia. That line could be extended under the Black Sea, or the oil could be loaded onto tankers and shipped to Odessa, Ukraine. The oil could then be pumped through the Odessa–Brody pipeline into Poland. Some, including the Poles, have suggested that the Brody line be extended to northern Poland and possibly into the Baltic states for use at the Mazeikai refinery in Lithuania.

On the gas front, two additional projects offer important options for Europe. One, the Trans-Caspian pipeline, is intended to bring additional gas from the Caspian to Georgia and across the Black Sea to Romania and the Balkans. The other pipeline, Nabucco, is scheduled to be built in 2008 and would carry gas through Turkey into Bulgaria and on to Austria. This project has the financial backing of several European nations and the endorsement of the EU. Both pipelines have been opposed by Russia, and Gazprom is trying to peel off the support of at least Hungary by offering an alternative service.

There can be no doubt that the energy resources of the Caspian Sea region can offer Europe a viable alternative source of energy supply. However, the full realization of the energy potential of the region could be impeded by several factors.

One issue that continues to raise questions regarding regional stability is the unresolved legal status of the Caspian Sea. Despite a number of efforts, so far only Azerbaijan,

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<sup>42</sup> Additional analysis of the Caspian region can be found in Energy Information Administration, "Country Analysis Brief: Caspian Sea," U.S. Department of Energy (January 2007); available at [www.eia.doe.gov/cabs/Caspian/Background.html](http://www.eia.doe.gov/cabs/Caspian/Background.html).

Kazakhstan, and Russia among the littoral states have reached agreement on delineating ownership of the Sea's resources or their rights of development. The EU could offer its legal assistance to help resolve outstanding issues.

A second issue is the ability of the EU to work to ensure the long-term political stability of the region. The conflict between Azerbaijan and Armenia over Nagorno-Karabakh leaves the BTC and the future SCP pipelines vulnerable to sabotage. Internal political strife between Georgia and its two breakaway regions (Abkhazia and South Ossetia) also threatens future pipelines through that country. Continued political uncertainty in Ukraine and growing Iranian influence in the southern Caucasus could deter future long-term investment by the private sector. However, the January 2007 entry of Romania and Bulgaria into the European Union and the EU's special relationship with Turkey should help keep the Black Sea region settled.

A third issue involves the willingness of the EU to compete with Russia for political and economic influence in the region and to prevent Gazprom from closing off the Caspian market (or at least the Central Asian part of the region) to Europe and its private sector. Russia's higher priced gas exports to Europe depend on Gazprom's ability to control the flow of gas from Kazakhstan and Turkmenistan. This dependency is expected to increase over the next seven to ten years until Russia's huge gas fields in the Barents Sea come on line.<sup>43</sup> According to some, although Gazprom was unable to prevent the BTC pipeline from being completed, Gazprom intends to continue to press the countries around the Black and Caspian Sea regions to agree to gas supply and transit arrangements that satisfy the company's goals of channeling lower-cost Central Asian gas to Russian customers and protecting its lucrative European market.<sup>44</sup> Gazprom has already locked up much of Turkmenistan's gas in a twenty-five-year contract, and is pursuing a similar strategy toward Kazakhstan.

The final issue revolves around whether Europe is the optimal market for Caspian oil and natural gas. Oil demand over the next ten to fifteen years in Europe is expected to grow by little more than 1 million bl/d. Oil exports eastward, on the other hand, could serve Asian markets, where demand for oil is expected to grow by roughly 10 million bl/d over the next fifteen years.<sup>45</sup> In fact, China, which opened an oil pipeline to Kazakhstan in 2005, sees Kazakhstan as a major source of oil for the long term.

The Caspian region will continue to be an important source of energy production for the foreseeable future, especially if the estimates of its reserves (particularly its gas reserves) are accurate. Thus, the region can contribute to the diversification of oil and gas supplies to Europe, which will add to Europe's energy security. Taking full advantage of this potential will require a strong commitment on the part of the EU to encourage the private sector to take the financial risks associated with securing a share of the Caspian energy market for Europe, and to set forth an external strategy that is fully prepared to address the dynamics of the entire region. For some, "a credible energy [strategy] needs to

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<sup>43</sup> Keith Smith, "Russian Energy Policy and Its Challenges to Western Policy Affairs."

<sup>44</sup> Zeyno Baran, "Energy Supplies to Eurasia and Implications for U.S. Energy Security," testimony before the U.S. Senate Foreign Relations Committee, September 2005.

<sup>45</sup> Gelb, *Caspian Oil and Gas: Production and Prospects*.

demonstrate that the EU means business in the Caspian/Black Sea regions. Brussels must include energy supply and transit as high priorities . . . for the region.”<sup>46</sup>

*Middle East/North Africa.* EU efforts to diversify European energy supplies and decrease dependence on Russia have heightened calls within Europe for stronger political and economic engagement in the Middle East and North Africa. However, political instability in the region and strong competition for its energy resources from countries in Asia and North America present challenges to European efforts.

The Persian Gulf countries (Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates) alone hold over half (57 percent) of the world’s proven oil reserves, and the Middle East region produces about 31 percent of the world’s oil.<sup>47</sup> In addition, Libya is estimated to hold 40 billion barrels (bb), and Algeria 12 billion barrels. The Persian Gulf region also holds an estimated 2400 trillion cubic feet (tcf) of natural gas reserves, representing 45 percent of the world’s total gas. Algeria is estimated to hold 161 tcf, and Libya 52 tcf.<sup>48</sup>

Europe already depends on the Middle East/North Africa region for close to 30 percent of its oil imports and approximately 15 percent of its piped gas. In 2005, Europe imported approximately 3.1 million barrels a day of oil from the region. The largest portion of that oil comes from Saudi Arabia, followed by Libya and Iran.<sup>49</sup> Europe’s primary supplier of natural gas has been Algeria, via two pipelines that enter Europe through Italy and Spain. A smaller amount comes from Libya via pipelines to Italy. Two additional gas pipelines from Algeria to Spain and Italy are under construction.

Perhaps the most important development for Europe in this region has been the growing availability of liquefied natural gas (LNG). Today, Europe accounts for approximately 8 percent of the world’s total consumption of LNG, and in 2005, LNG represented 15 percent of European gas imports—a 21 percent increase from 2004.<sup>50</sup> Spain, where 65 percent of gas imports are LNG, leads Europe in LNG imports, followed by Portugal (39 percent) and France (27 percent). The principal suppliers of LNG to Europe include Algeria, Egypt, Oman, and Qatar. Algeria is the world’s third-largest exporter of LNG, with almost all of its gas (25 billion cubic meters) going to Europe. Recently, the Algerian national oil company, Sonatrach, signed a twenty-year LNG supply contract with the Spanish power company Endessa.<sup>51</sup>

LNG has also become a major factor in the development of gas exports from the Persian Gulf. Although nations such as Qatar, Oman, and the United Arab Emirates have produced LNG for the Asian market, European energy companies have begun to express more

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<sup>46</sup> Vladimir Socor, “What Role for the Black Sea Region in the European Union’s Energy Strategy,” *Eurasia Daily Monitor* (3 March 2006).

<sup>47</sup> For additional information see Energy Information Administration, “Persian Gulf Oil and Gas Exports Fact Sheet,” U.S. Department of Energy (April 2003); available at [www.parstimes.com/library/persian\\_gulf\\_doe\\_2003.pdf](http://www.parstimes.com/library/persian_gulf_doe_2003.pdf).

<sup>48</sup> See British Petroleum (BP), *Statistical Review of World Energy*, June 2006.

<sup>49</sup> “EU Energy Policy Data.”

<sup>50</sup> Statistics from Eurogas, at [www.eurogas.org](http://www.eurogas.org).

<sup>51</sup> As reported by Lloyd’s List, 25 May 2006.

of an interest in purchasing LNG from the Gulf as well. With vast amounts of gas reserves, the Gulf states are positioned to meet a portion of Europe's future demand.

European relations with the states of the Persian Gulf and North Africa have steadily improved over the years. EU relations with North Africa were formalized in 1995 with the creation of the Euro-Mediterranean Energy Partnership. The EU has also created the EU-Gulf Cooperation Council (GCC) Dialogue with the states of the Persian Gulf, and has initiated a formal dialogue with the nations of OPEC. European energy companies have also become more involved in the Middle East.

The potential for growth in Europe's energy diversification strategy with respect to the Middle East and North Africa is significant. However, European competition with Asia and North America and long-term political instability throughout the region will likely temper the degree to which Europe seeks to increase its reliance on the region. Nevertheless, as with the Caspian region, if the EU is serious about lowering its dependency on any one source, it must turn more and more to the Middle East and North Africa. Parenthetically, Europe's growing interest in energy resources in North Africa has not gone unnoticed by Russia and Gazprom. Just as in the Caspian region, Russia appears to be bolstering its efforts to influence Europe's energy plans. In March 2006, President Putin, along with Gazprom officials, traveled to Algeria to discuss Russian participation in Algeria's future oil and gas projects, including its LNG export markets. Some contend that because Russia intends to make Europe a major market for LNG produced from its Shtockman gas field in the Barents Sea, Russia is seeking to position itself to influence Algeria's future role as a major supplier of energy to Europe.

*Norway.* Norway, which is not a member of the EU, is the second-largest exporter of natural gas to the EU, behind Russia. Norwegian exports represented 17 percent of European gas consumption in 2004. Germany (which imports 25 percent of its natural gas from Norway), France (30 percent), and the United Kingdom (30 percent) are the largest consumers of Norwegian gas exports.<sup>52</sup> As of January 2005, Norway had 73.6 trillion cubic feet (tcf) of proven natural gas reserves. The North Sea holds the majority of these reserves, but there are also significant quantities in the Norwegian and Barents Seas. Norway is the eighth-largest natural gas producer in the world, producing 2.59 tcf in 2003.<sup>53</sup> The United States Geological Survey has estimated that almost 25 percent of the globe's yet to be discovered resources are located in the Arctic region. Norway's recently opened Snohvit gas field, along with Russia's field at Shtockman, will make the Barents Sea a new European energy region.

According to industry estimates, Norway had 8.5 billion barrels of proven oil reserves as of January 2005, the largest in Western Europe. The bulk of Norway's oil production occurs in the North Sea, with smaller amounts in the Norwegian Sea. In 2005, Norway's oil production averaged 2.95 million bl/d. As North Sea fields continue to mature, Norwegian oil production will likely remain steady for several more years and then begin to decline. There is some hope that new developments in the Barents Sea will offset some of

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<sup>52</sup> Jonas Store, Minister of Foreign Affairs, Norway, "The High North—Top of the Agenda," Speech at CSIS, Washington, D.C., June 2006; "EU Energy Policy Data."

<sup>53</sup> Energy Information Administration.

this decline. The largest single recipient of Norway's oil exports is the United Kingdom, which imports around 814,000 bl/d from Norway, or 34 percent of Norway's total exports. Other significant destinations include the Netherlands and Germany.

Norway's entry into the LNG export market opens a new opportunity for the EU to work with its northern neighbor on energy security issues. Norway's energy giant, Statoil, plans to construct the first large-scale LNG export terminal in Europe, with connections to the Snohvit project. Although the initial LNG production from the Snohvit project has been committed to the United States, follow-on production and gas from future fields in the Barents Sea could be shipped to facilities in Europe. The EU has recognized the growing importance of Norway in Europe's energy security debate, and has expressed interest in "facilitating Norway's efforts to develop resources in the high north of Europe."<sup>54</sup> Individual European nations have also recognized Norway's potential future role in providing secure energy. Poland, along with the Baltic states, has already begun discussing with industry the construction of an LNG terminal along the Polish coast to receive LNG from Norway for transport to other parts of Europe.

*Conclusion.* Establishing a diversified network of secure energy suppliers has become one of the foremost challenges facing the nations of Europe. In one sense, Europe is fortunate to have such large sources of available energy within a relatively small geographical space. However, like other countries, Europe faces the fact that, for the foreseeable future, those energy producing nations pose different levels of risk, ranging from outright political instability to more subtle questions of political reliability and long-term intentions.

The EU can continue to use its Common Foreign and Security Policy (CFSP) and collective trade policy to promote political stability and security in countries providing the bulk of Europe's energy supply. However, perspectives on energy security policy differ among the twenty-seven member states themselves, and between the states and the European Commission. Long-term bilateral energy agreements such as the Baltic pipeline agreement between Russia and Germany, and LNG contracts signed between Spain and France and Algeria demonstrate that member states continue to view energy security primarily as a national policy issue. Such bilateral agreements may or may not take broader Union security into account. However, they could become more commonplace unless member states agree that a continued reluctance to coordinate may threaten the long-term energy security of the Union, especially if the states gravitate to single energy suppliers. For many, the European Commission's proposals that serious consideration be given to a common European energy policy make sense. Nonetheless, progress toward a common external energy security strategy tied to the EU's CFSP appears to require greater coordination than has been demonstrated heretofore.

### *Challenge 2: Promoting Indigenous Energy Supply*

While efforts to develop a coherent external energy policy remain a top priority for the European Commission and some member states, there is broad European agreement that the EU should also look inward to determine how its dependence can be mitigated by making better use of indigenous energy supplies. Specifically, the EU has taken steps to

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<sup>54</sup> European Commission Green Paper, op. cit.



increase Europe-wide production and use of alternative and renewable energy sources and to invest in “clean coal” technology. These efforts are aimed both at increasing European energy independence and addressing growing public and political concern with the effects of energy consumption on global climate change. Accordingly, current initiatives are focused on the two sectors that together account for a significant majority of the EU’s total carbon-dioxide emissions: power and heat generation (39 percent of total carbon emissions) and transport (26 percent).<sup>55</sup> Energy consumption in the transport sector is overwhelmingly fueled by imported oil. About a third of Europe’s power generation comes from coal burning plants, and another third from nuclear plants. The following chart illustrates the breakdown of power generation by fuel.

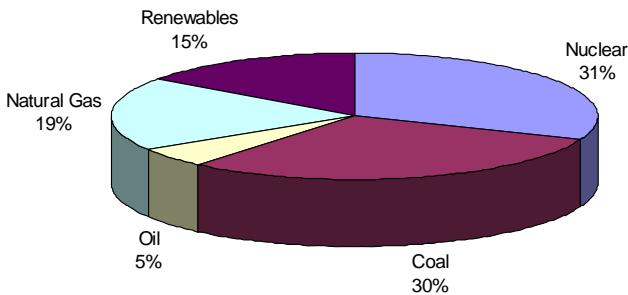


Figure 2: EU Electricity Generation by source, 2005<sup>56</sup>

The mix of energy supply in EU member states continues to be determined largely by national governments or energy companies. As a result, energy mix varies widely across the EU, influenced by a number of factors ranging from resource cost and availability to political factors, such as legislation curbing nuclear energy production. In France, for instance, nuclear power accounts for over 70 percent of all electrical generation, while Germany and Spain have enacted laws to phase out the use of nuclear power; in Poland and the Czech Republic, on the other hand, coal is the dominant fuel.

Nonetheless, decisions regarding national energy mix are increasingly influenced by EU and international agreements to reduce greenhouse gas and carbon emissions. Under the 1997 Kyoto Protocol, the EU is obligated to reduce its carbon emissions by 8 percent of 1990 levels by 2012. In order to achieve this collective target, member states have agreed to individual National Action Plans, with heavily coal-reliant and less economically developed member states such as Poland committed to less stringent targets than countries with more developed renewable energy portfolios. Member states will take the same approach to realizing the EU’s most recent goals of reducing emissions by 20 percent of 1990 levels by 2020. National targets are expected to be agreed upon by the end of 2007.

<sup>55</sup> In 2004, Europe’s power and heat generation and transport sectors accounted for a combined total of 2,433 million tons of the EU’s carbon-dioxide emissions, out of a total of 3,863 tons. Directorate-General of Energy and Transport, *Statistical Pocket Book 2006*.

<sup>56</sup> Source: IEA.

The EU's ability to reduce its import dependence while mitigating negative environmental effects will depend largely on individual member state decisions regarding energy mix. European efforts are expected to focus on promoting renewable energy and cleaner burning fuels, developing "clean coal" technology, and increasing energy efficiency and reducing overall consumption. Because nuclear power generation does not directly produce carbon emissions, some experts and government officials advocate an increase in nuclear power generation. Others, on the other hand, cite safety and proliferation concerns in opposing a rise in nuclear power generation.

*Coal.* Just over one-third of all electricity generated in Europe is produced by burning coal. As with other energy sources, coal use and production varies among member states. Coal burning accounts for the bulk of electricity production in member states such as Poland (92 percent), the Czech Republic (65 percent), Greece (62 percent), and Germany (just over 50 percent), but has been almost completely phased out in countries like France, which relies largely on nuclear power. Despite the fact that coal burning accounts for close to 25 percent of the EU's total carbon dioxide emissions, its abundance—Europe has proven reserves of close to 40 billion tons—leads most analysts to believe that coal will continue to play a significant role in Europe's energy consumption patterns.<sup>57</sup> Given Europe's continued reliance on coal, and acknowledging the "huge possible benefits of a sustainable use of [coal]," the EU has moved to invest in technologies, such as carbon capture and sequestration (CCS), that will enable so-called clean coal burning. Current technology is thought to enable efficiencies of well above 60 percent, but the majority of Europe's older and even most recently built plants have efficiencies ranging only from 30 to 43 percent.<sup>58</sup>

EU member states have endorsed Commission efforts to foster technological advances in the area of clean coal burning and to bring twelve sustainable fossil-fuel power plants on line by 2015. Nonetheless, in the long term, the ability of member states to meet their commitments to lowering carbon emissions, the potential for using renewable energy, the price of natural gas, and the cost of installing clean coal burning technologies will likely dictate whether coal can remain a viable alternative energy source for Europe.

*Nuclear.* Although nuclear power accounts for roughly one-third of Europe's overall electrical generation, pronounced differences in national nuclear energy policies have prevented the EU from developing a common nuclear energy policy. There are approximately 175 nuclear reactors in operation in Europe today. However, while nations such as France, Finland, Sweden, and the United Kingdom rely heavily on nuclear power, others oppose it on the grounds that it is dangerous and creates difficult waste disposal problems. Germany and Spain, for instance, have committed to phasing out all of their nuclear reactors over the next several years and replacing those with gas powered facilities. Political pressure to

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<sup>57</sup> European Commission, *Sustainable Power Generation from Fossil Fuels: Aiming for Near-Zero Emissions from Coal after 2020*, COM(2206)843 Final; available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=com:2006:0843:FIN:EN:HTML>. European Commission, "Coal Market Outlook," 2005; *Coal: a Clean Source for the Future?* Euractiv.com (June 2006; updated June 2007); available at [www.euractiv.com/en/energy/coal-clean-energy-source-future/article-156397](http://www.euractiv.com/en/energy/coal-clean-energy-source-future/article-156397).

<sup>58</sup> Ibid.

rethink these decisions—or at least extend timetables for the phase out—is reportedly growing in both countries, and the United Kingdom, Finland, and Lithuania have all decided to add new reactors. Nonetheless, given the substantial costs of putting a nuclear reactor on line and the controversial nature of nuclear waste, it appears unlikely that Europe will see a resurgence of new nuclear reactors in nations where nuclear power does not already play a role. At best, those nations that already utilize nuclear power could be expected to either replace or upgrade existing reactors. On the other hand, advocates of nuclear power generation appear to be gaining favor within Europe, given the fact that nuclear power generation emits virtually no greenhouse gas emissions.

One promising alternative may be found in the International Thermonuclear Experimental Reactor (ITER) program. The EU has joined the United States and several other nations in an effort to produce electrical power from nuclear fusion, which unlike current nuclear power does not generate dangerous waste. The first facility will be constructed in France, but initial results are not expected for at least fifteen to twenty years.

*Renewable Energy.* Hydro, wind, solar, and bio-mass energy currently account for just under 7 percent of Europe's total energy consumption, and 15 percent of its electricity generation. In March 2007, EU member states agreed to a legally binding target mandating that 20 percent of total European energy consumption be fueled by renewable energy sources by 2020. Member states are expected to negotiate individual national targets to realize the EU-wide goal by the end of 2007. Countries with advanced renewable energy sectors like Austria, Sweden, and Denmark are expected to set significantly more ambitious targets than newer member states in Central and Eastern Europe. France has reportedly urged special consideration be given to nuclear energy, which is not considered a renewable energy resource by most, but is virtually greenhouse gas emission-free.

Although EU-wide support for renewable energy is strong, individual member states' renewable energy portfolios vary. For instance, Austria and Latvia promote hydropower, while the Czech Republic and Portugal have committed financial support to large solar energy facilities. Germany, Sweden, and the U.K. are home to major wind farms off their coasts. Bio-mass and biofuel programs are becoming more attractive. Given that Europe's oil-dependent transport sector accounts for roughly a quarter of the EU's total carbon emissions, the EU has mandated that biofuels make up a 10 percent share of all European transport fuel by 2020.

Whether the EU meets its renewable energy targets will likely depend on the cost of production and the extent to which member states are willing to subsidize their development on a large scale. As noted earlier, a March 2007 McKinsey and Company report estimates that EU member states will need to invest approximately USD 1.5 trillion (EUR 1.1 trillion) in new technologies over the next fourteen years in order to achieve their carbon emission and accompanying renewable and energy efficiency targets. It appears that the Commission, the European Investment Bank, and individual member states are poised to substantially increase their investment in these sectors, although specific amounts are difficult to estimate. Some member states have announced programs to subsidize and provide low-interest loans to fund research and development on renewable energies, with

countries like Germany hoping to create the industrial capacity to supply what German officials believe will become an increasingly lucrative global market for renewable energy.<sup>59</sup>

### *Challenge 3: Providing Energy Security through An Internal Energy Market*

The European Commission has long argued that member states could substantially increase their energy supply security and network and cost efficiency by integrating national gas and electricity markets into the EU's single European market.<sup>60</sup> However, despite reforms to liberalize markets in some member states, national energy markets remain largely under state control. As energy security considerations have risen to the forefront of the EU agenda, debate over energy market liberalization has increased. The Commission and some member states contend that market integration and liberalization will increase energy security by forging network connectivity and EU-wide interdependence and diversifying supply sources, while others argue that continued national protection is important to guarantee stable and secure supply and distribution and to protect consumers from fluctuations in an unpredictable free market.<sup>61</sup> Commission proposals to develop a Europe-wide internal market for gas and electricity transmission and distribution continue to stoke debate, and analysts do not expect member states to take concerted action in this area before 2008.

The Commission launched its efforts to create a competitive EU-wide gas and electricity market beginning in the mid-to-late 1990s by issuing a series of directives focused on four primary objectives:

- To implement the single market for energy by promoting competition and efficiency in the production and delivery of electricity and gas
- To lower prices and give all EU customers the opportunity to choose their energy supplier by 2007
- To help improve the environment
- To enhance energy security.

However, most member states appear to regard energy policy as too important to their own individual economic development to give up national control over such policy, arguing that in Europe, nationalized industries have, for the most part, provided stability in the energy market. In fact, the dominant position of energy industries in some countries has led some national governments to take measures to protect their industries, even while ostensibly subscribing to the theory of open market competition.<sup>62</sup>

Over the past year, the Commission has increased its efforts to promote EU guidelines to determine ownership and access to electricity grids, pipelines, and emergency energy

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<sup>59</sup> Interviews with German officials, January–March 2007.

<sup>60</sup> The 1986 Single European Act, adopted in 1987, established the so-called single European market, allowing for the free movement of goods, services, people, and capital across the EU.

<sup>61</sup> Katinka Barysch, Simon Tilford, and Aurore Wanlin, *The Lisbon Scorecard VII - Will Globalization Leave Europe Stranded?* (London: Centre for European Reform, 2007); available at [www.cer.org.uk/pdf/p714\\_lisbons\\_vii\\_2007.pdf](http://www.cer.org.uk/pdf/p714_lisbons_vii_2007.pdf).

<sup>62</sup> For additional information see Raymond J. Ahearn, *Europe: Rising Economic Nationalism?* CRS Report RS22468 (Washington, D.C.: Congressional Research Service, July 2006); available at <http://italy.usembassy.gov/pdf/other/RS22468.pdf>.

storage facilities. The Commission's most recent and controversial proposal would reduce the power of state-owned energy companies by obligating them to split up ownership of generation and distribution networks (a process known as unbundling). The Commission contends that dual ownership blocks competition and allows for price manipulation. However, opposition to unbundling from Germany, France, and Spain leads analysts to predict that the Commission will seek to allow national energy industries to continue to operate both generation and distribution facilities, but subject them to oversight from an independent European regulatory body. The Commission is expected to announce its formal proposal in the fall of 2007.

The internal European market for electricity and gas is by no means complete. Despite continued apprehension in some member states and the numerous obstacles yet to be overcome, the Commission contends that by increasing competition, a more open energy market will diversify supply, thereby mitigating the effects of individual dependencies and bolstering EU-wide energy security. Indeed, analysts argue that open markets and competition can guarantee a certain level of security if competitive forces are successful in providing energy from a variety of sources. In a 2004 paper, analyst Giacomo Luciani, referring to the European gas market, suggests that as long as only two sources of energy (Russia and Algeria) continue to dominate gas imports to Europe, it is unlikely that real competition can exist, and that increasing dependence on established suppliers is incompatible with competition.<sup>63</sup>

*Network Interconnection.* As progress toward a liberalized European energy market continues, discussion on energy security is expected to focus on the internal market's ability to deliver energy supplies through interconnected pipelines and electricity grids and to provide infrastructure security and emergency supply.

The European power transmission grid is divided into seven regional "pools" that, according to the Commission, are only weakly connected. Cross-border energy exchanges have increased recently. For example, in July 2006, the French electricity sector purchased additional power from Germany to offset the demand in France brought on by a heat wave. However, in 2005, only about 10 percent of the currently installed electrical generation capacity of Europe could be delivered across national borders. Although there are examples of successful cross-border cooperation, especially in regions such as the Nordic pool, many contend that a wave of blackouts in 2005 and 2006 was caused by weak links between Europe's power grids, poor coordination between national and regional power markets, and insufficient generation capacity. As a result, the EU has increased efforts to encourage investment in the construction of cross-border electricity grid connection, as well as to extend this kind of activity to gas, oil, and new LNG distribution systems.

## Assessment

Most EU member states have long held that energy policy should remain the primary responsibility of the states themselves. However, European countries have begun to rethink

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<sup>63</sup> Giacomo Luciani, "Security of Supply for Natural Gas Markets," INDES Working Paper No. 2, Center for European Policy Studies, March 2004; available at <http://ceps01.link.be/files/No2%20INDES%20pdf.pdf>.copy.

energy, not only as an element of individual national security but also as an element of the EU's Common Foreign and Security Policy (CFSP). Furthermore, growing European public and political concern regarding global climate change appears to have spurred European action to mitigate its energy dependence by seeking to increase efficiency and reduce carbon emissions within Europe. Indeed, of the three focal points of current EU energy security policy—external relations, indigenous energy supply, and the internal energy market—efforts to promote a cleaner and more efficient indigenous energy supply have gained the most support from member states.

Some skeptics doubt the ability of EU member states to ultimately come to agreement on a host of energy-related issues, particularly in managing external relations and creating an internal market. There continues to be strong disagreement on how to deal with Russia and on an appropriate diversification strategy, and most decisions regarding foreign supply sources and contract terms will likely remain in the hands of individual member states and their energy sectors. Open and competitive energy markets are desired, but protection of national energy industries still prevails in several key nations, including Germany, France, and Spain. Some countries that have reluctantly agreed to open their energy sectors to more competition appear unenthusiastic about turning regulatory decisions over to European Commission bureaucrats in Brussels.

On the other hand, the EU is increasing its role in coordinating and financing the development of renewable energy and the storage and use of emergency energy supplies. Although member states and their energy industries appear likely to retain absolute authority in determining which energy mix makes the most sense for individual countries, the EU has set binding EU-wide targets in some areas and may continue this trend. The EU also stands to play a larger role in determining power grid interconnection arrangements and energy infrastructure investment levels. With regard to foreign policy, efforts to advance energy dialogues with Russia and other energy producing and transit regions are being pursued in a more open and coordinated manner between the EU's Office of the High Representative for Common Foreign and Security Policy and the individual member states, and the Commission has outlined specific foreign policy goals with regard to multilateral treaties and an expansion of the EU's Neighborhood Policy. Nonetheless, foreign policy continues, first and foremost, to be determined by national governments.

## Energy Security in the Transatlantic Context

Over the past fifty-five years, relations between the United States and the EU have steadily broadened and deepened, so that today they are inextricably linked. Nowhere has transatlantic integration manifested itself more than in the economic relationship between the United States and the European Union. This economic partnership has been described by many as the single most important influence on worldwide economic growth, prosperity, and trade.<sup>64</sup> Within the deepening transatlantic economic relationship, energy security policy is becoming a higher priority for both the United States and the EU. Together, the

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<sup>64</sup> For a more detailed explanation of the economic relationship see Daniel S. Hamilton and Joseph P. Quinlan, *Deep Integration: How Transatlantic Markets are Leading Globalization* (Brussels: Centre for European Policy Studies, 2005).

United States and the European Union represent the world's largest energy market. The United States and the EU produce approximately 23 percent of the world's energy, but combine to account for almost 40 percent of global energy consumption.<sup>65</sup> Combined, the United States and the EU account for almost 40 percent of the world's total carbon emissions.<sup>66</sup>

At the 2006 U.S.–EU Summit, the parties agreed to increase cooperation on energy security, climate change, and sustainable development issues. Three institutional mechanisms to facilitate this cooperation were established: an annual strategic review of U.S.–EU energy cooperation; a U.S.–EU High Level Dialogue on Climate Change, Clean Energy, and Sustainable Development; and a U.S.–EU Energy CEO Forum. None of these forums has convened more than once, however, and at the April 2007 U.S.–EU Summit in Washington, D.C., the Bush Administration reportedly rejected European calls for a commitment to pursue binding international global emissions and energy efficiency targets.<sup>67</sup> Specifically, European officials have urged U.S. support for an international treaty regulating greenhouse gas emissions after 2012, when the U.N. Kyoto Protocol is set to expire, and for an international market-based carbon emissions credit trading system.

European officials appear encouraged by what they perceive as an increasing U.S. willingness to acknowledge climate change as a problem with serious global ramifications, and to link energy and climate change policy. However, they are reportedly frustrated by U.S. reluctance to commit to binding international emissions and energy efficiency targets. The United States is not party to the Kyoto Protocol, and the Bush Administration reportedly views global regulation to address climate change with skepticism; instead, U.S. officials advocate transatlantic and international cooperation to develop alternative and renewable energy sources and liberalize international energy markets. To this end, the United States and EU used their 2007 summit to launch a series of initiatives jointly promoting technological advances in clean coal and carbon capture and storage, biofuels, energy efficiency, and methane recovery. U.S. officials argue that such technological innovation is proving more effective in reducing emissions than global regulation, and that such regulation may actually impede the economic growth necessary to sustain further technological advances. To support their claims, Bush Administration officials point out that, despite EU participation in the Kyoto Protocol, carbon dioxide emissions increased at a faster rate in the EU than in the United States from 2000–04. During the same period, they add, U.S. economic growth outpaced economic growth in the EU.<sup>68</sup>

Just as EU member states have expressed concern regarding a perceived U.S. reluctance to link transatlantic energy security to pursuit of a global climate change treaty, U.S.

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<sup>65</sup> According to BP's *Statistical Review*, the United States' share of global oil consumption is approximately 43 percent, and gas consumption, 23 percent. The EU accounts for 18 percent of global oil consumption and 19 percent of natural gas usage.

<sup>66</sup> See *BP Statistical Review*, op. cit.

<sup>67</sup> "EU–US Summit To See Trade Move but No Climate Deal," *EU Observer* (26 April 2007); "EU's Climate Change Drive Postponed," *European Voice* (2 May 2007).

<sup>68</sup> Speech by Kurt Volker, Principal Deputy Assistant Secretary of State for European and Eurasian Affairs, at the German Marshall Fund Berlin, 12 February 2007; available at [www.gmfus.org](http://www.gmfus.org). See also "EU and U.S. Head for Climate Change Clash," *European Voice* (29 March 2007).

officials and analysts point to a potential long-term threat to transatlantic relations arising from European dependence on Russian energy and Gazprom's growing influence in large segments of Europe's energy infrastructure.<sup>69</sup> To this end, the Bush Administration has been supportive of efforts to build pipelines and develop other transportation routes from Central Asia and the Caspian Region to Europe that bypass Russia. In addition, U.S. critics of EU policy toward Russia argue that the EU should strengthen its resolve in requiring Russia to ratify the Energy Charter Treaty and to accept standard open market business practices, competition, and foreign investment in its energy sector. Some Europeans, and particularly Germans, on the other hand, appear reluctant to take concerted action toward Russia that may be viewed as antagonizing a country they view as an essential strategic partner on a variety of important issues beyond energy.<sup>70</sup>

Lastly, transatlantic discussion of energy supply security also includes energy crisis management and infrastructure protection. In this regard, some have called for NATO involvement in energy security issues, including in securing supply sources, distribution routes, and storage facilities. In 2006, Poland circulated a proposal for a so-called "Energy NATO," calling on an increased role for NATO in guaranteeing the protection of member state energy supplies. In a similar vein, in an address at NATO's November 2006 Summit in Riga, Latvia, Senator Lugar proposed the extension of NATO's collective defense clause, Article V, to cases where a member state's energy security is threatened. Other EU member states, notably Germany and France, have greeted such proposals skeptically, preferring to advocate an enhanced EU role in energy security matters.

However, still others assert that NATO's role in energy security could be complementary to the EU's effort to strengthen market forces and interdependence in the international energy sector by offering assistance for the protection of pipelines or shipping lanes during times of political unrest or conflict. NATO Partnership for Peace countries, such as Kazakhstan and Turkmenistan, which are important energy producers, are seeking ways to associate themselves more closely with NATO, in part to diminish Russian influence and in part to develop reliable partners in an unstable region. For some, NATO has the ability to help secure the energy infrastructure of such countries.<sup>71</sup>

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<sup>69</sup> Keith Smith, "Russian Energy Pressure Fails to Unite Europe."

<sup>70</sup> Interviews with German and European officials, January–March 2007.

<sup>71</sup> For additional information see Paul Gallis, *NATO and Energy Security*.



# Managing Defense Transformation in Small and Medium-Sized NATO Countries

Dorinel-Ioan Moldovan \*

## Abstract

Defense transformation in small and medium-sized countries has a dialectical aspect. On one hand, it is a general process that has arisen as a result of the effect of the forces of globalization on domestic security and defense issues. As such, it is identical for all countries, having the same features. On the other hand, as a critical organizational process, defense transformation represents a unique response by each nation's defense institutions, a response that is crafted in order to cope with challenges coming from both internal and external sources. This paper will analyze the challenging dimensions of defense transformation from the perspective of the binomial relationship of willingness and affordability, and will compare the advantages and disadvantages of various approaches. It is obvious that the complexity of the defense transformation process comes from the many questions it raises and requirements it poses, which each country must solve for its own specific context.

**Keywords:** defense transformation, small and medium-sized countries, budgetary affordability, leaders' willingness, Revolution in Military Affairs, qualitative and quantitative assessment

## European Countries: Between NATO and the EU

Small and medium-sized countries in Europe have perceived a variety ways to address their security issues, from political-military alliances to different types of collaboration and cooperation. In Western and Central Europe, there are the following methods of assuring national security, which can be arranged according to various nations' attitudes toward the European Security and Defense Policy (ESDP)<sup>1</sup>:

- The Euro-Atlantic view:
  - *Traditional Euro-Atlantism*: this is the approach taken by Denmark and the Netherlands; even though not an EU member, Norway could be included here as well. These countries accept only NATO as the primary security organization in Europe, and do not participate in (or participate with very few military capabilities) in EU military cooperation operations.
  - *Reflexive Euro-Atlantism*: this view characterizes the Baltic States (Estonia, Latvia, Lithuania) and the Visegrad States (Hungary, Czech Republic, Poland, Slovak Republic). Based on the framework presented by Molis (see note 1), even Bulgaria

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<sup>1</sup> Arunas Molis, "The Role and Interests of Small States in Developing European Security and Defence Policy," *Baltic Security & Defence Review* 8 (2006); 86; available at [www.bdcol.ee/fileadmin/docs/bsdr/5-Small%20States%20and%20the%20ESDP-Arunas%20Molis.pdf](http://www.bdcol.ee/fileadmin/docs/bsdr/5-Small%20States%20and%20the%20ESDP-Arunas%20Molis.pdf).

and Romania, considering their joint accession to EU membership on 1 January 2007, could be included here, too. These countries view the ESDP within the wider framework of transatlantic relations, believing that EU actions should complement the actions of NATO.

- *Conjunctive Euro-Atlantism*: This view is held by Slovenia, Portugal, and Greece. These countries officially declare NATO as their priority in terms of collective security arrangements, but the practical level of support that they are able to provide depends largely on the domestic political situation.
- The Pro-European view: This is the approach that Belgium, Luxembourg, and Cyprus have taken. These countries have as a long-term interest the strategic independence of Europe, not the preservation of the transatlantic community.
- Traditional Neutrality: The familiar view held by Switzerland and/or non-allied states, including Finland, Austria, Ireland, Malta, and Sweden. Because none of the traditionally neutral states *de facto* is neutral anymore, these countries chose balancing between the EU and NATO as a mean of accumulating their structural power.

In the context of this essay, defense transformation is a policy choice—meaning a specific way of doing something—about making deliberate changes in a country’s war fighting capabilities in order to cope with emerging strategic challenges. These changes are fundamental at the level of equipment, doctrine, operational concepts, organizational training and military culture. The alterations accompanying defense transformation are also discontinuous, often being introduced abruptly, suddenly increased, and dramatically advanced. Defense transformation is a process in the evolution of the military establishment, which is at times carried out simultaneously with efforts of force modernization. It is certain that the fundamental changes in equipment implied in force modernization will dramatically influence the organizational structure of the military in suggesting the efficacy of other types of organization than the classic hierarchical structure (such as matrix and network structures) and by placing increased emphasis on externalizing some of the military’s traditional activities (outsourcing).<sup>2</sup>

In this respect, related to the debate over what size military concept (large or small) is appropriate for a given country to pursue, Rob de Wijk has proposed a metric for defining the military power of a country in regard to its types of forces.<sup>3</sup> Even though de Wijk’s essay is focused only on NATO countries, it nevertheless offers a useful tool for analyzing the process of transformation in small and medium countries. According to de Wijk, a country could choose to develop one of the following types of forces:

- A *full spectrum force* comprises the full array of assets and capabilities, allowing a member state to deal with all contingencies. It allows sustained combat operations

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<sup>2</sup> Prof. John M. Treddenick, “Defense Transformation: Conceptual Aspects,” presentation delivered at the Regional Center for Defense Resources Management, Brasov, Romania, 10 April 2006.

<sup>3</sup> Rob de Wijk, “The Implications for Force Transformation: The Small Country Perspective,” Chapter 6 in *Transatlantic Transformations; Equipping NATO for the 21st Century*, ed. Daniel S. Hamilton (Washington, D.C.: Center for Transatlantic Relations, 2004), 118-119; available at [http://transatlantic.sais-jhu.edu/Publications/transatlantic\\_transformations\\_natobook.pdf](http://transatlantic.sais-jhu.edu/Publications/transatlantic_transformations_natobook.pdf).

against an opponent’s irregular or regular forces, and [offers the ability] to carry out stability and reconstruction operations in an effort to keep or bring the peace in distant places. A country with a full spectrum force could provide the framework for coalition operations as well. A *framework nation* provides the backbone of an operation. Other nations *plug in*.

- *Broad expeditionary capabilities* allow a country to carry out similar operations, albeit on a more modest scale. Those countries could act as a lead nation for less demanding operations. A *lead nation* is responsible for planning the campaign; it directs the strategic decision making process and provides the key elements of C4I (Command, Control, Communication, Computers, Intelligence).
- *Focused expeditionary capabilities* allow countries to contribute to a wide variety of military operations with a limited range of capabilities. Some countries may even be able to act as a lead nation for small stabilization operations in a permissive environment.
- *Selective expeditionary capabilities* allow countries to contribute with some force elements to coalition operations. The development of *niche capabilities* is the obvious choice. Niche capabilities are those scarce capabilities that complement and enhance the performance of the entire coalition and cannot usually be commonly owned.
- *Stabilization capabilities* allow countries to contribute to peace keeping. These countries could help funding *collective capabilities*. These collectively owned military capabilities, such as AWACS, are a prerequisite for coalition operations.<sup>4</sup>

Based on this classification of military capabilities, de Wijk has sorted the NATO countries as indicated below in Table 1.

Table 1: The Military Capabilities of NATO Member States: A Qualitative Assessment

<i>Full spectrum force</i>	United States
<i>Broad expeditionary capabilities</i>	United Kingdom, France (after restructuring**), the Netherlands
<i>Focused expeditionary capabilities</i>	Spain** and Italy** (after restructuring)
<i>Selective expeditionary capabilities</i>	Belgium, Canada, Denmark**, Germany*, Norway
<i>Stabilization capabilities</i>	Poland*, Turkey*
<i>No capabilities</i>	Estonia*, Bulgaria*, Czech Republic*, Greece*, Hungary*, Latvia*, Lithuania*, Luxembourg, Portugal*, Romania*, Slovenia*, Slovakia*

\* – conscript force

\*\* – transition to professional forces or mix of conscripts and professionals

<sup>4</sup> Ibid., 118–19.

Therefore, my real interest in this essay is the definition of *capability*, because within the context of the much-heralded Revolution in Military Affairs (RMA), capability-based planning is a challenge for transformation efforts. In the U.S. Department of Defense dictionary, *capability* means “the ability to execute a specified course of action. (A capability may or may not be accompanied by an intention.)”<sup>5</sup> A state must be able to pursue such a course of action, even in cases of unforeseen risks and threats.

More details are included in the definition of *military capability*, which is given as:

The ability to achieve a specified wartime objective (win a war or battle, destroy a target set). It includes four major components: *force structure*, *modernization*, *readiness*, and *sustainability*.

- a. *force structure*: Numbers, size, and composition of the units that comprise U.S. defense forces; e.g., divisions, ships, air wings.
- b. *modernization*: Technical sophistication of forces, units, weapon systems, and equipments.
- c. *unit readiness*: The ability to provide capabilities required by the combatant commanders to execute their assigned missions. This is derived from the ability of each unit to deliver the outputs for which it was designed.
- d. *sustainability*: The ability to maintain the necessary level and duration of operational activity to achieve military objectives. Sustainability is a function of providing for and maintaining those levels of ready forces, materiel, and consumables necessary to support military effort.<sup>6</sup>

In the context of transformation, all of these elements are dramatically altered in order to provide greater precision, speed, lethality, and deployability.

According to the definitions of military capability listed above, and based on the events of the last several years, there are questions and debates over which category best describes a given country’s situation. Even though this highlights a need to update the ranking, and to gain greater information about defense issues in general, it is still a useful metric to assess the military power and capabilities possessed by NATO countries. At the same time, such a ranking could be applied to other small or medium-sized countries in the Eurasian area as well.

In order to support transformation in defense within the context of the transatlantic relationship, the United States perceives the NRF (NATO Response Force) as a catalyst to developments taking place within the U.S. military, one that has expanded the perspectives of many U.S. defense thinkers on the potential of creating post-modern armed forces. With the rise of the NRF, the Europeans have in effect accepted the U.S. agenda. The reluctance that the NRF has been met with in some quarters in Europe is a product of the capacity and willingness of European states to meet the requirements of the NRF. This is because there is a what can be called a multi-speed phenomenon in Europe, where a few countries have achieved advanced post-modern forces, while a larger group of countries is only able to

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<sup>5</sup> See [www.dtic.mil/doctrine/jel/doddict/](http://www.dtic.mil/doctrine/jel/doddict/); The DOD Dictionary and the Joint Acronyms and Abbreviations master database are managed by the Joint Doctrine Division, J-7, Joint Staff. All approved joint definitions are contained in Joint Publication 1-02, *DOD Dictionary of Military and Associated Terms*, as amended through 14 April 2006.

<sup>6</sup> Ibid.

contribute to the NRF with niche capabilities and stabilization forces. In the short term, Europe has a significant need for Network Enabled Operations (NEO) that are capable of interfacing with their C4ISR systems (Command, Control, Communication, Computers, Intelligence, Surveillance and Reconnaissance). The need for these NEO capabilities is greater in Europe than is the need for Network Centric Warfare (NCW) capabilities, which would enable countries to conduct their own operations according to their doctrines, operate in a EU context, and maintain interoperability in U.S.-led operations.

Rob de Wijk considers that Europe must create a post-modern force to be a credible instrument in its foreign, security, and defense strategy, capable of high-intensity operations in which it suffers few friendly losses and acceptable levels of collateral damage. Such a force would better match the political culture of a post-modern multi-state system like Europe than does the collection of modern forces that is currently available to the EU and NATO. The European force's strengths could be in unconventional warfare and stabilization operations. Under the rubric of stabilization efforts, European counterinsurgency units could be used as early entry forces during interventions as well. In addition, both the NRF and Battle Groups contribute to improved war-fighting capabilities. Since it is undesirable to train and equip these forces solely for conventional war, within the context of shifting focus on unconventional warfare, the heavy mechanized forces within Europe must be restructured for stabilization and reconstruction.

All these developments point to the urgent need for a coherent and unified European doctrine, and a European military approach to operations. This is particularly critical since, "despite a NATO-first approach and the NRF, developments in the transatlantic relationship and within the EU point to the increasing chance that in some cases the U.S. will not lead nor contribute with vital support assets."<sup>7</sup>

A useful way of analyzing defense transformation in small and medium-sized NATO countries is based on the role and missions of their armed forces. These are directly connected to:

- A state's geographical position, which generates specific risks, threats, and dangers against a country, obliging it to project its security and defense accordingly
- Political perspectives, approaches, and ambitions, particularly in the case of countries with armed forces under democratic and civil control, which ensure the legal framework governing roles and missions and the funds for defense spending, which in turn influence the structure, doctrine and training, equipment, and technique of the armed forces
- The people who work for the military organization, both military and civilians.<sup>8</sup>

Defense transformation can be studied, understood, and accepted based on official political and defense documents; officials and decision makers' statements in reports and in-

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<sup>7</sup> De Wijk, "The Implications for Force Transformation," 45–46.

<sup>8</sup> See Dr. John L. Clarke, "What Roles and Missions for Europe's Military and Security Forces in the 21st Century?" Marshall Center Paper, No. 7 (August 2005); available at [www.marshallcenter.org/site-graphic/lang-en/page-pubs-mcpapers-1/static/xdocs/coll/static/mcpapers/mc-paper\\_7-en.pdf](http://www.marshallcenter.org/site-graphic/lang-en/page-pubs-mcpapers-1/static/xdocs/coll/static/mcpapers/mc-paper_7-en.pdf).

interviews and during formal meetings; and through academic studies and research. These might be considered to constitute the qualitative dimension of defense transformation assessment. At the same time, defense transformation must be focused on the variables within any defense organization: the armed force's role in its country; its missions, functions, and tasks; the quality and experience of its people (leaders and managers, subordinates, employees, and followers, interpreting and evaluating their motivation and commitment to transformation); the technology needed (in terms of weapon systems and equipment, technological devices, and additional infrastructure); and the consequent organizational structures.

Changes in these elements will have implications for the country's military culture. At the same time, under the pressure of societal and technological factors, the members of defense organizations who are educated and trained in the new environment resulting from these transformations will act as change agents, debating the role of military obedience as the main military competence. The new environment is characterized by an entrepreneurial culture, requiring that limits on action be defined, rather the ways and means of action. *What to do?* not *How to do it?* will be the question. Therefore, the qualitative analysis of the facts (interviews and discussions with leaders about their intentions, defense analysis of figures, official documents, statements, and agreements) could identify the willingness of leaders to play an active role in promoting defense transformation.

### **The Economic Issue of Defense Transformation**

To rethink the parameters of the debate on defense transformation, it is necessary to conduct an economic analysis to assess how affordable defense transformation is for small and medium-sized European members of NATO. The perspective of John M. (Jack) Treddenick, a professor of defense economics at the George C. Marshall Center in Garmisch-Partenkirchen, Germany, is the starting point for the analysis that follows.<sup>9</sup> Because "the technologies define the opportunities and the economic tradeoffs define the possibilities," Treddenick considers that two important issues must be taken into account when conducting a budgetary analysis related to the affordability of transformation in terms of defense expenditure. The first issue is per capita defense expenditures (with *per capita* meaning per member of the armed forces, not the general population). The second issue, which is more difficult to calculate, is the balance among defense expenditures between costs for personnel, operation and maintenance, and capital (which is the sum of expenditures on equipment and infrastructure). Due to the lack of complete information about these types of expenditures, this analysis is only able to offer relevant and updated results through 2005, and only for the NATO countries where these data are published.

Per capita defense expenditures are obtained by dividing total defense expenditures in U.S. dollars by a given country's armed forces strength (see Appendix 1). Being a crude measure of the degree to which a military force could afford to go through the defense transformation process, this number reflects more than pay and benefits, representing as well the average cost of equipping, training, maintaining, and deploying each member of the armed forces. At the same time, it gives the dimension of transformation that can be

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<sup>9</sup> Prof. John M. Treddenick, "Transformation: Who Can Afford It?" paper presented at the G.S. Rakovski Defense and Staff College, Sofia, Bulgaria, 4 July 2006.

made in parallel with current operations, while maintaining readiness and modernizing existing capabilities.

Macroeconomic modes of measurement are frequently based on different assumptions, which create different models of analysis. In the case of defense expenditures, difficulties exist due to the variety of methods of calculating and reporting defense expenditures and defense budgets that are used in different countries.<sup>10</sup> As a result, it is very difficult to make comparisons among states; a common standard is needed to accurately evaluate the public funds allocated to national defense and to international defense contributions.

Therefore, based on the model proposed by Professor Treddenick (and with his support), I will try in this essay to build a model for defense transformation that will work for small and medium-sized countries. For such countries, this could be achieved using the figures delivered to NATO.<sup>11</sup> It is more difficult, however, if one attempts to compare the small and medium-sized NATO member states in Europe with the non-allied European countries (Austria, Cyprus, Ireland, Malta, Sweden, and Switzerland).

In the case of small and medium-sized European NATO members (these are listed in the Appendix 1 in a shadowed format), Norway is used as a benchmark. There are two reasons for this. First, this small country started its defense transformation process immediately after the 2002 NATO Summit in Prague, as indicated by the Norwegian leaders' statements at that time.<sup>12</sup> Second, it is based on Norway's distribution of defense expenditures for personnel, operation and maintenance, and capital. According to Treddenick's approach, the ideal budgetary scenario for defense transformation is when the distribution of defense expenditures adheres to the following pattern: 40 percent for personnel, 30 percent for operation and maintenance, and 30 percent for capital (equipment and infrastructure). The closest countries to this ideal distribution are the United Kingdom and Norway. The U.K. is a large state, having a well-developed economy, and its results in defense transformation are very impressive. Norway is a small country, which has nevertheless made a commitment to implementing a defense transformation program. Its engagements in a variety of international missions, operating jointly with U.S. troops, have met expectations for the results of its defense transformation initiative.

There are some criticisms that can be made of using Norway as a benchmark. Perhaps the most salient is that Norway is too small to be a model. Given the small size of the country (and the fact that its economy is fueled by oil revenue), it had a much easier time successfully carrying out a defense transformation program. The figures do not show the

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<sup>10</sup> In this respect, see, Christopher Langton, ed., *The Military Balance: 2006*, International Institute for Strategic Studies (London: Routledge, Taylor and Francis Group, 2006), 11–12.

<sup>11</sup> NATO, "Information for the Press" (8 December 2005), 5, 10; available at [www.nato.int/docu/pr/2005/p05-161.pdf](http://www.nato.int/docu/pr/2005/p05-161.pdf).

<sup>12</sup> Interview with Norway's Chief of Defense, General Sigurd Frisvold, by Joris Janssen Lok, "General Sigurd Frisvold—Norway's Chief of Defense," *Jane's Defense Weekly* (5 March 2003); see also another interview with Frisvold, in Joris Janssen Lok, "Norwegian Armed Forces Target Quality," *Jane's International Defense Review* (1 June 2003); "Norwegian Minister Calls for More Small-Nation Partnerships," *Jane's International Defense Review* (1 April 2003); John Berg, "Country Briefing: Norway—High Priority," *Jane's Defense* (5–12 May 2004); *Jane's Sentinel Security Assessment—Western Europe* (13 January 2006).

entire reality, however. The country cannot afford a full “tool box” of military capabilities; only selected expeditionary capabilities are affordable, according to de Wijk’s approach as presented in Table 1. Thus, even though its size and situation render it unique (as, in fact, any chosen country would be), for methodological and scientific purposes Norway can be considered a benchmark for other small and medium-sized European countries.

Treddenick’s assumption is that 80 percent of Norway’s defense expenditures were for personnel and non-traded goods. Adjustments for defense purchasing power were estimated by multiplying 80 percent of U.S. dollar expenditures (the country in column 3 in Appendix 1), as reported by the ratio of Norway’s domestic GDP (in dollars) at purchasing power parity per capita (Norway in column 12; in this case, Norway is the benchmark; in Treddenick’s case, the U.S. is the benchmark) to U.S. GDP at purchasing power per capita (the country in column 12) and adding the remaining 20 percent of reported defense expenditures (the country in column 3). To go further, in case of each country, the resulting figure is divided by the current armed forces strength (column 7) and will result in adjusted per capita expenditure (column 13). The figures have the same meaning for all countries, and the expenditures could be ranked, showing a hierarchy among the countries.

The results in columns 8, 11, and 14 of Appendix 1 are based on figures from another source in order to enable a comparison of all small European countries, both NATO members and non-members.<sup>13</sup> Therefore, the results in column 14 are different from those in column 13, but the same principle is functioning in both cases.

All countries in Appendix 1 with a higher adjusted per capita defense expenditure than Norway’s (i.e., those from rows 1 to 17) have the financial capacity for transformation, compared with the referent point of Norway’s per capita defense expenditure. All those countries under the level of Norway’s benchmark have (theoretically) two options in order to try to reach the same level of per capita defense expenditures: increasing their defense budget or reducing the number of personnel in their military. Until they accomplish either one of those two goals, defense transformation is not a financially viable proposition in these countries.

Changing the distribution among defense expenditures is a more modest alternative that could be suggested. It is related to the fact that a defense budget can be considered to be made up of three important categories of expenditures: personnel, operations and maintenance, and capital. Personnel expenditures include salaries and wages, as well as the costs of clothing and maintaining members of armed forces. For most countries, this type of expenditures represent the largest category in their defense budgets. Operations and maintenance includes the expenditures required to operate and maintain the country’s inventory of military equipment and infrastructure. Capital investment expenditures are needed to replace old and expensive (in terms of operations and maintenance) equipment with new equipment and for modernizing and improving the current military infrastructure or building new facilities.

There is a strong possibility that a vicious circle could potentially arise between these categories—e.g., a large quantity of old equipment demands more money for operations and maintenance, which will result in less money being available for investment and per-

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<sup>13</sup> “Defense Budget for 2005,” in *The Military Balance: 2006*, op. cit.



sonnel, or labor-intensive investment expenditures will require more money for personnel, which will result in less money for operating and maintaining the present equipment. As mentioned above, the ideal ratio among the three categories is 40 percent for personnel, 30 percent for operations and maintenance, and 30 percent for investments. The NATO countries' current distributions are shown in Appendix 2. The tendency toward the ideal distribution of defense expenditures shows the potential for transformation possessed by a given country. This tendency can be achieved through continuous improvements in its stock of equipment and infrastructure, with the sufficient resources to both operate that equipment and maintain it in operational condition.

The existing differences among the countries shown in Appendix 2 related to the rates of defense expenditures in the three categories might be interpreted in a variety of ways. For example, in the case of Belgium, is the country simply more people-oriented than technology-oriented, or it is possible that the pensions that are included in the personnel expenditures have been added in order to increase spending in this category to an appropriate level in comparison to capital expenditures?

Subsequent to further analysis, according to Belgium's defense policy it is possible to interpret the high level of personnel expenditures as a preference for light units that are better suited for international peacekeeping missions than for classic war fighting or even RMA-based war. There are rich small countries (Luxembourg, Austria) that, due to the absence of any large-scale military threats, are able to place much more emphasis (and spend much more money) on other ways of ensuring their security than the classic military approach—including cooperative and regional security frameworks, and memberships in transcontinental and international organizations.

Another issue that arises from the figures in the Appendices is related to the category of capital expenditures, where the entire cycle of defense procurement must be considered. It is well known that the present procurement cycle is quite long—anywhere from five to fifteen years, depending on the system being acquired—and that the most expensive phase is research and development (R&D). The R&D phase itself can last well over a year, and the costs are very high. Certainly an appropriate analysis must take a historical perspective, considering the time evolution of defense expenditures (the Appendices are focused only on 2005 estimated defense spending; but, if it provides any consolation to the reader, from 2002–03, after the Prague Summit, the numbers are quite similar, reflecting the dominant trends in European defense spending).

Under these circumstances, the proposed modifications in defense expenditures must take into account the balance that all decision makers are forced to keep in their minds.<sup>14</sup> On one hand, there are the security and defense risks and threats, and the appropriate ways to cope with them; on the other hand there are the budgetary constraints that apply to developing the appropriate capabilities to counter the identified threats. The proper solution could give rise to different political approaches.

Even though personnel reduction might be seen as the preferred method of bringing the distribution of defense expenditures into the appropriate alignment, other effects of such a decision should be taken into account. Because retired military personnel must be pre-

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<sup>14</sup> See Treddenick, "Transformation: Who Can Afford It?"

pared to be incorporated into the civilian labor market without disturbing the overall economic balance, they need skills that are in demand in the private sector, which implies additional expenditures for their training. Concomitantly, the “ideal” allocation for investments in defense (new technologies for transformation) should increase the number of jobs in a nation through technological transfer, thus supporting the country’s overall economic development.

Subsequent to the introduction of high technology—which represents the core of the Revolution in Military Affairs and is the single most influential factor in leading the military establishment to transformation—is the requirement for well trained and educated military personnel. This influences salaries in the military, and even in the private sector, as well as the ratio between military and civilian employees, the doctrine and training programs used in the military, and the organizational structures needed to best manage and deploy these revolutionary weapons (characterized by fewer people, smaller, flatter structures, and a higher degree of network orientation). All of these changes will require an entire new military culture, one that is nimbler and more entrepreneurial, rather than managerial and hierarchical.

Another political option for achieving the ideal distribution of defense expenditures is to increase the overall defense budget, in order to keep the same number of personnel. However, this is a very difficult issue to implement, due to a wide range of constraints. The general perception among the public is that the absence of a threat of large-scale military aggression means that any increase in defense spending is unjustified, as it would mean taking funds from other areas of spending, such as education, health care, or pensions. These assumptions are much closer to perceptions of a state’s wealth than they are to any awareness of the costs of assuring national security abroad in a coalition of the willing, or of fighting against international terrorists with expensive network enabled capabilities.

## **The Complete Picture**

All these assumptions are considered based on an analysis of the figures from the Appendixes. In addition to these numbers, the leaders and decision makers’ statements must be taken into account in order to identify their political orientations, since we know that ultimately a nation’s defense budget expresses the national leaders’ commitment to a specific set of policies.

Putting all these facts and figures (quantitative and qualitative) into a single comprehensive picture, it is possible to arrange the countries in the chart below, although some explanations are necessary. This is only a “spot” assessment, trying to perceive the transformation process in a fixed position, if such a thing could exist; it is a snapshot of a constantly evolving set of factors. By contrast, a process could be assessed by comparing two similar frames of the process in distinct periods, such as years or months. The next path to follow might suggest the four quadrants on an economic and real facts analysis, although both of these categories have their limits in accuracy (figures), in the degree of correspondence between official statements and reality, and other areas. In the meantime, the countries could move from one quadrant to another, representing the dynamics of the defense transformation process seen in its three dimensions: social, political, and economic.

The combination of these two types of analysis (quantitative and qualitative factors) are represented in a two dimensional graph which assigns the relative *affordability* of the transformation effort (in terms of resource allocations, or more simply put, the levels and distribution of defense expenditures among personnel, operation and maintenance, equipment and infrastructure) and the decision makers' level of *willingness* to commit to defense transformation.

At this point, the willingness of the leaders of the small countries could be identified, allowing them to be arranged on the diagram accordingly. For instance, Norwegian leaders can be considered to be oriented toward defense transformation; at the same time, others do not yet intend to implement any transformation in defense. Others, being more oriented toward continental Europe, might plan to promote Europe as a whole as an international power with an adequate military capability, more designed for crisis management, especially for reconstruction and stabilization operations and humanitarian aid. The diagram intentionally represents only the benchmark, Norway, because after this analysis anybody who is interested in the topic of defense transformation could position their own national military establishment accordingly.

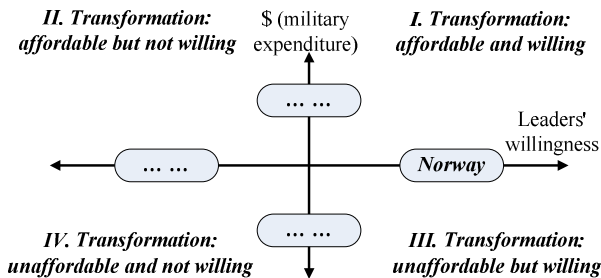


Figure 1: Locating a Country's Attitude Toward Defense Transformation

All the requirements call for appropriate people (especially their commitment to such a process, which could disturb the familiar relationship between military obedience and military competence), as well as a proper role, missions, and tasks for the new armed forces. Adequate resources and responsibilities could have higher costs than were budgeted for or estimated. Therefore, the opportunity cost is a very flexible concept, which shows what could be lost when something else is chosen. Even this is very difficult to accurately identify, due to a wide range of factors. The performance assessment represents the only method by which the needed corrections can be introduced in order to maintain progress toward the goals of the transformation process.

### The Results: Advantages and Disadvantages

Now is the time to set out the advantages and disadvantages of defense transformation in small and medium-sized countries. The previous section offered the conditions that will allow one to assess the pros and cons. The two columns below will allow one to view them in parallel.

Advantages	Disadvantages
<b>EXTERNAL</b>	
<b><i>Societal-Political-Economic-Technological and Military</i></b>	
<ul style="list-style-type: none"> <li>• The U.S. military’s defense transformation model acts as a push factor, the advantages are perceived more than the disadvantages</li> <li>• The level of political support for transformation (which represents the political majority) could act as a push factor for urging the necessary steps toward the goal</li> <li>• The commitment to defense transformation is perceived as expressing a willingness to adopt hard-power approaches, which could represent a commitment to continue NATO’s efforts toward transformation</li> <li>• At the same time, the current U.S. leadership might perceive such commitment as an expression of seriousness in the area of bilateral cooperation; some gains could come from this direction, considering that U.S. needs reliable and serious partners</li> <li>• For small countries, especially in stable areas such as Europe, defense transformation offers possibilities for different forms of cooperation in a variety of areas related to military issues (see the cooperative arrangement among the Nordic states: Norway, Denmark, and Sweden).<sup>15</sup></li> <li>• Technology transfers must be considered as developmental factors coming from the will of political leaders to strengthen their bilateral or multinational relations</li> <li>• Defense transformation permits national forces to plug in to U.S., U.K., or Germany-led coalitions in cases when they</li> </ul>	<ul style="list-style-type: none"> <li>• The U.S. military’s defense transformation model acts as a push factor, the disadvantages are perceived more than the advantages</li> <li>• The fact of defense transformation could contribute to greater unease in unstable regions, where a country’s neighbors might become suspicious of the power increase in conventional capabilities brought about by defense transformation</li> <li>• In such areas, the countries that are unable to develop NCW capabilities might choose alternatives, such as nuclear deterrence or nuclear capabilities, or other WMD and unconventional war fighting capabilities</li> <li>• Defense transformation is an option only for rich countries, which will enlarge the gap between rich and poor countries due to technological transfer and dual use of technologies for both military and civilians</li> <li>• The critics of RMA consider that this is a path that is only suitable in pursuit of the ability to wage traditional warfare; in an unconventional war, in stabilization and reconstruction operations, and in humanitarian aid, the RMA is meaningless</li> <li>• In any coalition there will always be a leader who can impose his opinions, even against his declared national objective and interests; as a matter of fact, this might limit the sovereignty of other nations that have chosen to join the coalition</li> <li>• The dividends of a common action are</li> </ul>

<sup>15</sup> “The end of the Cold War has allowed the Nordic countries to engage in military cooperation within joint peacekeeping battalions and to consider joint procurement of hardware such as the joint program to purchase helicopters between Sweden, Denmark and Norway.” *Jane’s Sentinel Security Assessment Western Europe* (12 April 2007).

<p>use network-centric capabilities</p> <ul style="list-style-type: none"> <li>• Because RMA as a backbone for defense transformation is going to be brought to bear in all three areas of modern military activity—classic war, stabilization and reconstruction efforts, and humanitarian aid—the ownership of these capabilities allows national military organizations to come in contact with the newest technologies, doctrines, logistics, and education and training</li> <li>• Even though this transformation seems to be expensive, appropriate economic and budgetary approaches could help its implementation (offsets)</li> <li>• RMA capabilities could be considered deterrence factors in the international arena</li> </ul>	<p>not always shared equally or proportionally according to the efforts and resources expended</p>
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**INTERNAL**

*Political*

<ul style="list-style-type: none"> <li>• Defense transformation represents a political construct introduced in the defense sector as a commitment by the political leadership to similar changes made in the U.S. military; in this case, political support is necessary for the success of this process</li> <li>• The chosen defense transformation is based on public support for its elected political leaders, representing a matter of trust among politicians, civil society, and the military establishment; it is more likely to succeed in countries where the confidence in this national institution is high</li> <li>• The political leaders could establish milestones for military leaders in order to measure their performance and to be in accordance with international commitments and agreements</li> <li>• The commitment to defense transformation within the international framework obliges the national political leaders to respect their promises</li> </ul>	<ul style="list-style-type: none"> <li>• As a political construct it might exist only as long as the leaders that have introduced it are in power; a change in government could bring a new concept for military affairs, such as “metamorphosis,” or “change management in defense,” which could simply imply a continual adaptation of the military establishment</li> <li>• Public support is needed in order to introduce such a process in the defense establishment, and in the countries reluctant to support their military, it is very difficult to gain this support</li> <li>• There is a possibility to use this concept in an election in order to gain votes from the military and their advocates</li> <li>• The process of defense transformation could be perceived as confirming a focus on hard power in the international arena</li> <li>• Defense transformation is difficult to introduce in a country with a “peaceful” culture and a greater orientation toward soft-power approaches</li> </ul>
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<i><b>Economic and Technological</b></i>	
<ul style="list-style-type: none"> <li>• The forms of cooperation among small countries in the area of network capabilities could bring new technological transfers, which would contribute to the countries' economic development</li> <li>• Technology transfers could have an impact on the labor market, creating new jobs and contributing indirectly to economic growth</li> <li>• The investment in RMA capabilities is a long-term cycle, and they could be used for both civilian and military purposes</li> <li>• The spread of technology allows small countries to purchase high-tech equipment</li> </ul>	<ul style="list-style-type: none"> <li>• In terms of economic cooperation, it is possible that the dividends and the gains will not be shared equally or proportionally with the efforts and resources expended</li> <li>• Technology transfers could take the form of older equipment, in line with countries' pursuit of affordable solutions</li> <li>• The offsets between nations can be extremely complex, and might support only one part of a nation or its economy, instead of the whole</li> <li>• RMA capabilities are expensive and require social sacrifices, considering the cost of investment and the effect on personnel reduction; these choices can have political and social implications</li> <li>• The pace of technological upgrades and improvements is very rapid, which requires nations to make careful choices and explore alternatives</li> </ul>
<i><b>Societal</b></i>	
<ul style="list-style-type: none"> <li>• Technology transfers could strengthen social solidarity among different professional groups</li> <li>• RMA capabilities offer employment opportunities for people who are interested in high-tech fields but would not otherwise consider a professional military career</li> </ul>	<ul style="list-style-type: none"> <li>• RMA capabilities require specialists who must be hired away from civilian fields</li> <li>• The entire human resources management cycle in the military —recruitment, retention (career development and motivational factors), and retirement —will face strong competition from the civilian labor market, since it is widely known that in developed countries, highly skilled people do not join the armed forces</li> <li>• Making reductions in personnel in order to have money for capital expenditures could create more pressures on the labor market</li> </ul>
<i><b>Military</b></i>	
<ul style="list-style-type: none"> <li>• Defense transformation could bring changes in the missions of the armed forces and in the functions of the services in order to increase their level of accept-</li> </ul>	<ul style="list-style-type: none"> <li>• Defense transformation affects the defense planning and procurement cycles, committing them to a state of permanent adaptation, because changing risks re-</li> </ul>

<p>able performance as a result of efficiency and effectiveness measures</p> <ul style="list-style-type: none"> <li>• Defense transformation creates smaller and leaner forces that are more rapid, flexible, agile, deployable, and precise in their strikes</li> <li>• All military capabilities are integrated in a functional system of sensors, decision makers, and actors</li> <li>• The entire picture of the battlefield is available for all, and front-line decisions could have strategic importance; data from the battlefield are processed instantaneously</li> <li>• RMA capabilities reduce redundancy the war time, collateral damage, friendly fire, and allow more precise strikes</li> <li>• Even though it has begun as a new way of waging war, defense transformation is going to be generalizable to all military operations: classic war, unconventional war, stabilization and reconstruction operations, and humanitarian aid</li> <li>• Defense transformation is forcing the services to operate jointly</li> <li>• Even through the new doctrines require new ways of training and education, with more expensive specialists, their influences and positive gains are synergistic, creating a new type of military elite</li> <li>• The new force structures are flatter and create an entrepreneurial organizational culture</li> <li>• Defense transformation contributes to defense planning efforts to offer better alternatives to present and future threats and risks</li> <li>• Defense transformation with its RMA capabilities is easier to implement in small countries, since they have smaller bureaucratic structures than larger countries; at the same time, it could further reduce the size of the bureaucracy</li> </ul>	<p>quire more concentrated efforts on designing and projecting military capabilities that are able to respond to a wide range of threats</p> <ul style="list-style-type: none"> <li>• Defense transformation requires changes in doctrines and military training in order to create military personnel able to shift from the mode of warrior to the simultaneous modes of peacekeeper, negotiator, diplomat, and social worker</li> <li>• A new form of training and education is needed involving highly specialized personnel, which is very expensive</li> <li>• In terms of military operations, the required level of interoperability could demand uniformity in some fields; its lack might negatively affect the nation's logistics and command and communication systems</li> <li>• The new professionals required for RMA capabilities are more expensive to retain, considering that they will have to be offered salaries that are competitive with offers from the private sector</li> <li>• It is possible that senior military leaders will not accept these dramatic changes in military affairs, and might act as a factor working against defense transformation</li> <li>• The autonomy in decision making at the lowest level could complicate the battlefield environment, and results might suffer in cases when soldiers are not well trained</li> <li>• The training required for RMA capabilities takes much longer than traditional military training</li> <li>• It is very difficult to measure and assess the achievements of defense transformation efforts</li> <li>• The affordability of defense transformation is subject to budgetary constraints</li> <li>• The opportunity costs for defense transformation are difficult to assess</li> </ul>
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This kind of SWOT analysis can be used to show the advantages and disadvantages of implementing transformation in defense. As a change management process, defense transformation must include these widely accepted steps:

- *Planning*: defining goals for future organizational performance and deciding on the tasks and resources needed to attain them
- *Organizing*: assigning tasks, grouping tasks into departments, and allocating resources to departments
- *Leading*: using influence to motivate employees to achieve the organization's goals
- *Controlling*: monitoring employees' activities, keeping the organization on track toward its goals, and making corrections as needed.

At the same time, responsibilities for leaders must be established in order to assess whether outcomes are meeting agreed upon goals.

To be put into practice, from the very beginning the defense transformation concept must be thoroughly understood by both leaders and managers and subordinates, employees and followers, to avoid conceptual misunderstandings and mistakes. In context, defense transformation (according to the accepted definitions) is the process through which a nation's military forces will become more agile, flexible, and rapidly deployable; will be networked through C4ISR systems (including here the sensors, the decision makers, and the actors); will share situational awareness; will engage adversaries more precisely; and will act in a joint and interoperable manner.

A defense transformation document is needed as a part of defense planning, in order to demonstrate the leadership commitment to the effort. Consequently, this document must be in accord with the entire defense-planning framework, both on the national and international levels. Even though it is difficult to do accurately, conducting a performance assessment represents the only way through which the needed corrections can be made that will enable the transformation process to operate successfully.

## **Conclusion**

The assessment of the advantages and disadvantages of defense transformation provided here will allow decision makers to choose the most appropriate defense policies in order to implement them in their national military establishments, according to their national interests and objectives. This will also enable leaders to use their own national military organizations as their nations' main security provider.

Defense transformation in small countries can be performed if the commitment exists among the top-level leaders; if the resources are found; and if the perceived gaps between military generations are taken into account, and efforts are made to solve them. Other forces working against transformation will come from different directions, both internal and external, and in many different dimensions: political, economic, social, technologic, and cultural. These factors must be acknowledged, and solutions to them must be found.

Defense transformation has a dialectical aspect. On one hand, it is a general process that has arisen as a result of the effect of the forces of globalization on domestic security and defense issues. As such, it is identical for all countries, having the same features. On



the other hand, as a critical organizational process, defense transformation represents a unique response by each nation's defense institutions, a response that is crafted in order to cope with challenges coming from both internal and external sources. Therefore, seeing defense transformation from another perspective—that of the small and medium-sized countries' point of view—adds a much-needed dimension to the assumptions of the larger powers.

### Appendix 1: Armed Forces Per Capita Defense Expenditures 2005 (for NATO and EU Countries)

#	Country	Estimated Actual Total Expenditure* (USDm)	Defense Budget*** (USDm) Military Balance	Defense Expenditure as percentage of GDP* (current prices)	Population (thousands)	Current Armed Forces Strength* (thousands)	Current Armed Forces Strength (thousands)
	2	3	4	5	6	7	8
1	Austria		2,290		8,184		39.9
2	Belgium	4,769	3,350	1.3	10,364	38	36.9
3	Bulgaria	640	631	2.5	7,450	42	51.0
4	Cyprus		280		780		10.0
5	Czech Republic	2,31	2,190	1.8	10,241	26	22.2
6	Denmark	3,694	3,200	1.4	5,432	20	21.1
7	Estonia	210	205	1.7	1,332	3	4.9
8	Finland		2,700		5,223		28.3
9	Greece	7,081	4,460	3.1	10,668	135	163.8
10	Hungary	1,508	1,430	1.3	10,006	24	32.3
11	Iceland				296		0.1
12	Ireland		959		4,015		10.4
13	Latvia	199	279	1.4	2,290	6	5.2
14	Lithuania	303	333	1.3	3,596	12	13.5
15	Luxembourg	273	265	0.8	468	1.6	0.9
16	Malta		49		399		2.2
17	Netherlands	10,268	9,700	1.7	16,407	50	53.1
18	Norway	4,980	4,690	1.7	4,593	23	25.8
19	Portugal	3,062	2,430	1.7	10,566	47	44.9
20	Romania	1,957	1,960	2.0	22,329	79	97.2
21	Slovak Republic	8	828	1.8	5,431	19	20.2
22	Slovenia	602	507	1.7	2,011	7	6.5
23	Sweden		5,600	1.2	9,001	124	27.6
24	Switzerland		3,820	3.2	7,489	499	4.3

\* Source: NATO, "Information for the Press" (8 December 2005), 5, 10.

\*\* International Monetary Fund, *World Economic Outlook Databases*, April 2006 (data are for 2005); available at [www.imf.org/external/pubs/ft/weo/2006/01/data/index.htm](http://www.imf.org/external/pubs/ft/weo/2006/01/data/index.htm).

\*\*\* "Defense Budget for 2005," in *The Military Balance: 2006*, ed. Christopher Langton, The International Institute for Strategic Studies (London: Routledge Taylor and Francis Group, 2006).

**Appendix 1**

<b>Military and civilian personnel as percentage of labor force</b>	<b>Per Capita Defense Expenditure (USD)</b>	<i>Per Capita Defense Expenditure (USD)</i>	<b>Per Capita Income**</b>	<b>Adjusted Per Capita Expenditure (USD)</b>	<i>Adjusted Per Capita Expenditure (USD)</i>	<b>#</b>
9	10	11	12	13	14	
		57.393	33615.161		69.344	1
0.9	125.500	90.786	31243.931	161.234	116.636	2
1.6	15.238	12.373	9223.262	59.041	47.938	3
		28.000	21232.209		50.294	4
0.8	89.000	98.649	18375.240	<b>181.952</b>	<b>201.678</b>	5
1.0	184.700	151.659	34737.239	<b>217.142</b>	<b>178.298</b>	6
0.6	70.000	41.837	16414.034	158.535	94.751	7
		27.228	31207.669		35.015	8
3.3	52.452	27.228	22391.603	89.880	46.658	9
0.7	62.833	44.272	17404.673	134.919	95.064	10
		0.000	35586.320		0.000	11
		92.212	40609.775		95.399	12
0.6	33.167	53.654	12621.599	95.692	154.801	13
0.9	25.250	24.667	14158.421	65.492	63.979	14
0.9	170.625	294.444	69799.557	116.972	<b>201.857</b>	15
		22.273	19739.125		42.696	16
0.8	205.360	182.674	30861.515	<b>266.593</b>	<b>237.143</b>	17
1.2	216.522	181.783	42364.220	<b>216.522</b>	<b>181.783</b>	18
1.1	65.149	54.120	19334.599	127.229	105.691	19
1.0	24.772	20.165	8784.991	100.522	81.825	20
1.0	45.947	40.990	16040.740	106.269	94.803	21
0.9	86.000	78.000	21910.716	150.224	136.250	22
	0.000	202.899	29898.076		<b>270.578</b>	23
	0.000	888.372	32570.872		<b>1102.06</b>	24

NATO countries

## Appendix 2: NATO Countries' Armed Forces Per Capita Defense Expenditures 2005\*

#	Country	% devoted to personnel expenditures	% devoted to operation and maintenance expenditures	% devoted to capital expenditures (equipment + infrastructure)	% devoted to equipment expenditures	% devoted to infrastructure expenditure
	<b>Ideal</b>	<b>40.0</b>	<b>30.0</b>	<b>30.0</b>		
1	<i>Belgium</i>	75.1	16.0	8.9	6.4	2.5
2	<i>Bulgaria</i>	54.7	31.8	13.5	13.4	0.1
3	Canada	45.8	36.3	17.9	14.2	3.7
4	<i>Czech Republic</i>	49.7	28.9	21.4	11.6	9.8
5	<i>Denmark</i>	52.2	27.4	20.4	18.0	2.4
6	<i>Estonia</i>	31.0	40.4	28.6	13.3	15.3
7	France	58.1	15.9	26.0	21.3	4.7
8	Germany	59.3	21.6	19.1	15.1	4.0
9	<i>Greece</i>	76.2	14.4	9.4	8.1	1.3
10	<i>Hungary</i>	53.3	35.0	11.7	8.9	2.8
11	<i>Iceland</i>					
12	Italy	78.7	9.8	11.5	10.7	0.8
13	<i>Latvia</i>	48.8	32.2	19.0	7.6	11.4
14	<i>Lithuania</i>	57.4	24.0	18.6	14.9	3.7
15	<i>Luxembourg</i>	72.2	11.7	16.1	14.6	1.5
16	<i>Netherlands</i>	49.6	29.5	20.9	17.5	3.4
17	<i>Norway</i>	<b>41.7</b>	<b>30.5</b>	<b>27.8</b>	22.5	5.3
18	Poland	58.5	21.7	19.8	15.7	4.1
19	<i>Portugal</i>	73.5	13.6	12.9	11.5	1.4
20	<i>Romania</i>	54.6	22.2	23.2	21.3	1.9
21	<i>Slovak Republic</i>	49.1	34.5	16.4	11.2	5.2
22	<i>Slovenia</i>	57.8	22.6	19.6	17.1	2.5
23	Spain	54.3	21.3	24.4	20.7	3.7
24	Turkey	47.8	13.0	39.2	36.9	2.3
25	<b>United Kingdom</b>	<b>39.1</b>	<b>33.9</b>	<b>27.0</b>	24.4	2.6
26	United States	33.2	39.8	27.0	25.7	1.3

\* Source: NATO, "Information for the Press," (8 December 2005), 5, 10.

*Small and medium-sized countries*

# Outside the European Economic and Monetary Union: Consequences for the United Kingdom

Anna Konarzewska \*

## Abstract

The consequences of staying outside the European Economic and Monetary Union can be divided into three categories: political, economic, and social. For the United Kingdom, most attention has been concentrated on the issue of economic gains and losses. The potential gains include a possibility for the British government to conduct its own national economic and monetary policy, the elimination of so-called social dumping, preserving the British mortgage and housing markets, and promoting London as a worldwide financial center. Moreover, approving the Euro could enlarge British foreign trade and enhance inflows of foreign direct investment. On the other hand, the negative economic consequences focus on lack of transparency of prices, no elimination of transaction costs, and the risk of disrupting the exchange rate of the pound sterling. The political and social consequences of staying outside the Euro zone must also be taken into account when analyzing the British case. Without participating in the common currency, the United Kingdom could preserve her national sovereignty and independence, although this remains questionable in the current world, which is characterized by high levels of interdependence. Likewise, the British stand to lose their influence in the European Union and in the world by not participating in the third stage of the EMU.

**Keywords:** United Kingdom, EMU, Euro, Monetary Policy, Financial Center, Mortgage Market, Sovereignty

Remaining outside the “Euro zone”—the area where the common currency approved by a majority of the EU member states is the legal tender—the United Kingdom of Great Britain and Northern Ireland has found herself in a completely different political and socio-economic situation. The common currency, and the heightened levels of economic and monetary cooperation that it entails, bring many benefits—for example, a reduction of transaction costs and a diminution of the risks associated with the existence of a floating exchange rate. However, a nation’s decision on whether or not to become a member of the currency union is based, according to G. S. Tavlas, mostly on political calculations related to the advantages and disadvantages of a membership in such a union.<sup>1</sup> The consequences of staying apart from the European project can be analyzed according to their positive and

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<sup>1</sup> George S. Tavlas, “Benefits and Costs of Entering the Eurozone,” *Cato Journal* 24:1–2 (Spring/Summer 2004): 89–106.

negative aspects. The positive ones are usually related to those economic and financial profits that certain states might gain as a result of not adopting the common currency. On the other hand, the negative ones are concentrated on those benefits of participation in a currency union that are lost by countries that choose to opt out.

Thus, before the U.K. makes a decision on membership in the third stage of the European Economic and Monetary Union (EMU), it is necessary to discuss all the potential gains and losses connected with membership in the euro zone. It is a common statement that the losses are usually attached to macroeconomic concerns, while the gains accrue within the microeconomic sphere. Therefore, the main prerequisite for the creation of a currency union is demonstrating a superiority of microeconomic effectiveness over the macroeconomic costs, particularly those related to a nation's loss of its ability to control national macroeconomic policy.<sup>2</sup> The immediate effects of entering the EMU would include removing the costs of currency conversion, decreased variation in currency exchange rates in the euro zone, and more transparent prices. Transaction costs remain the main obstacle in trade relations, because changes in exchange rates lead to situations where trade with foreign nations is very insecure. Furthermore, lack of transparency in prices could lower competitiveness, as well as discourage consumers and firms from buying needed products and services. On the other hand, it is worth mentioning that the elimination of floating exchange rates could facilitate production, enhance inflows of foreign direct investment (FDI), and in consequence could improve the level of economic growth.<sup>3</sup> At this stage, the costs of joining a common currency include adjusting the national economy and national finances to function in a monetary union.

The mid-term consequences of adopting a common currency are connected with economies of scale, increased trade, and possible increases in FDI, while the long-term consequences could be characterized by an increase in competitiveness as well as better concentration and specialization of production. However, it must be stressed that the economic benefits to be gained from joining a currency union are rather modest. Moreover, it is very difficult to estimate the size of saved transaction costs in a monetary union.<sup>4</sup>

On the other hand, remaining on the sidelines for the third stage of the EMU could bring significant gains, including maintaining control over national monetary policy (because the national currency remains in place), which enables a country to function without any difficulty in case of an asymmetric economic shock. In addition, the national central bank has greater ability to influence levels of unemployment and inflation, whose increase could be problematic for the national economy. Hence, in a currency union, each member is obliged to conduct responsible budget and structural policies, which are aimed at mod-

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<sup>2</sup> Alan Ahearne and Jean Pisani-Ferry, "The Euro: Only for the Agile," Bruegel Policy Brief, no. 2006/01 (February 2006), 2.

<sup>3</sup> Artur Gradziuk and Katarzyna Sochacka, "Zagadnienie integracji walutowej w Unii Europejskiej na przykładzie Danii, Szwecji i Wielkiej Brytanii," *Biuletyn PISM* 70 (Warsaw, 2002).

<sup>4</sup> Michele Fratianni and Jurgen von Hagen, *The European Monetary System and European Monetary Union* (Boulder, CO: Westview Press, 1992), 162.

ernizing national economies and which help markets for products, services, and capital to function properly.<sup>5</sup>

It must be again underlined that the creation of a currency union is not only a technical decision—above all, it is a political matter. It is related to the fundamental question of national sovereignty, and could have an impact on the economic development of member states of the monetary union.<sup>6</sup>

## The United Kingdom

The United Kingdom of Great Britain and Northern Ireland has supported the process of economic integration within the European Community, especially in terms of the introduction of a free trade area and the creation of a European common market. And these developments have brought significant profits for the British economy. However, the country remains outside the third stage of the Economic and Monetary Union, and so far has exercised a strong veto over merging the pound sterling with the euro. Opponents of the common currency believe that, after accepting the euro and elements of the common European socio-economic policy, Great Britain would cease to be a market economy and would be characterized by the low economic growth, higher unemployment, higher taxes, and larger public sector seen in many nations in continental Europe.<sup>7</sup> It is necessary to point out four distinct lines of reasoning in the British attitude towards Europe and the process of European integration to help explain why the United Kingdom has not joined the Economic and Monetary Union. Those arguments are historical, geographical, political, and economic and socio-cultural in nature.

Remaining outside the most important undertaking in Europe after the Second World War has negative as well positive consequences (socio-economic as well as political) for the United Kingdom. The economic losses that Britain suffers from not participating in the EMU focus on decreased productivity and the diminished competitiveness of her economy on international markets, leading to lower quality of British goods. Second, if Britain accepted the common currency, changes in the exchange rates between European currencies would be eliminated, and exchange risks would be erased. Moreover, there would be no transaction costs, and more transparency in prices across the EU area would be guaranteed. Additionally, increased economic growth, improved currency liquidity, and higher returns on capital as well as enhanced inflow of FDI would be observed in the British Isles. The negative consequences are also political and social in nature. By not being part of the EMU, Britain has less influence on decisions made within the European Union, and fewer possibilities to present her own opinions in different cases, which makes the process of European integration extremely distant from the concerns and views of British citizens. On the other hand, the positive outcomes of not being a member of the EMU include the

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<sup>5</sup> Scott Salembier and Jakub Wtorek, *Polityczno-ekonomiczne implikacje kalendarza przyjęcia wspólnej waluty euro przez nowe państwa członkowskie Unii Europejskiej*, ed. A. Mayhew (Warsaw/Sussex: demosEuropa–Centrum Strategii Europejskiej, January 2007), 20–21.

<sup>6</sup> Tommaso Padoa-Schioppa, *The Road to Monetary Union in Europe: The Emperor, the Kings, and the Genies* (Oxford: Oxford University Press, 2000), 107.

<sup>7</sup> Neil Record, “Europe is Dragging Britain into the Mire,” *Financial Times* (6 January 2005).

possibility to conduct a proper national economic policy, protecting the position of the City of London in international financial relations (especially regarding offshore markets being now developed there), and bolstering the condition of the British housing market.

## **Economic Consequences of Staying Outside the EMU**

The main consequences that are typically analyzed in regard to membership in the third stage of the Economic and Monetary Union are economic in nature. This group of consequences will be the first discussed in this essay. Later, I will also concentrate on the political and social implications of not being a member of the euro zone.

### *Foreign Trade*

Great Britain is highly dependent on foreign trade. Indeed, international trade has been the foundation of Britain's prosperity for the last 200 years. Foreign trade in the U.K. is equivalent to 27 percent of Britain's GDP, compared to 21 percent in the OECD as a whole. Recently, significant increases in British trade relations with Europe have been observed, which is a strong argument for British participation in the EMU. In 1973, when the United Kingdom joined the European Community, only 35 percent of the goods and services exported by the U.K. went to continental Europe. By 2007, 59 percent of British exports went to the EU member states. By comparison, only 16 percent of total British trade is with the United States.<sup>8</sup> One must bear in mind that separate national currencies are said to act as barriers to trade. Staying outside the EMU means that British firms exporting to the euro zone still face transaction costs compared to their continental competitors (e.g., Germany and France). Therefore, not being a member of the EMU has negative consequences for British trade.<sup>9</sup> Tendencies in British exports and imports are shown in the tables below.

However, it should be stressed that the British economy has a very different structure of production from that which is present in continental Europe, one for which the common currency would have a negative impact. The United Kingdom—like the United States, but unlike any other EMU member state—is a significant oil producer. Moreover, the country has a particular competitive advantage in the high technology, aeronautical, pharmaceutical, biochemical, scientific instrumentation, and telecommunication sectors—sectors whose products, together with oil production, are typically priced in U.S. dollars. Great Britain has a higher ratio of high-tech production than France, Germany, and Italy. In the high-tech industries such as pharmaceuticals, where Britain has some of the world's largest and most efficient companies, success in research and development is far more significant than skill in manufacturing. The country has also managed to establish a large comparative advantage in the so-called “mid-tech” industries, where production skills are supreme, and it surpasses almost all other countries in original research, with far more Nobel Prizes than any country except the United States. Thus, the sterling–dollar exchange rate remains far more important to these key manufacturing segments of the British economy than the sterling–euro exchange rate.

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<sup>8</sup> See [www.euro.gov.uk](http://www.euro.gov.uk).

<sup>9</sup> See [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).



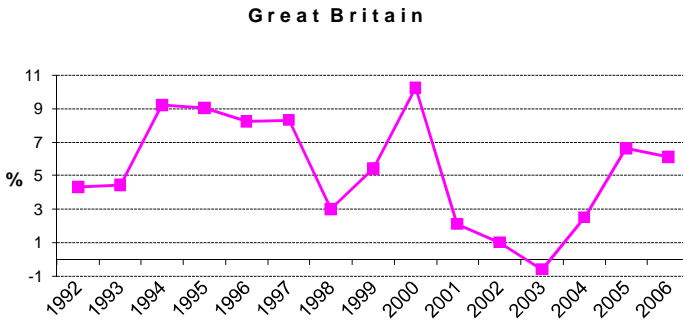


Figure 1: British Exports of Goods and Services to the Euro Zone at 1995 Prices (national currency; annual percentage change)<sup>10</sup>

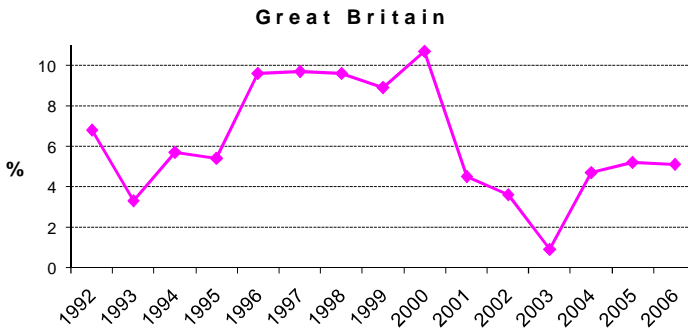


Figure 2: Import of Goods and Services at 1995 Prices (national currency; annual percentage change)<sup>11</sup>

EMU membership might increase exchange rate volatility for these crucial sectors of the British economy. It is often supposed that because almost 60 percent of British trade is with other EU member states, and only 16 percent is with the United States, the pound’s exchange rate with the U.S. dollar matters little in relation to its exchange rates with France and Germany. What such calculations ignore is that, while the United Kingdom exports high-tech products to Europe, her principal competition within Europe will often come from U.S. and Japanese companies. In sum, with a different structure of production from continental Europe, Britain often needs a different combination of exchange rates,

<sup>10</sup> Data drawn from: European Commission, Directorate-General for Economic and Financial Affairs, “European Economy: The EU Economy, 2006,” Doc. No. 5/2006; IMF, OECD.

<sup>11</sup> Ibid.

and the present flexibility of the sterling rate with regard to both the euro and the dollar delivers it.<sup>12</sup>

On the other side, the single currency could positively influence markets in the U.K. in three important ways: through cheaper transaction costs, exchange rate certainty, and more transparent price differences. The most obvious economic advantage connected with the disappearance of the currency borders is the elimination of transaction costs, a benefit that promotes competition within the European Union (and thus facilitates lower inflation) and brings advantages for consumers, who experience lower prices and thereby save more money for future investments. Moreover, with the rise of the euro, firms have started to differentiate their products more in terms of quality and innovation, and less on price. In consequence, companies are able to sell their products more widely and are able to profit from the economies of scale that are observed on the American market.<sup>13</sup> Needless to say, when everyone uses the same unit of currency, it is easier to compare prices between countries. It must be stressed that some differences in prices are unavoidable arising from transport and information costs, but not all price differences can be attributed to these costs. Nowadays, on the European continent, significant differences in prices for different goods and services can be observed. The average price variation across Europe for a given good or service is 16 percent, which means that the scope of change in prices is approximately 40 percent larger than between various states and regions in the U.S. The price of a standard Volvo automobile, for instance, can differ by 15–20 percent between countries in Europe.

The common currency could change this situation for the better, and ultimately diminish prices in the British Isles, making them more comparable to the prices in continental Europe.<sup>14</sup> Britain is generally a more expensive place to live than other European countries. London is said to be the second most expensive city in the European Union. Only Copenhagen, which is also outside the euro zone, is ranked higher with any frequency. Furthermore, the Economist Intelligence Unit's latest worldwide cost of living survey shows that London was the eighth most expensive city in the world, and the European Consumers' Association has shown that the United Kingdom is the most expensive country in Europe, particularly for popular consumer goods, with prices almost 30 percent higher than in Germany.<sup>15</sup>

The uncertainty of exchange rates deters the market from being unified, and discourages foreign businesses from investing in the U.K. The exchange rate of national currencies contributes to inflows of speculative capital and artificial increases in levels of interest rates in a country, causing periodic irrational fluctuations of the exchange rate of a na-

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<sup>12</sup> David Currie, "EMU: Threats and Opportunities for Companies and National Economies," in *The Impact of the Euro*, eds. Mark Baimbridge, Brian Burkitt, and Philip Whyman (London: Palgrave Macmillan, 2000), 143–44.

<sup>13</sup> *Europe's Response to EMU*, 4<sup>th</sup> Annual Report (London: KPMG Consulting, January 2000).

<sup>14</sup> David Simon, "EMU and the Opportunities for British Business," in *The Impact of the Euro*, eds. Baimbridge, et al., 171

<sup>15</sup> "Cost of living report," EDA-international, [www.eda-international.com](http://www.eda-international.com); "Worldwide Cost of Living," Economist Intelligence Unit, [eiu.enumerate.com](http://eiu.enumerate.com); European Consumers' Association, [www.beuc.org](http://www.beuc.org).

tional currency. As a result, the currency appears to appreciate, but the relevant macroeconomic indicators do not sustain it.<sup>16</sup> Bearing this in mind, it must be stressed that preserving national currencies could further increase business risks for any company that exports goods or services, or which competes with imports, especially those in the manufacturing sector, with long-lived factories. The United Kingdom is an important component of international trade relations, and therefore changes in the level of the exchange rate of the British pound endanger the overall condition of the British economy. This challenge is now heightened even more because of the existence of two large currency blocs: the U.S. dollar bloc and the euro bloc. All British companies must face the problem of trading in those two currencies, a problem that is connected with the risks of exchange rates. With the high value of the pound, the profitability of British exports is low, which causes higher inflows of continental imported goods to the British Isles.

However, one must point out that nowadays exchange rate risk is not a dramatic problem for the financial and trade sectors (in comparison to manufacturing companies), which are the main sectors of production in the United Kingdom. Second, the common currency is not the only way to eliminate exchange rate risks—strategies such as financial hedging, contracts futures, and currency swaps can help mitigate this risk. Last but not least, demand predictions, prices of goods and services, and their quality carry much more risk than any variations connected with the volatile exchange rate of a currency. Additionally, the danger of terrorist attack should also be kept in mind.

These three aforementioned effects (elimination of transaction costs, lower volatility of exchange rate, more transparent prices) could lead to major changes in the business environment throughout Europe, making it more competitive and more productive. Likewise, for businesses, transparency of prices and the elimination of exchange rate uncertainty within the euro zone will make it easier to benchmark costs across suppliers. It will result in the rationalization of European industries, but the customer will benefit through price reductions and improved quality.<sup>17</sup> Britain, by virtue of not having joined the third stage of the Economic and Monetary Union, has not reaped the aforementioned benefits of adopting the single currency. Transaction costs remain, and she still has higher exchange rate uncertainty as well as higher prices of goods and services in comparison to the same products on the European continent. British economists underline that the main negative consequence of Britain remaining outside the EMU is connected with lower productivity of national companies compared with firms in the euro zone. Membership in the larger European market, which resembles the U.S. market in scale, could offer a bigger area of supply, and therefore provide greater economies of scale in production. On the other hand, it is also true that, in Europe, products and producers are much more diversified than across the Atlantic, which brings more quality and price competitiveness to the market.

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<sup>16</sup> Richard Layard, Willem Buiter, David Currie, Christopher Huhne, Will Hutton, Peter Kenen, Robert Mundell, and Adair Turner, *The Case for the Euro* (London: Britain in Europe Campaign, Ltd., 2000), 4.

<sup>17</sup> David Currie, "The Pros and Cons," *HM Treasury* (June 1997): 14.

*Foreign Investment*

Another negative aspect of non-participation in the euro zone is linked with inflows of FDI to the British Isles. Many foreign investors use Britain as a base for their operations in Europe. Since joining the organization in 1973, the share of foreign projects in the United Kingdom has risen to 26 percent of all foreign direct investment coming to the British Isles. It ranks first among the EU member states, having received about 30 percent of all inward investment coming to the European Union since the early 1990s. At the turn of 2006, foreign investors provided more than 35 percent of British gross exports. Nevertheless, Britain's share of new foreign investment projects has been falling after the introduction of the common currency in continental Europe. Hence, elimination of the exchange rate risk would lead to a better calculation basis for trade and investment in the British Isles. Then the country could become an even more attractive location for FDI.

Since the introduction of the single currency, the British share of foreign investment in Europe has fallen significantly. In 1998, the country drew 28 percent of new European investment. In 2000, the level fell to 26 percent, and in 2001 it was down to just 19 percent. Moreover, some Japanese car companies have threatened to withdraw their factories from the United Kingdom if the country does not join the currency union (but, on the other hand, inward investment from Japan is only about 5 percent of the total volume of FDI). Nevertheless, the British market is very popular among foreign investors because of the fast and easy access it offers to the European market, its skilled workforce, a friendly business environment, low corporate taxes, and the use of the English language.<sup>18</sup>

It must also be stressed that the common currency influences capital markets, increasing currency liquidity and returns on capital. Moreover, the euro diminishes the costs of gaining and keeping capital on bank accounts as global financial markets integrate and become more liquid as well. The capital that is flowing into the market from outside could pursue the highest-return investment opportunities across the whole of the euro zone. The pressure on management to perform would increase, stimulating productivity growth. Such an effect would not be achieved without a currency union, since long-term exchange risks are very difficult to hedge, especially for returns on equity. Thus, the power of the market could allocate the capital effectively. A company with potential revenue streams could design its business system and invest capital on a maximum efficiency basis, and therefore achieve large productivity improvements. There would be no need to maintain branches of production in different countries to gain the best performance and the highest return on capital. However, the United Kingdom would not benefit from introducing the euro in terms of more liquid markets (e.g., government bond markets) and more instruments (e.g., creation of a large corporate bond market).<sup>19</sup>

*Economic Policy*

The area of economic policy, however, appears to offer more positive consequences for Great Britain from non-participation in the euro zone. Perhaps the most important of these

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<sup>18</sup> G. Bishop & D. Hiller, "News Analysis: Has Britain Passed the Treasury's Tests for Joining the Euro?" *The Independent* (3 May 2002).

<sup>19</sup> R. Layard, et al., *The Case for the Euro*, 14–17.

benefits is the ability of the British authorities to implement appropriate economic policies for the country in times of turbulence in the national economy. It must also be stressed that the EMU members are not moving in step. Paradoxically, and in contrast to common belief, different growth trends might be strengthened by a common monetary policy, so that a currency union would create divergence instead of convergence. There are already signs of tensions within the EMU due to different growth conditions, since a common monetary policy in no way implies a common inflation rate. Inflation has been much higher in countries leading the growth league, such as the Netherlands, Portugal, and Ireland, while Germany has had the lowest inflation rate. Given the common nominal key rate, the fast growing/high inflation countries should enjoy a higher short-term real interest rate. Bearing this in mind, the level of inflation in the United Kingdom diminished from 9.5 percent in 1990 to 3 percent in 1999, while in 2006 it was 1.9 percent. In the euro zone, the level of inflation was lower: 3.8 percent, 1.1 percent, and 1.5 percent in the respective years. Differences in the level of inflation and unemployment might show that the United Kingdom and the countries of the EMU are situated at different points of the economic cycle. Therefore, British economists argue that each country needs specific economic solutions, especially in terms of interest rates, that are tailored to fit the particular economic and financial conditions of each country. In the euro zone, the short-term interest rate is fixed by the European Central Bank, which cannot take into account all the specific features of the economies of fifteen EMU members. The lack of prior cyclical and structural convergence among all participating member states may create strains within the euro zone.

Consequently, unsynchronized business cycles and/or structural differences enlarge the effects of asymmetric external shocks (e.g., a rise in oil prices), while a unified monetary policy will be unable to satisfactorily meet the needs of all economies, concentrating upon the “average” member state and pursuing a so-called “one-size-fits-all monetary policy,” as it is likely to do. Thus, incorrectly set interest rates may damage individual economies, increasing their initial misfortunes rather than moderating them. The Commission of the House of Lords on the European Union concluded, “common monetary policy ... which should fit everyone, may not be good for anybody.”<sup>20</sup> All in all, outside the EMU, in an event of any economic crisis, the United Kingdom can pursue its own, independent fiscal and monetary policies, which could help her to overcome the crisis using tools created specifically for her. The United Kingdom could surmount any emerging economic crisis in the British economy by setting interest rates according to her domestic economic circumstances.

Another positive consequence for the United Kingdom of not being a member of the euro zone is a possibility to abstain from plans focused on the centralization of fiscal policy in the European Union. This is a politically sensitive issue, since a significant part of the British population is suspicious of the idea of further steps towards a federal Europe, and common fiscal policy is a definite step towards such status. Monetary policy may be perceived as a technical problem, but matters such as taxes, transfers, and central government activities are far too sensitive for national parliaments to release from their grip. The British prefer to stay outside the European economic integration process because they are

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<sup>20</sup> “Wielka Brytania: o wspólnej walucie,” *Rzeczpospolita* (9 December 2000).

unconvinced about the benefits of political integration, and are dubious regarding the creation of a federal state on the European continent.<sup>21</sup>

It is, however, advisable for the U.K. to still consider the possibility of becoming a member of the EMU, because accepting the common currency could help in synchronizing different economic cycles between the United Kingdom and members of the euro zone. Moreover, membership in the euro zone could facilitate the restructuring and modernizing of many sectors of the British economy, leading to higher productivity and higher competitiveness. Furthermore, as was mentioned above, one of the most important factors behind cyclical convergence is the increasing European integration of the British economy – 54 percent of exports and 47 percent of imports are traded with the euro zone. Hence, joining the EMU would bring about a permanent, reliable exchange rate among the main British trading partners from Europe, which would contribute to even more similarity with the EMU member states. It is also worth mentioning that nowadays it is difficult to pursue completely independent economic and monetary policies, given the level of interdependence that characterizes the world of today.

Finally, by entering the euro zone, the United Kingdom would be the second largest economy in the union, behind Germany but more or less equal to France, and would therefore be a substantial player, one of major importance to the European Central Bank. Moreover, there already are “one-size-fits-all” interest rates in the United Kingdom. No single interest rate would ever be ideal for all parts of Britain, whether set by the Bank of England or elsewhere. Currently, the monetary policy conducted by the Bank of England does not always fit the economic demands of different areas of the British Isles. Different industries and regions within the nation’s borders require different interest rates. For instance, manufacturing exporters in northern England have complained that rates have been set that favor the southeastern part of the country.<sup>22</sup>

### *The British Housing Market*

Yet another positive consequence of non-participation in the third stage of the EMU is connected with the British mortgage market. The British financial system is based on specific rules. In the United Kingdom, there are floating credit rates, while on the continent they are stable. Therefore, the amount of credit and mortgage debt taken on by British households is higher than in the rest of the EU member states. As a result, the private financial sector in Britain is more susceptible to changes in interest rates than in other European countries, since a higher proportion of mortgage debt is denominated in flexible rather than fixed interest rate stock.<sup>23</sup> The aggregate mortgage debt is 60 percent of GDP in Britain, but only 40 percent in Germany, 25 percent in France, and 10 percent in Italy. The interest rates paid on these lower levels of personal debt are also less flexible on the continent than in the United Kingdom. The variable rate liabilities of the personal sector

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<sup>21</sup> Nils Gottfries, “Why is Sweden not in EMU?,” *Current Sweden* 435 (Swedish Institute, January 2002): 5.

<sup>22</sup> See [www.euro.gov.uk](http://www.euro.gov.uk).

<sup>23</sup> Ben Patterson, “EMU and the United Kingdom,” Task Force on Economic and Monetary Union, European Parliament, PE 166.059/rev.3 (April 1998), 19–20.

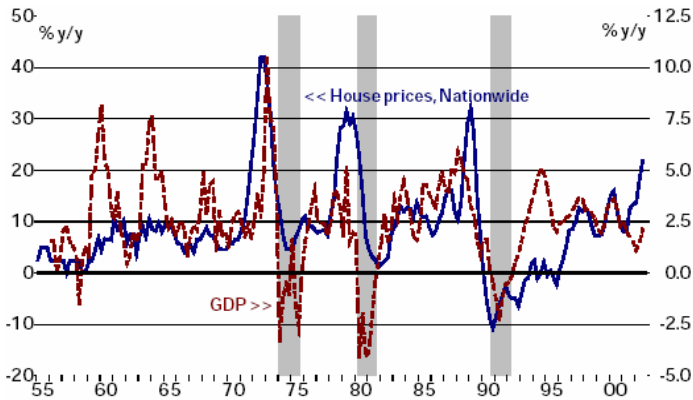


Figure 3: Prices of Houses in the United Kingdom <sup>24</sup>

total 64 percent of the British GDP.<sup>25</sup> Consequently, if the ECB varied interest rates in order to stimulate or restrain average EMU economic activity, the United Kingdom would be disproportionately impacted by these corrective measures, causing the economy to diverge further from the EMU average. Thus, a unified monetary policy would be likely to create fluctuating boom-and-bust cycles in the British economy, rather than a smooth and sustainable rate of economic development.

Moreover, the housing market in Great Britain determines the wealth of the homeowners, because it is very common for homeowners in Britain to take a mortgage against the equity in their property. The British housing market is very liberalized and competitive, so the country experiences significant differences in the level of individual mortgage credits. The last decade has seen an increase in property prices in the British Isles, which was justified by the relatively small supply of housing.

Rising home prices and short-term investing periods in Great Britain are the best evidence that monetary policy is critically important for Britain. Introduction of the European interest rate could be disastrous for the British economy, since the last three recessions in Great Britain were caused by dangerous increases in house prices. Currently, property prices are still on the rise, and on these grounds it would be advisable for the United Kingdom to remain outside the euro zone. Otherwise, lower European interest rates could create additional inflation, and the British economy might become overheated.

### *London's Global Role*

Britain's non-participation in the euro zone has a positive effect on London's role as a worldwide financial center, which is characterized by its unique international orientation. London is the most international of the leading financial centers, and has a dominant share of many global markets. The London Stock Exchange has a greater turnover than all other

<sup>24</sup> Source: Danske Bank.

<sup>25</sup> Walter Eltis, "British EMU Membership Would Create Instability and Destroy Employment," in *The Impact of the Euro*, eds. Baimbridge, et al., 140.

European countries combined. The London foreign exchange market is the largest in the world, with a daily turnover of 776 billion pounds sterling in December 2006. In 2007, there were 252 foreign banks in London, two-thirds of which were based in non-EU countries, more than in any other city in the world, and the London Stock Exchange has 649 foreign companies registered. The competitive strength of the City has traditionally rested on a number of factors: a large pool of financial expertise, a wide range of ancillary support services, light regulation of securities trading, a favorable tax regime for expatriates moving to London, language, and location in a major political and cultural European center. Moreover, high volumes of trade allow London to offer competitive terms for trading. London's pre-eminence has also made it easier to attract first-rate financial experts; the availability of this expertise makes London attractive both for trading and locating an operation.

British participation in the euro zone would certainly undermine this leading international role of the City of London by imposing restrictions on its markets and institutions, and, generally, by submitting the City to tight control by the ECB. Moreover, the EMU could affect the City's international predominance by eliminating the possibility for London to develop as the main offshore market in Euros or in euro-denominated assets. This activity, in case of British participation in the EMU, would certainly be taken over by one of its major global competitors. Finally, it is necessary to take into consideration the domestic economic consequences of joining a monetary union. These are usually included in the expression a "loss of sovereignty," but, in the case of the City of London, it has the clear-cut implication that the nation would lose the ability to influence domestic monetary and exchange rate policies, which could be interpreted as a loss of domestic political power.<sup>26</sup>

Nevertheless, since the success of the City of London has always been linked to its ability to adapt to the changing environment, its markets and institutions would certainly be able to make the most of business opportunities coming from the establishment of a single currency area, even while remaining outside it. Evidently the supremacy of the City of London has not been damaged even though the United Kingdom has remained outside the euro zone. The fact that much of the business conducted in the City is independent of whether or not the United Kingdom is part of the single currency area underlines the London market's superior efficiency, as does London's greater market share. This could be weakened if banking regulations drawn up in Frankfurt reflected continental rather than British interests. Moreover, the City would be disadvantaged by British non-participation in the euro zone if European exchanges and markets could merge; new debt and currency instruments could become the preferred medium of trade and hedging activity. However,

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<sup>26</sup> Laila Talani, "Who Wins and Who Loses in the City of London from the Establishment of European Monetary Union," in *After the Euro. Shaping Institutions for Governance in the Wake of European Monetary Union*, ed. Colin Crouch (Oxford: Oxford University Press, 2000), 130–31.



the financial services sector still produces about 18 percent of the country's GDP, and the City of London remains very competitive, even without participation in the euro zone.<sup>27</sup>

On the other hand, there are at least two negative implications of Britain's non-participation in the EMU for the City of London. First, there is less British influence on shaping EU financial markets legislation. Second, the financial expertise of the City is not made available to the euro financial markets. Consequently, the inclusion of the large British financial market in the EMU would contribute to elevating the global position of the euro zone in international financial relations.<sup>28</sup> It must be stressed, however, that if the United Kingdom were inside the euro area, the offshore markets would necessarily be located outside the City of London, and possibly in one of its international rival finance centers, New York or Tokyo. This makes for a very strong case against British membership in the euro zone. Remaining a non-participant could even enable London to become the center for euro-euro deposit trading, as it would become a natural location for excess liquidity seeking to escape the onerous ECB regime. Moreover, its position as an international money market center—namely its dominant position in the already established Eurocurrency and Eurocommercial paper markets—would not be threatened.<sup>29</sup>

### *Balance of Payments*

Last but not least, membership in the euro zone is connected with the United Kingdom, France, Germany, and the other EU member states all having the same currency. In consequence, each of them would no longer have a balance of payments deficit with the others. In fact, however, the deficit would still exist. More money would be going out of Britain than was coming in. What would change is that this deficit would no longer be recorded, and it would no longer be seen as the duty of the government to do anything about it. So, to that extent, the underlying problem would actually be made worse. This real imbalance in economic activity would have to be balanced instead by falling relative income and wealth in Britain, which would continue until the country could no longer afford the imports that were causing the problem. People would be made poorer; jobs would be lost. However, as the economy declined, less would be bought from domestic firms as well, so some of these will be forced out of business.<sup>30</sup>

## **Political Consequences of Staying Outside the Economic and Monetary Union**

Participating in the third phase of the EMU and agreeing on the introduction of the euro would have considerable political consequences for the United Kingdom. It would bring

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<sup>27</sup> Jay H. Bryson, *Special Report: Prospects for EMU Expansion*, Wachovia Securities, Economic Group International (March 2002), 2–3. To read more about the economic situation of the City of London, see Timothy Edmonds, *The Euro-Zone: Year One*, Research Paper 00/34, Economic Policy and Statistics Section, House of Commons Library (March 2000), 23–26; Talani, “Who Wins and Who Loses in the City of London,” 113–37.

<sup>28</sup> Eltis, “British EMU Membership Would Create Instability and Destroy Employment,” 144.

<sup>29</sup> Talani, “Who Wins and Who Loses in the City of London,” 112–13.

<sup>30</sup> J. Michie, “The Economic Consequences of EMU in Britain,” in *The Impact of the Euro*, eds. Baimbridge, et al., 51.

about a strengthening of the bargaining position of the country within the European Union as well as in the area of international economic and financial relations, which would consequently have implications for Britain's political situation, both at home and abroad.

Entering the euro zone would increase the influence of Great Britain in Europe and in the world. Joining the EMU will not mean passing laws that will directly affect and limit the country's powers of action (such powers already exist whether the country joins the euro zone or not). However, being inside the union would enable her to have stronger influence over how these powers are used. Furthermore, membership in the European Central Bank would give Britain a heightened level of influence on the European business cycle, which is now regarded as the main obstacle in the way of Britain's membership in the EMU by national politicians and economists. Being a member of the euro zone would give the country more influence outside the European continent as well.

Likewise, the Economic and Monetary Union is already well entrenched, counting fifteen countries as members. This is a greater number than many had thought would be the case nine years ago. The presence of this larger number of states is due partly to the fact that convergence regarding inflation, interest rates, and budget deficits proceeded faster than many had expected, and that the convergence criteria were interpreted liberally. As the EMU grows in size, the political costs for Britain of remaining outside grow as well. It will unavoidably further reduce and marginalize her political influence in Europe.<sup>31</sup>

However, the common currency is generally thought to represent an additional step toward a full political union. The commitment of a number of key EU member governments to further political integration suggest that over time the EMU could indeed favor federalism in Europe. For Great Britain—which is hostile to any notions of closer cooperation in Europe, not to mention federal solutions—joining the EMU is therefore partly a decision that leads toward joining the United States of Europe.<sup>32</sup>

### **Social Consequences of Staying Outside the Economic and Monetary Union**

Great Britain has not been defeated in a war for centuries, primarily on account of being an island. In the absence of invasion or defeat, Britain "felt no need to exorcise history." The "Dunkirk Spirit" and the struggle of the Battle of Britain shaped later public attitudes, and a strong sense of nationhood and reinforced sovereignty continue to be core assumptions in policy making.<sup>33</sup> Therefore, British society was convinced of the influential position of their home country both in Europe and in the world. The British did not trust European nations, and regarded the Continent as the main source of the conflicts and disturbances in international relations that had drawn Britain in over the past century.<sup>34</sup> Furthermore, citizens of the United Kingdom "identified more with the white settler population of Australia, Canada, New Zealand, and South Africa than with the peoples of France, Ger-

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<sup>31</sup> Lars E. O. Svensson, "Sweden and the Euro," Briefing Paper for the Committee on Economic and Monetary Affairs of the European Parliament for the quarterly dialogue with the President of the European Central Bank (January 2002), 2.

<sup>32</sup> David Currie, "The Pros and Cons," 3.

<sup>33</sup> Kenneth Dyson and Kevin Featherstone, *The Road to Maastricht: Negotiating Economic and Monetary Union* (Oxford: Oxford University Press, 1999), 558.

<sup>34</sup> John Kendle, *Federal Britain: A History* (London: Routledge, 1997), 155.

many, the Low Countries, and Italy.”<sup>35</sup> British inhabitants were convinced about the necessity of a special relationship with the U.S. as the main source of peace on the continent, and they were opposed to ideas of closer European cooperation in that context. This cautious and critical approach is still present today, and hence the British nation is the least supportive of the European Union. The British are not only “Euro-skeptics,” but also “EU-skeptics” as well. There is a kind of a psychological barrier, according to which British citizens consider any European proposal more as dangerous than profitable.

Bearing this in mind, one may easily understand why the United Kingdom prefers to keep the processes of European cooperation on the governmental level, being rather unwilling to create common policies in different spheres of activity. Andrew Moravcsik, in his book *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht*, argues that British politicians were in favor of introducing the free flow of goods, services, workers, and capital, as well as creating a common market, because such steps might have improved British competitiveness, along with restructuring and modernizing the British economy. From the political point of view, membership in the EEC could have strengthened Britain’s international position both in Europe and in the world. On the other hand, the development of the European Security and Defense Policy in the 1990s, along with plans to introduce the common currency, were perceived as attacks on British sovereignty. British politicians warn that bestowing new powers of action on Brussels may result in depriving British citizens of the ability to make decisions that could have a direct impact on their life. Consequently, the British government regards joining the euro zone as contributing to a loss of national sovereignty and political independence.

Staying outside the euro zone would also diminish uncomfortable feelings regarding the phenomenon known as “social dumping” that might arise after accepting the common currency. “Social dumping” refers to the export of goods from a country with weak or poorly enforced labor standards (where a manufacturer’s costs are artificially lower) to a country with higher labor standards (and thus higher labor costs). Opponents of the euro indicate that, in cases of economic crisis, EMU members would be trying to compete with each other on reduction of labor costs, restraining workers’ social rights at the same time—e.g., by controlling working hours or types of work contracts.<sup>36</sup>

There are other significant social consequences following Great Britain’s decision to opt out of the third stage of the EMU. Up to 3.5 million British jobs depend on exports to the European Union, nearly 2 million of which are in manufacturing, and almost half a million in banking, finance, and insurance. Foreign investors, who usually come to Britain to gain an improved entrance into the single European market, employ around 25 percent of the total number of manufacturing workers. This is an issue tightly connected with currency volatility. The overall unemployment rate in the United Kingdom is low (around 5 percent for the last twenty-six years), but jobs have been lost in sectors that are exposed to the volatility of the pound that results from staying outside the euro zone. Since the launch of the euro, currency volatility was a factor in an estimated 115,000 manufacturing job

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<sup>35</sup> Stephen George, *Politics and Policy in the European Union* (Oxford: Oxford University Press, 1996), 133.

<sup>36</sup> Leokadia Oręziak, *Euro – nowy pieniądz* (Warsaw: Wydawnictwo Naukowe PWN, 1999), 40–41.

losses, which originated from significant reductions in British firms' ability to compete in export markets due to the strength of the pound. From this point of view, it would be advisable for the United Kingdom to join the EMU.<sup>37</sup>

### **What Does the Future Hold?**

Economists say that, for a medium-sized country like Great Britain, it is not beneficial to maintain a separate currency. The United Kingdom is too involved in international trade, and therefore is not able to neglect her interest rates (as, for example, the U.S. can). Nowadays Britain seems to be caught between two large currency blocs; only by joining the euro zone can the country protect herself against the danger of exchange rate fluctuations. Such a possibility endangers investments, and deters medium-sized companies from expanding abroad. Furthermore, currency fluctuations divert management attention toward exchange rate risks instead of to preparations for higher productivity, lower costs, and improved quality. It is impossible to avoid such perils, especially for firms that invest abroad or produce goods and services to be sold in different European countries in uncertain quantities and on uncertain prices over many years. They simply cannot maintain such risks for a long period of time.

However, opponents of the integration process on the European continent underline that economic integration is not profitable for the United Kingdom. The continental model is based on strong intervention in the labor market, high taxes, and substantial social assistance programs. As a result, continental economies are characterized by worse economic indices than the open British national economy. On average, in the last ten years, the annual real increase in economic growth rate per capita in the biggest EMU member states (Germany, France, Italy) was about 1.5 percent of GDP, while in Great Britain it was almost 2.6 percent of GDP. This means that the British economy is larger by almost 12 percent in comparison to those of her continental neighbors than it was ten years ago. With this in mind, many British economists point out that the United Kingdom will be able to maintain her economic superiority only if she casts away European models of economic management, including membership in the third stage of the EMU.<sup>38</sup>

The British see their home country as a global investor and trader whose interests are only partially located in Europe. To gain the full benefits of its unique position in the global marketplace that has been developed over the last two centuries, Great Britain needs the ability to restrict the negative impacts of an economic policy that do not suit her interests. Corporate and intervention policies in the other EU member states are seen as restricting Britain's ability to function well, and therefore the United Kingdom must emancipate herself from their negative impact. British politicians and economists underline that the European Union must be an association of traders. On the other hand, entering the euro zone is the logical next step from the creation of the common market. Without a common currency, the common market is not complete, and it is not possible to acquire all the benefits that would accrue from the creation of a common economic space in Europe. The conclusion is that if the common market is good for Great Britain, then the common cur-

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<sup>37</sup> See [www.euro.gov.uk](http://www.euro.gov.uk).

<sup>38</sup> Record, "Europe is Dragging Britain into the Mire."

rency must also be good for Great Britain. Not being a member of the EMU has a negative impact on British companies, and could diminish Britain's attractiveness to foreign investors.<sup>39</sup>

Those who wish for the United Kingdom to remain outside the euro zone stress that the British government conducts its own policy of economic development, which regulates and stimulates economic functioning. Such a policy is complementary and subsidiary to the market mechanisms, and therefore takes part in sustaining profitable economic conditions for companies and for gaining long-term competitiveness in harmony with existing policies and social instruments. In consequence, there is a model of an advanced economy based on information technology and knowledge, stimulating changes in manufacturing structures, which gives companies the primary role in driving the nation's new strategic position in the global economy, concentrating on the so-called dynamic competitiveness factors (innovation, quality control and production certification, research and development, production differentiation, economies of scale and enlargement of production, and policies relating to marketing and intellectual property).<sup>40</sup>

The main positive consequence deriving from Britain's non-participation in the EMU is preserving the nation's ability to conduct autonomous economic policy. By maintaining the pound sterling, Great Britain keeps hold of the main levers of stabilization policy (e.g., interest rates, taxes), according to which the government is able to guide the development of the national economy. Therefore, the main problem with the euro is centered on the decision to turn over control of the British economy to the European Central Bank – an unknown supranational institution. British politicians are afraid that entering the euro zone would imply the return of some form of economic regime that would destroy the economic framework that was created by the Conservatives in 1979 and continued by the Labour Party in the 1990s and 2000s. This system is characterized by low taxes, an effective labor market, privatization, and a high degree of market deregulation. If Great Britain decided to join the euro zone, the benefits of the aforementioned system would be lost.<sup>41</sup> On the other hand, this is the most common argument presented by proponents of macroeconomic stabilization, because it removes the euro from the realm of national politics, and makes it resistant to pressure from the government side.

## Conclusion

Nobody can predict for certain the economic impact on the United Kingdom of joining the third stage of EMU. However, remaining outside the euro zone is not a secure option for Great Britain. It is, however, worth mentioning the costs of delaying a decision on entering the EMU. The existing level of diversification of foreign investments taking advantage of the euro zone shows that it will be hard for Great Britain to maintain the status quo. The

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<sup>39</sup> Kenneth Dyson, *European States and the Euro: Europeanization, Variation, and Convergence* (Oxford: Oxford University Press, 2002), 110–11.

<sup>40</sup> Phillipp M. Hildebrand, "Inside Europe, Outside EMU: Lessons and Outlook," presentation to the Swiss-British Economic Chamber of Commerce, Geneva (24 April 2004); and "Lustre Lost," *The Economist* (25 March 2006).

<sup>41</sup> Dyson, *European States and the Euro*, 109–10.

United Kingdom is indeed an island, but not in economic terms. The common currency has positive effects in trade creation, higher investment rates, and competitiveness among the EMU members. Up to now, the common currency has not yet damaged the British economy. But it is advisable for the United Kingdom to join the euro zone to reap all the profits connected with the introduction of the common currency.<sup>42</sup>

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<sup>42</sup> Katinka Barysch, *Britain and the Euro: How to Reap the Benefits*, Policy Brief (London: Centre for European Reform, June 2003), 7.

# Public Diplomacy's Next Challenge

*Christopher C. Harmon* \*

## Abstract

Despite seven years of experiments, U.S. public diplomacy against international terrorism has largely failed. What is most needed is a strong infusion of fresh ideas. The rhetorical branch of the offensive against terror has been utterly neglected. U.S. spokesmen should re-open the argument about terrorism's rank immorality; amplify the voices of Muslim critics of terrorism; publicly deconstruct the ideas of outspoken terrorists; and point to such weaknesses as their lack of credentials in theology. Secondly, there is much room for vigorous and thoughtful defense of evident political alternatives to terror, especially moderation and the rule of law.

**Keywords:** public diplomacy; diplomacy; counterterrorism; battle of ideas; State Department; CIST (Countering Ideological Support for Terrorism).

## Introduction

Any American can be pleased by certain successes wrought during the past seven hard years of global effort against terrorism. One of the many bright spots is the total success that has been achieved in homeland defense—there has not been a single Al Qaeda attack on American soil since September 2001. Another is the coalition's destruction of the Taliban's grip on power in Afghanistan, followed by the provision of help to indigenous Afghan leaders such as Hamid Karzai, who now have the chance to determine their homeland's future.

But there is one respect in which United States has clearly failed: public diplomacy. At the end of October 2007, when Karen Hughes announced she would step down as head of the United States' efforts in public diplomacy, she had served longer, but not notably more successfully, than her two predecessors in that vital State Department role. Charlotte Beers, and then Margaret Tutwiler, had resigned after struggling in the position, which leads not just the State Department's efforts but also those of other U.S. agencies and departments. If the National Security Council was exercising good guidance in this arena, the general public could not tell it, nor could the Washington policy community feel it. Skilled observers, such as scholars at the Washington-based Institute of World Politics, and its President, John Lenczowski, found little to recommend in U.S. national efforts at public diplomacy; they became increasingly critical as the "locust years" of two presidential terms slipped past, and meetings with executive branch principals seemed to go nowhere.

By 2005 and 2006, what had been a serious inter-governmental problem became an unattractive open secret: U.S. strategies in public diplomacy were not reaching their audiences, even though the budget for such efforts kept rising. Hundreds of millions of new dollars were proving to be no substitute for imagination and skill and fighting spirit and an

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informed understanding of foreign audiences. As the Pew Research Center was releasing its newest figures on foreign views of the U.S., which showed mostly declines rather than gains in foreign support, the key policy professional responsible for this endeavor announced her intent to leave as Undersecretary of State for Public Diplomacy and Public Affairs.

It makes for a painful moment for the U.S. and its friends. More important is the question we now face: Have we learned anything? And if so, what? Have opponents of terrorism arrived at the best kinds of arguments to reach the foreign public? Is there a good working partnership between the State Department—which surely must take the lead in this area—and the Defense Department, which has too often inherited challenges its practitioners are not trained to carry out readily? Does the U.S. government need a new structure, rather than new money, to make progress? Have Secretary of State Condoleezza Rice’s adjustments made to date—such as transferring some diplomats from Europe to the Third World—made a dent in this sizeable problem? This article is a narrower, more modest effort to contribute to a reevaluation of U.S. efforts; its chief contribution is to suggest several lines of argument that have been neglected but which would have good effect. Some of what follows may be controversial. Yet, in my judgment, the pained care the U.S. has been taking to *avoid* controversy is one of the very reasons Washington is doing so poorly in the struggle for non-U.S. “votes.”

We begin with the global problem: Al Qaeda and its allies in the fierce underworld of Islamic terrorism. It is there, in the Militant Muslim International, and not in Washington, that the argument began. In the training manual discovered in Manchester, England, in the late 1990s—a time when few to none in the U.S. executive branch believed a war was looming—Al Qaeda’s writers laid out their challenge. The opening page of *Military Studies in the Jihad against the Tyrants* (colloquially known as the “Manchester Manual”) goes beyond clarity to full nakedness in its intentions to strike at existing Muslim governments and their detested allies, which of course include all NATO countries:

The confrontation that we are calling for with the apostate regimes does not know Socratic debates ... Platonic ideals ... nor Aristotelian diplomacy. But it knows the dialogue of bullets, the ideals of assassination, bombing, and destruction, and the diplomacy of the cannon and machine-gun.

Islamic governments have never and will never be established through peaceful solutions and cooperative councils. They are established as they [always] have been by pen and gun

by word and bullet

by tongue and teeth.<sup>1</sup>

Three propositions follow from the study of such Al Qaeda declarations and actions. First, the world—rather than the United States, or Washington, or George Bush—has a profound problem. The attacks of 11 September 2001 prompted the United Nations Security Council to declare flatly that an act of international terrorism is “a threat to international peace and security.” The last four of these words are famous “trigger language” for

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<sup>1</sup> *Military Studies in the Jihad Against the Tyrants*: The Al-Qaeda Training Manual [n.d.], ed. Jerrold M. Post (Maxwell Air Force Base, AL: USAF Counterproliferation Center, Aug. 2004), 13.



actions under the UN Charter. Now terrorism is seen as a threat to such peace and security, and the Security Council is “determined to combat by all means” such threats (UNSCR 1368 of 2001).<sup>2</sup>

Our second proposition, in 2008, is about whom we are trying to reach. Our conversation is with partners and allies and friends, in and out of government. That is, the “audiences” for our public and official diplomatic efforts are peoples and governments of the world who are open to conversation. While these are especially Muslims and Arabs, the audiences include American citizens, and voters and citizens in regimes, democratic or not, which are under attack by extremists.

The third proposition follows, and returns us to the first: while billions of ears may be open and listening, those of Al Qaeda and its sort are closed. Their tapes do aim at the wider world, but their calculations and deliberations are only with one another. They mock “dialogue,” and bare their hatred for reasoned discussion and democratic debate over public affairs. The Al Qaeda network’s leaders can be subtle and skilled; they show excellent understanding of their Western enemies; but they cannot be convinced. Negotiations would prove fruitless. The hard Al Qaeda men can only be arrested or killed. Our parleys, our arguments, our extended hands, are for others, not them.

## A Proper Posture

It is important to begin our advance in the right posture. A new approach to public diplomacy requires offensive components, not only defensive. Washington should continue its arguments defending itself against the rhetoric of terror, which deny interest in a “war of civilizations” and point instead to such ideals as society, morality, rule of law, moderation, and democracy. These are indeed ideals, and worthy ones, and all are assaulted by any act of international terrorism. But Washington must also take the offensive against terrorism’s perpetrators, spokesmen, theoreticians, and apologists. George W. Bush has been willing to take rhetorical risks; most others in the executive branch have been standing behind him but speaking less strongly. Some may regard the current U.S. president as inarticulate, but no other person in this administration has matched the qualities of his speech to the joint session of Congress (and the world) on 20 September 2001. Subsequent years slipped by. Wonderful opportunities for powerful prose were lost by subordinates who instead mustered mild, unconvincing, unquotable thoughts. There is a paradox: Washington, D.C. is known for legions with diplomatic training and experience and remarkable IQs, yet most officials have practiced overly-mild or even weak defenses of the U.S. against the rhetoric of terror, if they spoke at all. Rhetoricians have simply lacked—or decided to forego—the offensive strategy.<sup>3</sup>

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<sup>2</sup> United Nations Charter, Art. 39. Text of Security Council Resolution 1368, accessed on 6 November 2007 at [www.un.org/News/Press/docs/2001/SC7143.doc.htm](http://www.un.org/News/Press/docs/2001/SC7143.doc.htm). Charter language frequently speaks of the need to “maintain” international peace and security, and Art. 39 is one of the more direct passages in identifying the Security Council’s duty to act when a breach of the peace occurs.

<sup>3</sup> Even the admirable Robert Satloff, who has written well and frequently in efforts to redirect U.S. public diplomacy, has few to no suggestions for an *offensive* in his latest essay, “How To Win the War of Ideas,” *Washington Post* (10 November 2007).

## New Rhetorical Approaches to Anti-Terrorism

What is needed—more than money—are fresh arguments, arguments delivered with reason, imagination, discretion, and persistence. “Persistence” means saying the right things more than once. This is a consideration that is not to be neglected; all the observers say this is “a long war,” and it takes persistence to win a long struggle, and especially to change world opinion. A further thought about our public posture is that the most helpful voices will be the non-U.S. voices. Non-governmental voices are helpful; non-American voices are even better.<sup>4</sup> Mr. Bush may say true things with force, but he is only one man, and a man with low approval ratings. Secretary Rice’s voice is clear and weighty, and could enunciate new and worthy arguments, but she is one over-worked person, closely identified with President Bush. We need such spokesmen, but we have a far greater need for non-U.S. voices in this global conversation. Their perspectives, their new forms of argument, and their unique styles of speech can reach some of those we are missing.

Five categories of arguments now follow, offering suggestions for spokespersons foreign or domestic. All address essential elements in the ideological struggle with terrorists and their opinions. Each of the five sets of viewpoints is but a sketch, which can and should be elaborated, and painted, in creative and realistic ways by partisans of the good and the sensible and the sane. And I would appreciate nothing more than seeing others add and bring to life their own new arguments.

### *Terrorism is Essentially Murder*

The most fundamental thing—the thing many sophisticated people with public careers seem unwilling to say baldly—is that the essence of terrorism is murderous. Why is it that, a full generation after the intrusion of this crude phenomenon into international relations, academics are still penning extended articles on the impossibility of defining terrorism, and experts commenting for the news still mock the word “terrorism” as a mere epithet?<sup>5</sup> In the social sciences today, one hears much of a book that examined 109 definitions of terrorism; the conclusion, we are told, is that the phenomenon is undefinable. In fact, Alex

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<sup>4</sup> A State Department essay on public diplomacy published in 2007 clearly recognizes the value of diverse voices and non-governmental ones. But it seems to neglect the great desirability of non-American voices in this discussion. And it almost neglects the focus I have given in this essay: as polls slide, what new arguments can be made to attract favorable foreign attention? The majority of the essay is about process, functions, and budgets, which are necessary but not sufficient. Office of the Coordinator for Counterterrorism, U.S. Department of State, “The Struggle of Ideas in the Islamic World,” in *Country Reports on Terrorism: 2006* (Washington, D.C.: GPO, April 2007), 194–97. These annuals—occasionally criticized—are highly important works for many reasons, and remain highly valuable resources for years after publication.

<sup>5</sup> For example, a new and very useful volume of terrorism-related documents is introduced with the old and “safe” statement that “...one person’s terrorist is often another person’s freedom fighter.” Those words are not fact but mere relativism, repeated on the next page also. The editors seem to adopt this position in the belief that it resists corruptive “value judgments”; but one could reply that the posture abandons or repudiates any search for moral truth about the phenomenon, their chosen subject. Omer Elagab and Jeehaan Elagab, *International Law Documents Relating to Terrorism*, 3<sup>rd</sup> ed. (London: Routledge-Cavendish, 2007), xxv.

Schmid's useful 1983 tome *Political Terrorism* displays how most definitions include common elements, especially violence and threats; victims who are not the real targets; and acts that are purposeful, political, and psychological.<sup>6</sup>

Academic experts on terrorism have usually failed to help in public diplomacy. They dwell upon the "gray" areas of terrorism's definition. The net result, conference after seminar after colloquium, is a general abolition of black and white. But if terrorism always includes some grays, black still exists, and so does white. If reason can never give us ownership of the truth, it can bring us closer to truth. Terrorism is definable and real. It is not conventional war, which requires belligerents on each side, not surprise attack upon non-belligerents. Terrorism is not self-defense: that is a right and duty which peoples, subnational groups, and states possess and protect every day, normally without recourse to terrorism. Terrorism is also not liberation, and equating it with the legitimate right to overthrow tyrants and despots is political obscenity, not political reasoning. And it is not collateral damage, either; terrorism explicitly targets the innocent for shock value, whereas legitimate belligerents try to kill other belligerents, erring occasionally and, we hope, with deep regret, and with the possibility of war crimes charges in egregious cases.

Terrorism was best defined, in 1979, as "the deliberate, systematic murder, maiming, and menacing of the innocent to inspire fear for political ends."<sup>7</sup> Another very good definition has long been in use by the U.S. Department of State and is set into law in the U.S. Code.<sup>8</sup> And there is a perfectly adequate new definition used by the United Nations in its treaty that came into force in 2002 on suppressing terrorist financing: terrorism is an act "intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act."<sup>9</sup> Any definition can cause a lawyers' quarrel, yet any of these three will serve us sufficiently well in public deliberations on policy. The U.S. public officials who now seem ill at ease or outright embarrassed by the question "How do you define terrorism?" could start, tomorrow, carrying a slim card in a breast pocket with the UN treaty's definition. Merely reading it aloud will surprise most auditors, since even specialists think the UN has always failed to define terrorism. And it will instruct the others, allowing for the beginnings of a better public conversation.

### *Terror is Increasingly Repudiated World-Wide*

A second set of arguments should take shape at this point: Terrorism is more and more repudiated by the international community. This is progress; this is an advantage in argu-

<sup>6</sup> Alex P. Schmid, *Political Terrorism* (New Brunswick, NJ: Transaction Books, 1983). This article makes an unconventional use of this book.

<sup>7</sup> Adopted by the Jonathan Institute in a 1979 conference.

<sup>8</sup> The Department of State uses a definition in U.S. Code (Title 22): "premeditated, politically motivated violence perpetrated against noncombatant targets by subnational groups or clandestine agents."

<sup>9</sup> International Convention for the Suppression of the Financing of Terrorism, Art. 2 (1) (b). The treaty passage may be found in Elagab and Elagab, *International Law Documents Relating to Terrorism*, 476, or at <http://untreaty.un.org/English/notpubl/18-11e.htm>.

ments against terrorists’ proclaimed “right” to kill with impunity, no matter how obscure or twisted the cause. This is a point that, if not outright sunny, at least represents a break in the clouds.

Six decades ago, world representatives met at Geneva and laid down bedrock language that aimed to protect prisoners of war. The careful words of their four conventions also delegitimize many violent sub-state groups of today, such as terrorists. The Geneva Conventions made clear that authentic martial forces in a legitimate state of war follow four minimum standards. The force must: be under the command of a person responsible for his subordinates; have a fixed distinctive sign or uniform; carry arms openly; and conduct operations according to the laws of war. A 1977 protocol—which some states have declined to sign—may relax by degrees the mandates for fixed emblems and open carrying of arms. But the new protocol underscores the requirement that all combatants distinguish themselves from civilians and comply with international laws of war. Article 51 prohibits “acts or threats of violence the primary purpose of which is to spread terror among the civilian population....”<sup>10</sup> Yet how few public speakers, U.S. or foreign, ever even reference Geneva Convention standards when discussing today’s terrorists? An airing on occasion would notably aid in a defense of law, as against the less rational, unilateral postulates of terrorists, their video artists, and their public apologists.

Another much-neglected point for the counter-terrorism side lies in actions of the United Nations of late. There is more than the aforementioned UN definition of terrorism that serves the treaty of 2002. The Security Council has again and again taken up the matter of international terrorism, often with good results. Sanctions have been laid down against the Taliban and Al Qaeda; general financial sanctions have been decided upon and ordered, applicable for all states; and a UN committee has been created to monitor the progress. After decades of neglecting terrorism—or even passing General Assembly resolutions that are encouraging to some violent groups—the United Nations has begun to take stands on some issues related to terrorism. The Security Council’s sanctions against these terrorists, as well as against the states of Libya and the Sudan, have had good effect.<sup>11</sup>

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<sup>10</sup> In addition to the 1949 Geneva Conventions, I have consulted Canadian scholar L. C. Green’s *The Contemporary Law of Armed Conflict* (Manchester: Manchester University Press, 1993, repr. 1996), 107–11, and two attorneys: U.S. Navy Capt. Dean Dwigins and Laura R. Harmon. However, my text only represents my best judgment. The new protocol is intended to benefit legitimate, territorially-based national liberation movements fighting foreign occupation. It may well soften the bedrock Geneva strictures in limited ways, indicated above, but the same protocol obliges compliance with laws of war; bars feigning civilian status; bans indiscriminate attacks; protects civilians and “civilian objects”; bars taking hostages; and underscores the requirement of commanders to keep their personnel from violating the laws of war. All these are and should be inhibitions on terrorists and their usual tactics. “1977 Protocol Additional to the Geneva Conventions....,” in *Terrorism in War: The Law of War Crimes*, ed. Howard S. Levie, Vol. 3, Second Series, in *Terrorism: Documents of International & Local Control* (n.p.: Oceana Publications, Inc., 1993), 611–24.

<sup>11</sup> New UN actions are mentioned in the State Department’s annual *Country Reports on Terrorism*, and many are also discussed in Chapter 5 of my *Terrorism Today*, 2<sup>nd</sup> ed. (London: Routledge, 2007).

They should be studied, and improved upon for deployment against two other long and flagrant state sponsors of terrorism, Syria and Iran.

INTERPOL is itself one more indicator of gradual limited progress. The Lyon-based International Criminal Police Organization for decades shied away from “terrorism” cases. This was because such cases come with political perils. States often claim “political exception” for certain kinds of crime; the U.S. often did so in the past, and some states still do. But the new U.N. treaty on terrorist financing bars such “political exceptions.” And INTERPOL has been active. During recent years, the agency has shown an increasing willingness to put its bright international spotlight on fugitives who commit mass murder, regardless of their political motives. They may publish a “red notice” on someone. Such a notice does not allow for arrest—INTERPOL has never had such powers—but the effects can be considerable. Intelligence agencies fix on the new information. Terrorists’ travel is inhibited dramatically. Public attention can shame governments that protect or encourage the named killer and his organization. Late in 2007, INTERPOL issued notices against named Iranian and Lebanese Shiites for their roles in a 1994 bombing case in Argentina against a Jewish cultural center. Even if courts do not convict all the defendants, the charges are valuable politically and serve as a warning to state sponsors of terror.

*There are Obvious, Good Alternatives to Terror*

A third set of arguments to be offered via public diplomacy has to do with better displaying the practical alternatives to terrorist politics. Moderation in politics and the rule of law are defended well at certain moments by some U.S. spokesmen, but our position would be dramatically improved by better arguments, especially if they are made abroad. We would do well to hear more from the hostages saved from terrorists, from those wounded by terrorists (their cases are never given the publicity that deaths are), from the victims’ family advocates and priests and imams and friends, and from all religious and political figures responsible for citizens’ safety. These arguments would not inhibit hardened terrorists. The arguments are aimed at the thinking citizen, the moderate academic or politician, the religious mentors of the community, the civic organizations, the women’s group, the security professional.

Terrorism’s apologists say, with numbing consistency, that “terrorism is the natural weapon of the weak,” and that terrorists “have no alternatives.” A student of political science or history must disagree. Known alternatives to terrorism include clandestine political organization. There is the hunt for external allies, who are often available in our globalized world. There are media organs to approach. There are in fact numerous political, economic, and social alternatives to the murder, maiming, and menacing of the innocent for political purposes. The French Resistance found many between 1940 and 1945, even in facing the Nazis, who had a formidable oppressive apparatus. The French underground did not, for example, kidnap and torture the daughters and wives of top Nazi officials to make them leave France. They did not poison a local town’s water supply because the act would also sicken a German garrison. They certainly did shoot *Wehrmacht* soldiers—and paid the price when caught. They had the courage and stamina to live for years in the underground. Modern politics knows scores of ideological groups that fight for causes with good means; consider the success of the Zapatistas of Mexico, who carried out terrorist attacks for only a few weeks before refining their approach for all subsequent years.

Moderate politics requires consensus and the protection of all. There may be a right to revolution, or to re-make the political order, but there can be no right to terrorism. Terrorism claims special minority rights, but at the expense of innocent victims in the rest of the population. Terrorists often demand to know “why the state should have a monopoly on violence.” But their own logical end is anarchy, violent anarchy.

Look more closely at how a reasonable world community might receive and address a terrorist minority’s claim of “a right to kill.” Does any minority have such a right? Does it reside with an ethnic or religious group within a larger country? Does it apply to a smaller minority within that state, or even a tiny but highly self-conscious “victimized” group? Is a political party losing at the polls entitled to turn to terrorism? If so, how about a single cell that does not even dare to compete in elections? Continue on. May an individual with a high-minded object—a Jew such as Yigal Amir (who shot Yitzhak Rabin), or a Palestinian such as Sirhan Sirhan (who shot Robert F. Kennedy)—murder to advertise for a change in Middle East policy? The pathway of thought descends to inevitable, ever-darker conclusions. The terrorist’s argument to a special and lethal right is a *reductio ad absurdum*, with anarchy its certain end.

The rule of law is another evident alternative to the terrorist’s narrower view of political options. Often mentioned yet little explored by our public spokesmen, the “rule of law” is a powerful concept. It can favor change, or it can favor stability, but it always favors equality and reason and justice. The principles embedded in these three short words “rule of law” are that law is made by the people; that no one is above the law; that there is equality within the law; that no crime is beyond the reach of the law; and that a culture of civil piety, or respect for law, is vital. Plato taught this. Abraham Lincoln re-taught it. Winston Churchill explained it to democrats emerging in fascist Italy in a wonderful official letter of August 1944, which historian Martin Gilbert has saved from obscurity. The English parliamentarian spoke of free expression, the right to criticize the government of the day, constitutional means to make popular will apparent, courts free of violence and party rule, the rights of the individual, etc. And of course there are elections. As Churchill said on another occasion, in words that free Iraqis with purple thumbs would understand: “At the bottom of all the tributes paid to democracy is the little man, walking into the little booth, with a little pencil, making a little cross on a little bit of paper....”<sup>12</sup>

### *Improving the Defense*

To advance the anti-terrorist idea, there must be more imaginative, more proficient defenses that directly address terrorism. The following options might help. If not, several of them may suggest variants of arguments, to be made by other partisans of liberty and sanity, for themselves and in their own ways.

Democracies—not just in Europe, but in both hemispheres—observe principles protecting freedom of religion, not religious war. This is said now; it must be said from time to time again, with new emphasis and different words. This high ground is the most defensible. For several reasons, there can be no political “traction” to be found in the different

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<sup>12</sup> Churchill’s letter of 28 August 1944 is cited in Martin Gilbert, *Winston S. Churchill*, Vol. 7: *Road to Victory* (Boston: Houghton Mifflin, 1986), 918. The second quotation is from a Churchill speech of two months later, delivered on 31 October 1944.

argument that “Islam is inherently militant.” We hardly need to pause, reading such words, to ask whether that argument is at all true; making the argument would be worse than useless in its effects. America’s six or seven million followers of Islam would rightly be the first to be insulted, closely followed by generous-minded non-Muslim citizens of the U.S. and other democracies, whose numbers easily surpass a billion souls. We do not wish to alienate Muslim friends and neutrals. We want no war with Islam – far from it. We stand against the poisoning of religion by terrorism and violence, including the forcible or direct exclusion of any religion from those available to mankind.

Democracies, though often charged with hypocrisy, are in fact usually embarrassed by their “own” terrorists. They should be. And they should admit this to the world – it is a healthy exercise for the Muslim world to see, and it shows that we do not conflate terrorism with Islam. What is our typical democratically-minded man’s position when confronted by news of an assassination? It is not pride. Yigal Amir is a public figure, but how many Jews praise him, or his assassination of former Prime Minister Rabin in 1995? American democrats who are Christians are embarrassed by “their” terrorists, including “Christian Identity,” the odd sect in which preachers avow that God made the white race to be superior. Timothy McVeigh was allegedly attracted to this vein of thought when he blew up the Murrah Federal Building in Oklahoma City. But normal Christians do not whisper approving thoughts of his action or his “leadership.” One can deduce that even the right-wing extremists who had incited hatred of the federal government were appalled by McVeigh’s truck bomb. Christians in the U.S. are also embarrassed by Eric Rudolph, whose bombs were aimed at abortionists and homosexuals. So while the U.S. is largely and nominally Christian, the U.S. also tries and locks up terrorists who imagine themselves to be warriors for Christ.<sup>13</sup>

Democracies have stood up for Muslim rights; that is another proposition worth defending. Women and men from the ranks of American volunteers have taken their professional military skills abroad many times and fought to defend people whose faith is based on the Koran. This happened in Afghanistan in the 1980s, and again starting in late 2001. It happened in Somalia, in Bosnia, and in Kosovo. A skillful former U.S. Ambassador to Indonesia, Paul Wolfowitz, frequently made this argument. It was good, enough so that it later grew too familiar to hold much interest. Now, it has had a rest and could be put to use again.<sup>14</sup> Washington is in need of gifted foreign volunteers to study and speak out on this matter of “Christian democracies defending Muslim populations.”

The coalition of NATO, other democracies, and moderate Muslim states is making war today on Al Qaeda, not upon Islam. It was Al Qaeda that made the war. For the U.S., this began with a long flaming message in 1996, though virtually no one noticed,<sup>15</sup> and then again with the *fatwa* of February 1998, which a few more noticed, and again in August

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<sup>13</sup> The U.S. also locks up many Cuban-Americans who avow high-minded reasons for their attacks on Cuba. They are often jailed under the Neutrality Acts of the late 1930s, or other laws. Cuba presently charges that the U.S. is failing in its duty in not extraditing a Venezuelan named Luis Posada Carriles, accused of a horrific airline bombing against Cuban interests in 1976. But the suspect is in fact in jail in the U.S., even if extradition seems unlikely.

<sup>14</sup> This refers to returning to public light the kind of argument Dr. Wolfowitz made.

<sup>15</sup> I must include myself among those who missed the important 1996 propaganda by Al Qaeda.

1998 when two U.S. Embassies were destroyed, which many found surprising, and then a fourth time in 2001, which everybody in the world noticed. President Bush and his senior spokesmen have rightly and repeatedly said this series of attacks is the cause of war, and that the United States is not at war with Islam. It would make a memorable quip for some future press conference if a U.S. spokesperson had handy the number of such formal public statements deprecating the idea of war with Islam. Computer search results would yield an answer in the hundreds, if not low thousands. This is a good argument, and Washington has made it often. What we need now are others to make it for us in their own words. There is also one change needed in the rhetoric of anti-terrorism: spokesmen should quote more from Al Qaeda declarations. The terrorists hand us the most self-incriminating evidence imaginable on this question of who wants a war of religions or civilizations.<sup>16</sup>

States have not just the right but also the duty to resist international terrorists. Principle and prudence, as well as UN Security Council Resolutions, say this is true, for all states. Yet it is a note starkly absent from the U.S. orchestral score of the past five or six years. It is plain that if a state has rights *against* transnational attack, this means it also has a sovereign *duty* to inhibit such attacks, and bar the presence of terrorists. How empty it is for a Havana of 1980, or a Tehran of 2008, to loudly talk of its own sovereign right to inviolability of territory when the same state serves as an infamous platform for militants to range abroad, coming home when they are in need of rest and rearmament. Traditional international law was always clear on this point. The Geneva Conventions added language against abuses of humanity during war, positing an “obligation to search for persons alleged to have committed, or to have ordered to be committed, such grave breaches, and ... bring such persons, regardless of their nationality, before its own courts.”<sup>17</sup> Modern terrorists should be declared enemies of all humanity, *hostis humanis generis*, as were pirates and others described in the eighteenth century by Emer de Vattel. That contributor to international law said that crimes against humanity imply universal jurisdiction; all responsible states should act against such persons.

An important modern document, agreed to by all states, declares that the inherent dignity of human beings is sufficient cause to protect them, and that they deserve “freedom from fear.” Since “terrorism” works by frightening multitudes, to eke out a political purpose of some sort, these three words of the United Nations’ Universal Declaration of Human Rights deserve mention in our public discourse.<sup>18</sup> Yet who has heard the phrase so used? Terrorists would smile over such a quotation, or mock such “Platonic ideals,” but they are unimportant here. Our audiences in the discussion are the states, and peoples, who signed the UN Charter – they are sworn to live up to it. These three words from the Preamble of the Declaration are in theory enough to practically prevent the General Assembly

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<sup>16</sup> Consider, for example, *His Own Words: A Translation of the Writings of Dr. Ayman al Zawahiri*, ed. and trans. by Laura Mansfield (n.p.: TLG Publications, 2006).

<sup>17</sup> From Article 49 of the first of the treaties, the “1949 Geneva Convention for the Amelioration of the Condition of the Wounded and Sick in Armed Forces in the Field,” in Levie, ed., *Terrorism in War*, 590.

<sup>18</sup> “Universal Declaration of Human Rights,” adopted by the UN General Assembly in Resolution 217 A (III) on 10 December 1948; available at [www.un.org/Overview/rights.html](http://www.un.org/Overview/rights.html).



from endorsing or indulging a violent group that violates the laws of war or practices international terrorism.

Women have natural rights, explicitly protected under the UN Charter. Some infamous groups reliant upon terrorism, such as the Taliban, distort Islam to deny women their liberty and equality. That being so, women deserve a proper defense. Their rights must be better explained to closed societies. Abuses of women's rights should be highlighted. When abuses are chronic and obscene, they become the basis for international action. We have here a potent political issue, although it must be handled carefully, given the prospect of upsetting or alienating some Muslim males. But there are proper ways to make the argument forcibly. And there is an interested audience: women. Even small success in our arguments may serve to coax some of these auditors—who, after all, represent half the world's Muslims—toward the counter-terrorist position. A few American women made good public critics of the Taliban's hurling acid at the uncovered faces or ankles of Afghan ladies. We would do well to amplify the strong voice of Ayaan Hirsi Ali, a Somali Muslim who served in Holland's parliament. She had the courage to participate in making a film with Theo van Gogh, and later that director's stabbed body was found with a note denouncing her as the next target. Ms. Ali says, with an authority most Washingtonians cannot, that the World Trade Center attacks were not about poverty and colonialism, they were about hoping for "a one way ticket to Heaven."<sup>19</sup>

### *Taking the Rhetorical Offensive*

It has not been enough for Washington and its allies to make a tepid defense (or even a good one) of Western values against the rhetoric of terror. Public diplomacy must also have the fortitude to make direct arguments against the terrorists. By their actions, terrorists place their personal and political qualities and viewpoints on display. Yet for too long our public spokesmen have shied away from attacking them on these grounds. The reason might be fear, physical or moral. More likely, it is reserve, grounded in the judgment that to take the offensive is counterproductive. That is in fact what some U.S. experts on Islam say, that "Christians have no authority in this argument," and so even our experts on Islam usually forgo taking the argument on the offensive. But that is no answer to an immense problem. Playing defense for years has certainly failed; perhaps six months of well-placed offensive arguments are exactly what would be most productive now.

One promising and neglected line of argument requires no religious credentials to make – it is a simple statement of fact, akin to a businessman checking on whether the job applicant in front of him actually is a college graduate or not. Osama Bin Laden and Ayman al Zawahiri utterly lack the religious credentials required for issuing *fatwas*. They did not attend religious seminaries, let alone graduate. Neither has made the elaborate professional commitment to theology and its study that an imam or mullah would. They may call themselves leaders, or even emirs. But it is hardly possible that anything they write should

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<sup>19</sup> *The Times* (London), 3 October 2007, discussing her book *Infidel*. Others who say some contemporary terrorists act for the right to gain heaven, and dream of young virgins, include two from an Afghan family tied to violence, interviewed by CBS News for "60 Minutes," broadcast on 18 November 2007. The reader will please note that these citations are to individual Muslims' views of the motives of Muslim terrorists.

be called a *fatwa* by a thinking person. And yet, when have we heard a top U.S. official say so?

Second, terrorists who say they are Muslims are killing thousands of Muslims. For years this has been true, yet for years it was not allowed into speechwriters' hands.<sup>20</sup> By itself, the tragically indiscriminate Algerian civil war of the 1990s, commenced by the Front for Islamic Salvation and the Armed Islamic Group, makes it apparent that the largest recent butchers' bills from North Africa came from Muslims clashing with Muslims. Consider typical Hamas or Hezbollah car bombings, which catch in the blast Arabs or Muslim as often as Jews or "Crusaders." It is Fatah's gunmen, mostly Muslims, who spent 2007 warring with Hamas in Palestinian streets and buildings. It is Kurdish Muslims who shoot at Turkish soldiers. At last, the September 2006 White House "National Strategy for Combating Terrorism" put this down on record; it did so in one line of an excellent document, one which few Americans or foreigners have read.<sup>21</sup> What is badly needed, even now after all these lost years, is a collection of the facts, their study, and a special U.S. publication and press conference on the problem, followed by the wide circulation of the results abroad, appearances on *Al Jazeera*, advertisements in Arab newspapers, etc. The statistics will undermine one fatuous conception, that "terrorism is only Washington's problem," and another, that "terrorism would stop if U.S. policy on the Middle East changed." The results might also prompt more serious Muslims to help isolate and delegitimize the violent few within their faith.

Third, the self-described "jihadis" openly call for war upon most governments of the Middle East, North Africa, and other regions where Muslim leaders already hold power. As the Al Qaeda training manual makes clear, it is violence, not voting, that will change insufficiently pious Muslim regimes into fundamentalist dictatorships. One is pained to imagine the Middle East after the collapse of Jordan, the Gulf States, etc. Beyond this terrorist campaign, widely discussed in their documents, is there also an ultimate objective for these Islamist absolutists, a new transnational caliphate? There is, for some, and we cannot ignore their words. Skeptics do smile over terrorists' talk of a new caliphate, but in doing so they ignore a fact: the bomb-throwers know of a caliphate – in fact, it only perished in the early twentieth century. Moreover, terrorists will strive to achieve their dreams, realistic or no. Such bold declarations about destroying the status quo should become our own basis for wider appeal. The terrorists are handing us a ready-made alliance with all targeted Muslim governments. Our diplomacy, public or official, can address this, speaking frankly to the self-interests of the Muslim peoples.

Fourth, extremists who go as far as terrorism risk a war of civilizations. More than a few statements in the books and videos of Al Zawahiri and other leaders make it apparent that they wish to be conquerors. They now believe themselves to be at war; if they bring down their own governments, they will turn to further objectives. If the Sunni terrorists win, they are likely to roughly "police up" their own "stragglers" before turning to war

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<sup>20</sup> This is no complaint of mere hindsight; I met briefly with a State Department ambassador on the matter in the months after September 2001, and later made a second attempt to get the State Department to make this argument.

<sup>21</sup> It appears on page five of the White House document; of course, there may well be other such lines elsewhere in other documents.

upon the Shia. The opposite is equally true. If Shia victory came in this internecine war, which is (remotely) possible due to Iranian power, then Shia militants are likely to devastate the communities of Sunnis, and then shift their eyes to further targets. Recent history shows us that few terrorists give up their methods upon attaining power. Most continue the practices that have served them so well.

The best single basis for a rhetorical offensive remains ready for the taking. This argument would merely make use of gifts that good Muslim moderates have already presented. Spanish Sunni clerics assembled in 2005 and created a powerful *fatwa* that directly criticized terrorism for its defiance of the true faith. Then British clerics did a similar thing a few months later. Their declaration went so far as to tell Muslims who know of impending terrorism to turn the perpetrators into the authorities!<sup>22</sup> In September 2007, a former mentor of Osama Bin Laden published a sort of confession, called an “Open Letter,” admitting how ruinous Al Qaeda terrorism has been for Muslims.<sup>23</sup> These are three examples of what many say they wish for: Muslim moderates delegitimizing Islamic extremists. What have been the results? At least in the first two cases, there was almost no notable public result. The White House and otherwise “talky” congressional leaders made no particular effort to advertise these superb *fatwas*, or treat them as the news events that they were. Perhaps the same critique applies to other governments. The general loss for such oversights is incalculable.

## Conclusion

The struggle for public opinion is not lost; it is a long struggle, and has only begun. Thus far, from caves and hidden production studios and urban news outlets, Al Qaeda is easily outperforming Washington, and is far ahead in the scoring. It is past time for the latter to reexamine U.S. strategies, send dynamic new talent into the various arenas, and reengage the adversary, especially by making well-considered rhetorical offensives. And this effort needs to start now. Because, after all, it isn't a game at all. The nature of terrorism makes it deadly serious.

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<sup>22</sup> “Fatwa Issued Against Osama,” *Associated Press*, 14 March 2005; “British Muslim Utterly Condemn Acts of Terror,” 7 July 2005, on the website of The Muslim Council of Britain, located at Boardman House, Strafford, London. Each of these clerical documents deserved a full-page presentation in the annual for 2005 by the U.S. State Department, but it appears that neither was even mentioned in that volume.

<sup>23</sup> Fawaz A. Gerges, “His Mentor Turns on Bin Laden,” *International Herald Tribune* (22–23 September 2007).

# **The Renaissance of Insurgency and Counter-Insurgency: Examining Twenty-First Century Insurgencies and Government Responses**

*John J. Le Beau \**

## **Abstract**

Insurgency and counterinsurgency as types of warfare are currently subject to considerable attention due to the nature of the high-profile struggles underway in Afghanistan and Iraq. It is prudent to note that neither insurgency nor the strategy and tactics required to combat it represent new phenomena. A large body of experience and literature from the twentieth century and earlier exists that addresses both sides of the insurgent struggle. Some characteristics of insurgencies are largely immutable, since insurgency is ultimately a form of warfare that is adopted when a combatant has limited resources and limited choices for how to fight against a more powerful adversary. Today as in the past, these characteristics include employment of small-unit attacks, ambushes, assassinations, propaganda activity, and the development of covert infrastructure. Nevertheless, the primary insurgencies active in the twenty-first century are marked by important differences from earlier struggles, particularly in the areas of motivation and inspiration. Rather than being quintessentially political and interested in local or national grievances, many contemporary insurgencies are at their core linked to a particular interpretation of Islam. Thus, these insurgencies represent a war of religion, not of politics, economics, or ethnicity. Islamist insurgencies are likely to be uncompromising and averse to negotiation, absolutist and pan-national in their goals, and willing to justify the mass slaughter of non-combatants who do not share their religious vision.

Counterinsurgent strategies that take into account the religious world-view of their opponents are better equipped for success than counterinsurgent efforts that ignore or minimize the radical Islamist dimensions of the struggle. Saudi Arabia offers an example of a counterinsurgency campaign that has been tailored to deal with an Islamist challenge. Modern communications and technology may link disparate Islamist insurgencies to some degree, and might eventually provide a means of coordination and information sharing. In fact, this may already be occurring. Contests with Islamist insurgencies around the globe are likely to continue for a protracted period.

**Keywords:** insurgency, counterinsurgency, Islamist, Jihadist, Islam, terrorism, Al-Qaeda, unconventional warfare, Osama bin Laden, Ayman al-Zawahiri, Saudi Arabia.

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*What has been will be again, what has been done will be done again; there is nothing new under the sun. Even the thing of which we say, 'See, this is new!' has already existed in the ages that preceded us. Ecclesiastes 1:9-10<sup>1</sup>*

## Introduction

The phenomenon of insurgency and its riposte in the form of counterinsurgency surely provide exemplary validation of that biblical injunction. While it was a salient and much-debated theme in military and political establishment circles in the 1980s, interest in insurgency as a form of unconventional warfare waned rapidly once the major powers' focus on the Cold War proxy struggles in El Salvador, Nicaragua, Afghanistan, and Angola withered and eventually ceased altogether. By the end of the Cold War at the latest, military and political thinkers, commentators, and experts moved on to consider types of violence other than the now dethroned and disregarded "low intensity conflict" (LIC), one of the acronymic aliases under which insurgency had been studied. Insurgency became passé for the military thinker – not venerable enough to elicit the attention of the true historian, not recent enough to engage the contemporary commentator seeking relevance. But now, at the onset of the twenty-first century, events have come around full circle with the high-profile, protracted unconventional warfare in Afghanistan and Iraq.

Insurgency and counterinsurgency are back in the headlines and at the center of think-tank discussions, even if the predominant venues of conflict are different from those of twenty years ago. Since 2004, the situation in Iraq has developed into what is indisputably an insurgency, with both rural and urban dimensions and with U.S. and Coalition forces belatedly adopting counterinsurgency tactics that would certainly be familiar to Sir Robert Thompson (1916–92) and other respected counter-terrorist specialists of the 1980s.<sup>2</sup> In what should be a striking example of *déjà vu*, Afghanistan represents another insurgent battleground, with Western forces roughly in the position of the Soviet army in the 1980s, and with some of the same individuals on the insurgent side having been participants in both struggles, decades apart. Less heralded in terms of press coverage and international interest but nonetheless worthy of note are the ongoing conflicts in southern Thailand and in the Philippines, with Somalia and perhaps Algeria thrown in for good measure. It is also arguable that early-stage insurgencies, nascent and fragile as they may be, are currently underway in Morocco, Yemen, and perhaps other locations.

What seems indisputable is that the ideological progenitor of many contemporary insurgencies is fundamentally different from the force that spurred the major insurgent struggles of the 1970s, 1980s, and earlier periods of the twentieth century. Absent in the cases of Afghanistan, Iraq, Somalia, and Thailand, for instance, are generally leftist or Marxist roots or motivations. Indeed, from today's vantage point, the socialist justifications, vocabulary, and world-view common to many earlier insurgencies appear irredeemably anachronistic. At its core, however, what has changed in this century are not so much insurgent strategies and tactics (although there have of course been innovations in

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<sup>1</sup> *New Catholic Edition of the Holy Bible* (New York: Catholic Book Company, 1962), 737.

<sup>2</sup> See Sir Robert Thompson, *Revolutionary War in World Strategy, 1945–1969* (New York: Tappinger Publishing Company, 1970).

these areas as well, driven in part by technological advances), but the ideas that impel the insurgents to violent action in the first instance. Common and critical to several contemporary twenty-first century insurgencies is the phenomenon of radical, political Islam. The theoreticians and practitioners of the struggles in Afghanistan, Iraq and Somalia employ a logic and lexicon that is undeniably Koranic in its spirit and inspiration. Indeed, participants in many contemporary insurgencies, from foot soldiers to senior strategists, describe their activity as *jihad*, a type of divinely sanctioned struggle described in the Koran, commented on and attested to in the *hadith*, and enjoying pride of place in the long march of the history of warfare in the Muslim world.<sup>3</sup> We will examine this factor of contemporary insurgency in some detail and assess what this implies for counterinsurgent forces.

### **Insurgency: What Remains the Same**

Reference to respected works analyzing insurgency and counterinsurgency reveals that many historical characteristics of this form of struggle remain basically the same today as they were in the past. Various principles of the insurgent contest, on examination, appear to be as true in the twenty-first century as they were in the twentieth, or even much earlier. Often heard in the 1980s, for example, was the mantra (of uncertain provenance) that insurgency represented “the war of the weak against the strong.” This phrase could perhaps be said to be the genesis of the more recent concept of “asymmetric warfare.” Insurgents choose the tactics that they do precisely because those are the tactics that are available to them. Insurgencies are generally formations of those who, though not completely powerless, possess less conventional power and resources than states. Accordingly, the tactics and activities employed by, say, the FMLN in El Salvador are not, in many respects, so different from the insurgent activities currently underway in Afghanistan or Somalia. Attacks on rural police stations, small military patrols, and individual government officials are common occurrences in all of these conflicts. Similarly, the insurgent today, as in the past, prefers to be an elusive enemy, adept at avoiding superior government forces and able, in many instances at least, to blend into the general population.

We are often reminded, quite appropriately, that counterinsurgency is not purely a military struggle. Neither is insurgency. Both sides of the equation have political or ideological aims and attempt to win uncommitted adherents to their respective position. Accordingly, conveying a message to the public is of no mean importance. Since they are often deprived of the sophisticated communications apparatus enjoyed by nation-states, insurgent movements have historically developed their own alternate means of reaching a target audience by harnessing the technology available to them at the time. During the twentieth century, insurgent radio stations gained an avid listenership—and considerable international publicity—in Algeria, Cuba, and El Salvador, to name only a few zones of conflict. Government forces in these and other countries with active insurgencies sought to shut down these “rebel” transmitters (which were often quite primitive but relatively mo-

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<sup>3</sup> Patrick Sookhdeo, *Global Jihad* (McLean, VA: Isaac Publishing, 2007), 140: “The practical rules of *jihad* are laid down in the source texts and in the classical legal texts of Islam. As we have seen, Muhammed himself and his companions serve as examples of how to practice *jihad*, models to be emulated by the *umma*.”

bile), usually without notable or lasting success. Some of these clandestine stations acquired a mystique precisely because of their ability to frustrate government efforts to put them out of business. Similarly, contemporary Islamist insurgencies enthusiastically employ the Internet and video downloads to promote their message, providing the interested with a visual as well as an aural message. Indeed, a 2007 research study concluded that there are approximately 5,600 Al Qaeda-linked web sites active at present, providing Islamist insurgents and terrorists with a significant international propaganda reach.<sup>4</sup>

Another aspect of insurgencies that has not changed much over the decades is what we might term the “texture” of such campaigns. Now as then, insurgencies seek to obtain and employ small arms and quantities of conventional explosives for their attacks. Where possible, insurgents today attempt to employ foreign safe havens for protection (the Turkish PKK in Northern Iraq, Afghan Taliban insurgents in the Pakistan tribal areas), as did earlier insurgent groups (Vietnamese in the Cambodian border area, Nicaraguan Contras using encampments in Honduras). Many insurgencies in both this century and the previous one have established a covert infrastructure of safe houses, explosive assembly sites, and rudimentary hospitals as well as organizations engaged in fund-raising, document forging, bomb production, communications, intelligence gathering, and like activities. This subterranean texture of insurgent movements provides something like an invisible world existing just below the surface of the existing state that the insurgency is committed to overthrowing.

In sum, the fabric of current insurgencies has much in common with the insurgencies of the past. This proposition can be readily demonstrated by applying the principles of the U.S. government-produced *Guide to the Analysis of Insurgency*, written in the 1980s, to any number of insurgencies active today.<sup>5</sup> The core characteristics of insurgencies enumerated in that publication over twenty years ago remain equally valid today. But if there is much about insurgent and counter-insurgent conflict that has not changed, it must also be said that the ideological foundation of contemporary insurgencies is very different from the past indeed, a topic to which we now turn.

## **Insurgency in the Twenty-First Century: What is New**

A survey of current, ongoing insurgencies indicates that the most deadly conflicts of an insurgent nature—measured variously by levels of casualties, damage, and degree of international interest—are struggles being conducted by groups identifying themselves as *ji-hadist* or *salafist*. That is, the framework and justification of the resort to violence by these groups is firmly and unambiguously anchored in a particular interpretation of Islam. Indeed, a case can be made that a number of these insurgencies do not see themselves as discrete armed movements operating against a single nation-state or regime to right local grievances and install alternate polices, but rather as part of a broadly international, religiously-based war against those they identify as anti-Islamic. The sheer number of these

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<sup>4</sup> Ibithal Hassan, “Al Qaeda-linked Web sites number 5,600: Researcher,” *reuters.com* (4 December 2007).

<sup>5</sup> Central Intelligence Agency, *Guide to the Analysis of Insurgency* (Washington, D.C., Government Printing Office, undated).

Koranicly-inspired groups suggests that they are likely to dominate the insurgent stage for the next several years and possibly decades. The distinction between Islamist-based insurgencies and other types of campaigns is neither trivial nor without troubling implications, which we will now explore.

First, a cautionary word on vocabulary is required. Much discussion has revolved around the appropriate term to employ regarding Muslim groups that engage in terrorist activity and, by extension for the purposes of this article, insurgency campaigns. It is indisputably true that the word *jihad* has meanings within the Islamic tradition that are non-violent and refer to an inner, spiritual struggle. It is also the case that the word *jihad*, even when understood to signal violence, does not literally translate into “holy war.” As a result, it has been asserted in some quarters that the word *jihadist* is not appropriate to describe the likes of, say, Osama bin Laden or his followers. Similar objections have been raised in various fora against use of the term *salafist*, although some terrorists and insurgents apply this term to themselves. More importantly, perhaps, many Muslims bristle at Westerners making reference to “Islamic terrorists” or even “Islamist terrorists,” on the grounds that such terminology implies a link between violent practices and one of the world’s great religions. Nonetheless, since a particular interpretation of Islam is clearly at the very heart of the motivation of people such as Osama bin Laden and Ayman Muhammed al-Zawahiri, and it is logically impossible to escape some sort of association of this particular religious tradition with groups such as Al Qaeda, the former GSPC, Jemaah Islamiyah, and similar violent movements. This article employs the term *Islamist* (despite its imperfections) to cover insurgencies and terrorist groups that justify their deeds on the basis of a form of Islam that impels its adherents into ideological action rather than theological reflection. The term *Islamist insurgency* as used in this article refers to those insurgent movements whose motivation—as measured by their public statements—is primarily based on the canon of Islam: the Koran, *hadith*, and the traditions of Muhammed.

### *Contemporary Insurgencies*

Islamist insurgencies active today are geographically widespread and include those in Afghanistan, Somalia, southern Thailand, the Philippines, and Algeria at an absolute minimum. In addition, possible early-stage or incipient Islamist insurgencies might be considered to include Yemen, Saudi Arabia, Morocco, Lebanon, and even the United Kingdom. As with many historical insurgencies in their formative stages, some of these violent challenges to authority will be effectively crushed out of existence before they can pose a more serious or sustained threat to government forces. This may be the case in Saudi Arabia, where police and intelligence organizations have over the past two years enjoyed singular success in disrupting planned terrorist activities (including strikes on oil facilities) and in killing and capturing a large number of individual Al Qaeda-linked operatives engaged in a campaign of violence against the House of Saud.<sup>6</sup> Saudi government success aside, other incipient insurgencies can be expected to flourish in the absence of more effective government counter-measures.

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<sup>6</sup> Peter Bergen, “Saudi 200 held over ‘terror plots,’” *CNN.com* (28 November 2007).



*Iraq*

The observant reader will note that Iraq is absent from the above list of Islamist insurgencies, despite the fact that a major insurgency is clearly being waged there against Coalition and Iraqi forces. The complexities observable in the case of Iraq require elaboration. Reporting from the conflict strongly indicates that Iraq represents something more than simply an Islamist insurgency. To be sure, highly organized and deadly Islamist elements, perhaps most notably Al Qaeda in Iraq, are playing an important role in the current rural and urban insurgency in that country; these groups have succeeded in attracting the lion's share of international media attention. Nonetheless, non-Islamist elements are playing important roles in challenging Iraqi stability as well. These include former Baath Party members and their supporters, who have primarily secular motivations, as well as criminal elements (organized and individual), which seek personal gain and opportunistic profit from violent acts against the government, its foreign allies, and the Iraqi populace in general. Ancient ethnic hostilities play a role as well, as do sectarian enmities that do not precisely translate into Islamist motivation or ideology. Accordingly, it is probably judicious to place Iraq in something of a special, separate category while acknowledging that elements of an Islamist insurgency are visible there, mixed into a maelstrom of violence that has many authors. Any mention of Iraq in the following pages will refer solely to aspects of the insurgency that are clearly Islamist according to our definition.

**Islamist Insurgency: Motivation and Goals**

At the broadest level and based on their own public statements, Islamist insurgencies aim to achieve the return of an Islamic Caliphate incorporating Muslim-majority lands and, in some cases at least, also including territory that was once under Muslim rule but was subsequently lost to non-Muslim forces. This would include Israel as well as Spain (part of the Umayyad Caliphate in the sixth century) and substantial parts of the Balkans. Another commonly shared goal of Islamist insurgencies is the broad application of a severe form of Sharia law in areas under insurgent control. This goal was achieved in Taliban-controlled Afghanistan prior to the United States invasion of that country in late 2001, and is, according to various accounts, the state of affairs prevailing today in the tribal areas of Pakistan where Islamist insurgents operate without notable interference from the central government.

Another feature of Islamist insurgency bears mentioning here. As the statements of various Islamist spokesmen (there are, of course, no real Islamist spokeswomen) make clear, Islamist adherents (along with many practitioners of "mainstream" Islam) accept the notion that the world is divided between the *Dar-al-Islam*, or the "house of Islam," and the *Dar-al-Harb*, or "house of war."<sup>7</sup> That is, the Islamist *Weltanschauung* is inherently conflictual, dividing the world into Islamic countries and non-Islamic countries. As the vocabulary indicates, Islamists view it as fully appropriate and laudatory to conduct violence against non-believer states. This view of the world as a religious battlefield—with the commensurate literal demonization of the enemy—informs the everyday life of the Islamist insurgent, and certainly enhances Islamist groups' absolutist tendencies and their

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<sup>7</sup> Sookhdeo, *Global Jihad*, 481.

unwillingness to compromise. In effect, we should expect that this viewpoint will make any meaningful negotiations with Islamist insurgents difficult (if not futile) from the outset.

The Islamist insurgent goals posited above are, to be sure, inherently more sweeping than the local or national goals sought by any number of non-Islamist insurgencies historically, such as earlier struggles in Malaysia, Vietnam, and Angola, to cite a few. Although religiously inspired Islamist goals are arguably more visionary than strategic in nature, and may be judged unlikely to be achieved, broad goals are certainly not unknown in insurgent movements. One need only recall the pan-national “revolutionary” vision espoused by Ernesto “Che” Guevara and others who aimed to establish one form or another of utopian Marxian ideals and transnational Communist rule.<sup>8</sup> Visionary goals, even if seen as chimerical by those not embracing them, can nonetheless be a powerful motivating force for an insurgency, whether it is structured on traditional lines or according to the newer Islamist model. That said, contemporary Islamist insurgencies appear to be shaped to a great degree and in considerable detail by an interpretation of Koranic injunction, and in this respect differ notably from the template of past insurgencies. Indeed, the record suggests that the Islamist mindset and goals have affected the manner in which Islamists wage their own brand of insurgency.

### *Waging Insurgency as Jihad*

What are the characteristics of Islamist insurgency that differ importantly from the characteristics traditionally attributed to insurgencies? Measured in terms of strategy and tactics, what distinguishes, say, Al Qaeda in the Maghreb from the FARC in Colombia? Several traits of Islamist insurgent campaigns can arguably be identified, and are common to a number of Islamist insurgencies internationally.

First, Islamist insurgents do not see the core of their struggle as primarily political, but rather as primarily religious. The establishment of a new, powerful Caliphate is indeed a political goal (no matter how fanciful), but it is predicated on a religious imperative to extend the borders of the *Dar-al-Islam*. Importantly, virtually all Islamist insurgents and terrorists perceive themselves as engaged in *jihad*, a just and violent struggle sanctioned by Islam. There is no credible evidence whatsoever suggesting that Islamist leaders are cynically employing religion as a vehicle to attain power or wealth – what they say is what they believe.

Second, Islamist insurgent strategists are heavily influenced in their thinking by the traditions of the Prophet, the Koran, and other elements of the Muslim canon, and they frequently refer to these sources in their public comments. Accordingly, religious thought and notions have a real and direct impact on shaping the content and conduct of Islamist insurgent activity.

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<sup>8</sup> Che Guevara offered many aphorisms related to “international revolutionary solidarity.” Note for example: “There are no boundaries in this struggle to the death. We cannot be indifferent to what happens anywhere in the world, for a victory by any country over imperialism is our victory; just as any country’s defeat is a defeat for all of us.” “Che Quotes,” geocities.com; accessed 5 January 2008.

Third, when reduced to its lowest common denominator, the strategic goal of Islamist insurgency is to extend the rule of Islam while reducing the autonomy of unbelievers. While Islamist insurgents may well have a national focus (Algerian Islamists are most directly concerned about replacing the regime in Algeria, for example, or Egyptian Islamists with overthrowing the rule of Hosni Mubarak), at the same time they perceive themselves as engaged in a struggle transcending national borders. This again underlines the fact that the motive force behind Islamist insurgency is not basically national in nature, or even political as commonly understood in the West, but religious.<sup>9</sup> It is noteworthy, for example, that Ayman Al-Zawahiri (who certainly considers himself a strategist) in his various audio and video recordings has urged adherents to action in locations as geographically far flung as Saudi Arabia, Sudan, Somalia, Pakistan, and Europe. Seen through the prism of the Islamist insurgent leaders and venerated figures, the insurgency is truly global in nature, with several fronts in operation.

Fourth, tactics and practices in Islamist insurgency can themselves be based on religious grounds and precedents. For example, attacks carried out by Islamist groups in which Muslims are killed have to be justified in a manner that casts the perpetrators as defenders of the faith, rather than as offenders against it. The same applies to the tactic of suicide bombing, which Islamists readily justify although suicide *per se* is contrary to the belief system of Islam.<sup>10</sup> Justification of specific Islamist insurgent tactics is often accomplished through sometimes labored and obscurantist theological reasoning. Also illustrative is the use of beheading as a means of executing captives that have been identified as unbelievers or apostates (again, the religious resonance of the vocabulary is notable). Beheading was a common form of execution during the lifetime of Muhammed, and there are references to it in Islamic texts. This form of killing, doubtless intended by its authors to intimidate, has been widely practiced (and often filmed) by Islamist insurgents in Afghanistan, Iraq, Thailand, the Philippines, Saudi Arabia, and elsewhere.<sup>11</sup>

Fifth, distinct from past insurgencies, Islamist insurgencies and the terror organizations to which they are linked have demonstrated that they are at best indifferent to civilian casualties and frequently purposefully target civilian populations with the goal of inflicting mass casualties. Statistical analysis of the number of civilian casualties inflicted by terrorists globally indicates an upward trajectory from the 1970s through 2003: “The sharp rise

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<sup>9</sup> Bernard Lewis, *The Crisis of Islam* (New York: Random House, 2004), 6: “The dichotomy of *regnum* and *sacerdotium*, so crucial in the history of Western Christendom, had no equivalent in Islam. During Muhammed’s lifetime, the Muslims became at once a political and a religious community, with the Prophet as head of state.”

<sup>10</sup> Suicide bombing is not a tactic used solely by Islamist insurgents or terror networks; secular Palestinian organizations and non-Muslim Sri Lankan insurgents have employed this (often effective) weapon as well. Nonetheless, suicide bombings aimed at causing large numbers of civilian casualties have become a signature of Islamists. The perpetrator is referred to as a *Shahid*, or martyr. For an empirically-based study on suicide bombing see Robert A. Pape, *Dying to Win* (New York: Random House, 2005).

<sup>11</sup> In addition to Islamist websites, graphic videos of beheadings have been posted to [www.liveleak.com](http://www.liveleak.com) and other mainstream sites. It merits mention that nearly all such videos are accompanied by martial music and quotations from the Koran.

in casualties corresponds to the emergence of Islamist terrorism.”<sup>12</sup> Masses of civilians have routinely been the intended victims of Islamist attacks in Algeria, Thailand, Great Britain, Pakistan, Tunisia, Egypt, and elsewhere (most notably the United States). The Islamist elements of the Iraqi insurgency, specifically Al Qaeda in Iraq, have been widely regarded as the most egregious killers of civilians in that conflict, responsible for some of the worst high-casualty bombings in Baghdad and elsewhere. In contrast, Salvadoran insurgents in the 1980s, Cuban Fidelista insurgents in the 1950s, and Sri Lankan Tamil Tiger (LTTE) adherents over the last decades have demonstrably favored military and police targets over purely civilian ones. It should be noted that the Al Qaeda attacks on the United States on 11 September 2001 represent the first historical instance where mass civilian casualties reached into the thousands.

Finally, Islamist insurgencies have demonstrated a willingness to employ modern technology to serve a cause that might otherwise be characterized as medieval in many respects. Use of the Internet for propagandizing, covert communications, and recruitment of new adherents is a case in point. Similarly, Islamist forces have exhibited a clear interest in harnessing modern technology to provide them with striking power beyond that provided by mere conventional explosives. Al Qaeda experimentation with the nerve agent Sarin in Afghanistan is an example of this, as is the kitchen laboratory work with Ricin attributed to an Islamist cell in the United Kingdom. It is certainly within the realm of possibility that Islamists will overcome practical difficulties and employ a chemical or even biological weapon against an adversary in the coming years.<sup>13</sup>

Taken as a whole, the above characteristics of Islamist insurgency suggest that the twenty-first century is likely to witness a number of protracted violent struggles pitting Islamist movements against various “apostate” nation-states, and that the core objection to the rule of those nation-states will be on religious grounds. To be properly understood, Islamist insurgencies (and the terror organizations related to them) need to be understood as fundamentally wars of religion; this feature importantly distinguishes Islamist insurgencies from past insurgencies that inhabited a political world. Contemporary Islamist insurgencies will be (as they have been to date) uncompromising in seeking to achieve their goals. A hallmark of Islamist insurgency will continue to be a definition of the “enemy” in broad terms, encompassing “infidel” civilians as well as members of the military and security forces. This attitude in turn permits the wholesale slaughter of non-combatants to be justified in terms of a transcendent moral duty. In addition, Islamist forces operating independently in Thailand, Algeria, Afghanistan, Pakistan, and countries in the West will perceive themselves to be united by an overarching religious cause, and motivated by the desire to see the eventual triumph of *Sharia* over temporal, political rule. Modern communications will permit geographically distant insurgencies to feel somehow united, and may eventually develop into a means of coordinating diverse groups and individuals.

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<sup>12</sup> Robert S. Leiken, “Europe’s Mujahideen – Where Mass Immigration Meets Global Terrorism,” *cis.org* (April 2005), 5.

<sup>13</sup> Nick Robertson, “Disturbing Scenes of Death Show Capability with Chemical Gas,” *CNN.com* (19 August 2002).

## Counterinsurgency in the Twenty-First Century

Counterinsurgency strategies and tactics employed against ongoing Islamist challenges to established authority vary from country to country, as one might expect. In the cases of Afghanistan and Iraq, Western forces (primarily but not solely represented by the United States) are playing a critical role both in devising and implementing a counterinsurgency formula, with the host governments cast in a secondary (although by no means inconsiderable) role. As noted previously, Iraq represents more than simply an Islamist insurgency, but the counterinsurgency effort there has devoted considerable attention specifically to reducing the inroads made by Islamist forces. In the case of Somalia in 2007, Ethiopian troops (along with occasional and limited military action by the United States) have been the most active element operating against the Islamic Courts Union's urban and rural insurgency. These instances aside, the counterinsurgency responses to Islamist violence in Algeria, Thailand, Pakistan, Saudi Arabia, and the Philippines have been predominantly national affairs. Although none of the insurgencies in these countries have to date been decisively defeated, some counterinsurgencies have clearly enjoyed more measurable success than others. Available information provides some grounds for believing that the most successful counterinsurgency efforts against Islamist forces today are those that focus their attention and tailor their actions not just to the challenges posed by generic insurgency, but to the phenomenon of violent Islamism specifically.

Saudi Arabia has been faced with an incipient insurgency since at least 2001. Islamist militants associated with Al Qaeda have been responsible for a series of attacks (both actual and planned) in the Kingdom, some of them exhibiting significant boldness and lethality. Targets have included official Saudi installations, foreign guest compounds and diplomatic buildings, individual foreigners and, notably, oil industry facilities. At first, Saudi authorities seem to have largely ignored or studiously minimized the extent of the problem. This official Saudi attitude calls to mind Sir Robert Thompson's succinct but trenchant commentary on early-stage insurgency. He observed that governments confronting a budding insurgency often delude themselves into not recognizing that they are facing an armed challenge to their authority; "This automatically leads to a situation where government countermeasures are too little, too late until the time comes when really drastic action has to be taken."<sup>14</sup>

Over time, however, the Saudi authorities appear to have concluded that the Islamists indeed posed a major security threat to the ruling regime and resolved to crush the insurgency. Although information currently in the public domain remains sketchy, Saudi efforts in some respects mirror successful counterinsurgency measures from past conflicts, including Malaysia. Specifically, the Saudis eschewed a mainly military approach to the Islamist challenge, and concentrated instead on police and intelligence activity directed against Al Qaeda adherents. This doubtless entailed suborning and recruiting local sources of information, the collection of intelligence on cell member identities, leadership hierarchy, covert infrastructure, funding and logistical support to the Islamists, and other pieces of detailed information that could be exploited. To the extent that can be judged based on partial information, Saudi security forces seem to have conducted their activities without

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<sup>14</sup> Thompson, *Revolutionary War*, 21.

alienating the general population, another traditional characteristic of a successful counterinsurgency. Hundreds of arrests have been made to date, some involving violent confrontations, but it would appear that the government has not resorted to the ill-conceived and overly broad “sweeps” that net the innocent along with the guilty and ultimately damage government legitimacy.

The Saudi strategy against the Islamists has additionally incorporated measures specifically tailored to defeat the message and appeal of Islamist propaganda, both with the general Saudi public and within the ranks of captured insurgents. Saudi clerics have been used to delegitimize violent Islamist claims that they are forwarding the interests of Islam and that they are operating within the boundaries of permissible Muslim behavior. The case of the former radical Saudi cleric Sheikh Salman al-Odah is illustrative. Imprisoned in Saudi Arabia between 1994 and 1999 for his radical activities, al-Odah, often described as a “mentor” of Osama bin Laden, in 2007 publicly denounced Al Qaeda-related violence in Saudi Arabia, Afghanistan, and elsewhere on religious grounds.<sup>15</sup> This measure and similar measures endorsed or orchestrated by Saudi authorities, of course, are predicated on a recognition that the core of the threat to official Saudi interests rests mainly on religious grounds. Similarly, as has been widely reported, the Saudi government has established a formal “deprogramming” effort that aims to persuade captured Islamist activists that they have chosen a wrong path that is incompatible with true Islam. The mainstay of this program is an intensive and focused attempt at dialogue between prisoners and imams or Islamic scholars, with the end goal of persuading the Islamist detainees to reject their violent doctrine and former comrades and to reintegrate into mainstream Saudi (and Wahhabi Sunni) society.<sup>16</sup>

At this stage it is too early to attempt to assess the effectiveness of the Saudi counterinsurgency efforts described above. Nonetheless, the Saudi methods noted are notable for the theological nature of their focus, and are tailored to meet the special demands of Islamist twenty-first century insurgency. It is also noteworthy that Saudi Arabia is not alone in attempting to address the particularly Islamist nature of the insurgent and terrorist threat. Indonesia, faced with its own flare-ups of Islamist violence, including the deadly and highly publicized Bali bombings in 2002, has initiated a similar program as well.<sup>17</sup> It can in fact be argued that Muslim-majority countries might well understand the core nature of the challenge to their rule more clearly than their Western counterparts, who downplay the religious dimensions of many contemporary insurgent movements. This attitude arguably plays a role in the manner in which the United States has directly and indirectly confronted insurgencies overseas (in Afghanistan, Pakistan, and Somalia, for example), and the manner in which the United Kingdom has confronted Islamist attacks on its own soil, in London and Glasgow. While perhaps quite understandable in the context of secular democratic institutions and prevailing political conditions, there certainly exists the risk that

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<sup>15</sup> Fawaz A. Gerges, “Osama bin Laden’s Growing Anxiety,” *Christian Science Monitor* (26 October 2007). See also Hassna’a Mokhtar, “Bin Laden’s Mentor a Reformed Man,” *arabnews.com* (6 January 2008).

<sup>16</sup> Jennifer Griffen, “Saudi Youth Enter Rehab to Overcome their Terrorist Ways,” *foxnews.com* (22 August, 2007).

<sup>17</sup> Joshua Kurlantzick, “Fighting Terrorism with Terrorists,” *latimes.com* (6 January 2008).

not understanding the makeup and message of an insurgency poorly equips a government to craft an effective response to it. If the ideological core and appeal of an insurgency are not acknowledged, it is hard to imagine that a suitable counter-message strategy can be launched.

On a more general level, and aside from the issue of confronting the Islamist insurgent message, it can be safely projected that counterinsurgency efforts in the twenty-first century will be concerned with attacking Islamist insurgent foes in some ways that are quite similar to counterinsurgency methodologies devised and employed in the previous two hundred years. With a glance at some current insurgencies, some of these methods can be suggested; the below list is by no means meant to be comprehensive.

- Deny domestic and foreign safe haven to insurgent forces. The safe haven issue in the twentieth century included the examples of Nicaraguan Contra camps in Honduras and Vietnamese use of Cambodian territory. At present, denying safe haven areas to insurgents is directly applicable to counterinsurgency efforts in Afghanistan, Pakistan, Saudi Arabia, Lebanon, and elsewhere.
- Limit insurgent access to weapons and explosives. The proliferation and dissemination of knowledge about explosives production on the Internet (and perhaps via Afghan and Iraqi insurgent veterans) makes this a formidable task for counterinsurgency forces in several countries, including those that might be facing an incipient or potential insurgency, such as the United Kingdom and France.
- Break insurgent military organizations and incapacitate leadership elements. This is the military side of counterinsurgency, and is being conducted along traditional counterinsurgency lines in Afghanistan, the Philippines, Somalia, Iraq, and perhaps Lebanon (against Fatah-al-Islam forces).
- Provide adequate security for the populace and demonstrate government “presence” and the physical limitations of insurgent power. This translates into denying the insurgents the ability to claim that “the government rules by day, we rule by night,” and similar formulations. The methods devised by French colonial officers and strategists Bugeaud, Gallieni, and Lyautey, generally classified as *tache d’huile*, are applicable here.<sup>18</sup> The difficult task of providing the civilian populace with some measure of security is a key goal in counterinsurgency efforts underway in Afghanistan, and represents a considerable weakness in the counterinsurgencies in Pakistan (especially in the tribal areas) and in Southern Thailand.
- Deny the insurgents foreign support. In the twentieth century, this generally referred to denying the insurgents covert or overt support from states sympathetic to their cause. This historical list is extensive and includes Castroite Cuban support for various Latin American violent movements, Nicaraguan support for the Salvadoran FMLN, clandestine U.S. support for Jonas Savimbi’s UNITA in Angola, North Vietnamese support for the Viet Cong, etc. Foreign support in the context of present-day Islamist insurgencies, however, may mean something substantially different – the provision of person-

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<sup>18</sup> Francis Toase, “The French Experience,” in *The Roots of Counter-Insurgency*, ed. Ian F.W. Beckett (London: Blandford Press, 1988), 40–59.

nel, finances, and wherewithal not from a nation-state but from the international Islamist movement and its sympathizers. Accordingly, we witness the phrase “foreign fighter” applied to insurgents in Afghanistan and Iraq who originate from Saudi Arabia, Libya, or Muslim diaspora populations in Europe (including Italy and the United Kingdom). While some Islamist insurgencies have undoubtedly enjoyed state support (an accusation persuasively made by the United States regarding Iran and Syria), insurgent ranks in several conflicts have been strengthened by committed Islamist adherents from several nations, sharing the common bond of religious belief and interpretation. Mosques and Islamic cultural centers have often served as recruiting grounds.

## **Conclusion**

The renaissance of insurgency and counterinsurgency in this century contains elements that are familiar from the historical record as well as elements that are new and innovative. A notably wide array of current insurgencies are at their heart Islamist insurgencies, motivated less by political grievances or ideological considerations as commonly understood than by a sternly theological viewpoint that recognizes no boundary between religion and politics and that makes absolutist and transcendent claims to legitimacy and authority. The crucial role of Islam (at least a particular type of Islam) in these insurgencies is recognized by some counterinsurgency strategies (e.g., Saudi Arabia) and perhaps not by others (e.g., the United States’ efforts). The Internet, mobile communications, international travel, and globalization may facilitate an increasing sense of unity among separate Islamist insurgencies. This, in turn, could under the right circumstances develop into a coordinated transnational threat to international security concerns; indeed, this might already be happening. As in the past, successful counterinsurgent responses will rely on the adoption of an appropriate array of methods to confront a protracted security threat, only some of these methods military. Even tried and true counterinsurgency methods, however, will need to adapt to the special challenges of a dedicated Islamist insurgency seeking to operate without frontiers to achieve ambitious, transnational goals.



# The Expanding Security Agenda: Challenges for Transition States

Elena Kovalova \*

## Abstract

Since the end of the Cold War, transnational organized crime and corruption have persistently plagued the post-communist states in Central and Eastern Europe. Facilitation of travel and trade regimes in Europe has provided criminal organizations with a broader scope to expand their businesses and to invest and profit through such practices. The fall of living standards and growth of unemployment in the post-communist economies—along with the promotion of free movement of goods, services, and people in the enlarging European Union (EU)—produced new forms of organized crime in the region, particularly a modern-day equivalent of slavery that is known as trafficking in persons (TIP). The novelty of the crime, combined with the corruption of unreformed law enforcement agencies in transition states and the transnational nature of TIP have increased the need for international cooperation to fight it effectively. Based on an analysis of TIP in South Eastern European (SEE) and Eastern European states, this article attempts to assess the patterns of human trafficking in the region, determine links between corruption and trafficking, and identify possible networks for counter-trafficking activities in the region.

**Keywords:** transnational crime, trafficking in persons, corruption, transition, security sector reform, South Eastern Europe, Western New Independent States

## Introduction

Trafficking in persons (TIP) is a crime that has complex attributes – it is a problem that exists on several levels and in multiple dimensions.<sup>1</sup> TIP could be addressed as an organized crime concern, or as a human rights issue, or as a labor- or security-related problem. In addition to its complex nature, the issue of human trafficking, by its very nature, has transnational characteristics, almost always involving several states. The transnational na-

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<sup>1</sup> For the purposes of this essay, trafficking in persons (TIP) is defined according to the *Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children*, which supplements the United Nations Convention Against Transnational Organized Crime of 2001. Article 3 (a) of the *Protocol* defines TIP as “the recruitment, transportation, transfer, harboring or receipt of persons, by the threat or use of force, by abduction, fraud, deception, coercion or the abuse of power or by the giving or receiving payments or benefits to achieve the consent of a person having control over another person for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labor or services, slavery or practices similar to slavery, servitude or the removal of organs.” See: UN Convention Against Transnational Organized Crime, Resolution # A/RES/55/25; [www.unodc.org/pdf/crime/a\\_res\\_55/res5525e.pdf](http://www.unodc.org/pdf/crime/a_res_55/res5525e.pdf).

ture of TIP requires coordination and cooperation in the most sensitive areas of international effort: in crime prevention and information sharing. To address the question effectively, international cooperation is the only solution. However, one of the major obstacles to this solution—especially for states in South Eastern Europe (SEE) and the Western New Independent States (WNIS, including Belarus, Moldova, and Ukraine)—is the low level of trans-border cooperation between security and law enforcement institutions in the affected region.

In addition to the novelty of such crimes in the nations that are making the transition from communism, these states are also going through the process of transformation. Increasing the efficiency of their counter-trafficking policies is dependent on the outcome of overall reforms in the security sector, where such policies are developed and implemented. Three major problems that are playing a significant role in hindering reforms of the security sector and transnational cooperation, relate to the areas of institution building, corruption, and border security.

### **Assessment of TIP in the SEE and WNIS Region**

The International Organization for Migration (IOM) estimates the number of prostitutes of East European origin currently working in Western Europe at 300,000, and the total number of women and children, purchased or exchanged, arriving in Western Europe every year at 120,000.<sup>2</sup> Although there are no data on the proportion of women and children arriving annually from individual nations in Eastern Europe, according to the IOM and EUROPOL, the principal source countries today are Moldova (providing up to 80 percent of the traffic; many Moldovan villages do not have any women between the ages of 18 and 30), Bulgaria, Romania, and Ukraine. The destination points for Moldovan trafficked persons are Bosnia and Herzegovina (BiH), Macedonia, Albania, Serbia, Montenegro, Kosovo, Italy, France, Portugal, Germany, Romania, Bulgaria, Hungary, Slovakia, Czech Republic, Poland, Greece, Cyprus, Russia, Turkey, Lebanon, Israel, U.A.E., Syria, Pakistan, and Afghanistan (see Table 1).

Flows of trafficked persons from Bulgaria and Romania are directed to Southern and Western Europe, and women and children from Ukraine are trafficked worldwide (see Table 1). While the Ukrainian Ministry of the Interior estimated in 2001 that 100,000 Ukrainian women were trafficked over the preceding ten years, the IOM estimated the number to be four times higher.<sup>3</sup> The problem is accentuated for Ukraine and Moldova given that persons from these nations are also trafficked to be exploited for their labor in Western Europe, North America, Russia, and neighbor states. Different sources state that the number of Ukrainians working abroad is anywhere from five to eight million. How many of them might qualify as victims of traffickers is unknown.

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<sup>2</sup> The latter figure includes both women from Eastern Europe and those coming from Africa (Nigeria), Asia (including Central Asia; Osh in Kyrgyzstan is a crossroads for this traffic), and Latin America (Brazil).

<sup>3</sup> D. Hughes, "The 'Natasha' Trade: The Transnational Shadow Market of Trafficking in Women," *National Institute of Justice Journal* 246 (2001): 10.

Given that the number of people trafficked annually is at least in the hundreds of thousands, if not in the millions, number of TIP cases that have actually been prosecuted is very low. As was reported by the Ukrainian Ministry of the Interior, 873 trafficking cases were filed from 1998 to 2004 (cases falling under Article 149 of the Criminal Code of Ukraine of 2001).<sup>4</sup> According to the judge of the Supreme Court of Ukraine, from 1998 to 2003, more than six hundred cases were filed, and ninety-four were sent to trial.<sup>5</sup> The U.S. State Department's *Trafficking in Persons Report* of 2004 states that in 2003 Ukrainian prosecutors tried forty-one trafficking cases and convicted traffickers in twenty-nine cases. Those twenty-nine cases involved thirty-two defendants.<sup>6</sup>

Certainly, the positive fact is that the number of the filed cases increased noticeably, from only two in 1998 to 269 in 2004; however, the limited data available show that police and law enforcement institutions are unprepared to combat criminal networks that have a hierarchical structure, well-defined roles within this structure, and that are often involved in several different types of criminal activities. The problem is also complicated by the persistent lack of funding (see Box 1) and the inadequacy of preventive strategies. Just as one example, the Interdepartmental Coordination Council for Combating Trafficking in Persons has had no formal meetings since its establishment in December 2002.

In the early 1990s, Lithuania, Poland, the Czech Republic, and Hungary were the first source countries for trafficked persons following the fall of communism, along with Russia and Ukraine. Those countries have since become transit and destination points (see Table 1). In this they join the countries of the European Union (EU), but also the states of the Balkans, where the presence of foreign troops and armed conflict provided a substantial market throughout the 1990s and continues to make an extensive contribution to the traffic. According to the NATO Rapporteur Christine Boutin, trafficking networks used various routes, including:

- The route that passes through Romania, Serbia (which features five “women markets” in Belgrade and the Novi-Sad trading center), Bosnia and Herzegovina (the Brcko Arizona market), Croatia, and Austria, and then on to the Czech Republic, Poland, and Scandinavia, or to Germany, France, and the United Kingdom
- The route that passes through Kosovo, Albania, the former Yugoslav Republic of Macedonia (the village of Velezde is the regional center of prostitution) and Montenegro, then through Italy.

In total, of the 500,000 women who are victims of criminal trafficking networks around the world every year, 200,000 pass through the Balkans. Of these 200,000 women, some 80,000 are destined for the Middle East, Asia, and North America.<sup>7</sup>

<sup>4</sup> *Korrespondent* 146:7 (26 February 2005), 57.

<sup>5</sup> *Protydiya suchasnym formam rabstva*, Supreme Court of Ukraine; available at [www.scourt.gov.ua/clients/vs.nsf/0/AAFA3E253C0416D9C3256F9D00475B0F](http://www.scourt.gov.ua/clients/vs.nsf/0/AAFA3E253C0416D9C3256F9D00475B0F).

<sup>6</sup> Ukraine (Tier 2) (Extracted from U.S. State Department *Trafficking in Persons Report*, 14 June 2004); available at [www.state.gov/g/tip/rls/tiprpt/2004/33192.htm](http://www.state.gov/g/tip/rls/tiprpt/2004/33192.htm).

<sup>7</sup> C. Boutin, 141 CCDG 03 E – Organized Crime – Drug and Human Trafficking in Europe, NATO Parliamentary Assembly (2004); available at [www.nato-pa.int/Default.asp?SHORTCUT=368](http://www.nato-pa.int/Default.asp?SHORTCUT=368).

Changing this situation in the region will require coordinated actions aimed at pursuing joint strategies in both source and transit countries. In geographical terms, the area in question covers territory stretching from Ukraine in the east to the Balkan states in the southwest. As source countries, Ukraine and Moldova have some experience in combating TIP within their own domestic borders, but their participation in joint regional efforts is limited.<sup>8</sup> Following the eastward enlargement of the EU in May 2004 and January 2007, these countries have become direct neighbors of the EU. As a result, their territories are rapidly becoming part of the transit route for traffickers from Russia, the Caucasus, and Central Asia. As a result, stability in the region has turned to be a significant concern for the EU states. The existence of the Transdnistria enclave in the region exacerbates the problem of effective counter-trafficking measures. As both transit and destination countries, the Balkan states have had some experiences of closer cooperation with each other within the framework of programs and strategies developed by various international organizations. The intensification of trans-border and trans-regional cooperation between source and transit states in the area including the SEE states and WNIS would potentially work toward reducing the level of soft security threat facing Europe.

### **Box 1. Funding and counter trafficking in Ukraine**

The money made from the sexual exploitation and enslavement of trafficked women enriches transnational criminal networks. According to Michael Platzer, of the United Nations Center for International Crime Prevention, trafficking in women has one of the highest profit margins and lowest risks for criminal groups in Eastern Europe. Michail Lebed, chief of criminal investigations for the Ukrainian Ministry of the Interior, told the *Kiev Post*, "It is a human tragedy, but also, frankly, a national crisis. Gangsters make more money from these women in a week than we have in our law enforcement budget for the whole year."

*See:* Hughes, "The 'Natasha' Trade," 13.

## **TIP and Corruption**

One of the key lessons learned from the counter-trafficking activities in the SEE and WNIS region is the recognition of the fact that police alone cannot tackle the problem effectively. Groups involved in TIP are more often than not a part of the broader transnational criminal networks, which makes it essential to use the security services (especially intelligence units) and paramilitary groups for domestic counter-trafficking actions. However, the deployment of security services or paramilitary units for domestic objectives contradicts the basic principles of democratic transition. While in the WNIS efforts need to be made to extricate the security services from domestic politics, their participation in counter-trafficking efforts might be of crucial importance for promoting international co-

<sup>8</sup> Moldova and Ukraine participated in international operations Mirage, Mirage-3, and Mirage-4, which were organized under the rubric of the Southeast European Cooperative Initiative (SECI) to combat human trafficking in the SEE region. The issue of establishing a counter-trafficking center in Chisinau, Moldova, for the members of GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova) was discussed with the U.S. Department of State.

operation. To balance security and democratic values is extremely difficult when the entire security sector has to be reformed, reduced, and placed under civil control.

Another problem, which makes both internal counter-trafficking operations and effective international cooperation even more difficult, is the level of corruption in transition societies (see Box 2). The NIS states have the highest levels of corruption as estimated by the NGO Transparency International (see Table 1). If the Balkan states' struggle against corruption was placed within the general framework of conditions established by international organizations, and was periodically checked with a range of inspection instruments, the WNIS states have never been a part of any binding verification system. All countries of South Eastern Europe are now members of the Group of States Against Corruption (GRECO), under which their compliance with European anti-corruption instruments is monitored. Some also participate in the OECD monitoring mechanism. In all countries in the region, comprehensive anti-corruption plans have been adopted and are under implementation. Some countries have created institutional mechanisms to manage the implementation of these plans as well as specialized institutions to investigate and prosecute corruption. The capacity of civil society organizations to support anti-corruption measures has been strengthened, as reflected in some countries in the formation of anti-corruption coalitions or the creation of national chapters of Transparency International.

In the WNIS, corruption is flourishing in the security services, military, police, border security bodies, law enforcement institutions, and all relevant central and local government structures.<sup>9</sup> Corruption not only impedes law enforcement, but also jeopardizes information sharing with Western partners, since sensitive information might go directly to the criminal targets of counter-trafficking operations.

Corruption is the most difficult barrier to overcome in getting countries to take consistent and coherent actions against organized crime. From low-level bribery to the inappropriate behavior of prime ministers and even presidents, corruption influences all aspects of domestic, external, and security policy in the WNIS. Corruption affects border security by circumventing export controls, eroding institutional authority, and endangering foreign aid packages.<sup>10</sup> Although the number of proved cases directly linking the issue of military and security sector corruption with the problem of anti-trafficking or transnational criminal

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<sup>9</sup> Ukrainian Prime Minister Volodymyr Sretovich was unwilling to rule out the possibility that in Ukraine there might be members of the parliament and high officials who shield trafficker groups (see: Press Conference of the Parliamentary Committee for Combating Organized Crime and Corruption, 3 March 2006, Liga Business Inform, at [www.liga.net](http://www.liga.net)).

<sup>10</sup> Katherina Gonzales explained the link between corruption in Ukraine and the cut-off of foreign aid as follows: "There have been problems with international aid packages to Ukraine for more than ten years, stemming from corruption and the derailment of foreign direct investment by corrupt Ukrainian businessmen. The best example of this problem occurred in 1996, when the International Monetary Fund called off its \$1.6 billion loan to Ukraine. The official reason was that Ukraine had overshot its spending target. However, it was later alleged that the money had been mismanaged from the beginning and that a good portion of it had surreptitiously left the country." See Katherina Gonzales, "Good Fences Make Good Neighbors: Ukrainian Border Security and Western Assistance," *Problems of Post-Communism* 51:1 (Jan/Feb 2004): 50.

networks is limited,<sup>11</sup> high levels of corruption in military, border security bodies, and security sectors of the WNIS have been reported regularly.<sup>12</sup> The Soviet-era regulations that do not allow border guards to check any cargo addressed to or from the security services have been left unchanged.

### Regional Anti-TIP Network

The porous borders of Ukraine reduce the effectiveness of counter-trafficking operations in the entire region. Ukraine's borders (land and sea combined) extend for a total of 7,445 km. The Ukrainian-Russian border runs almost 1,500 km; the remaining land borders are shared with Hungary, Romania, Poland, Slovakia, Belarus, and Moldova. As of January 2005, Ukraine had signed border treaties with six of its neighbors, and was continuing discussions on the sea border with Russia, the issue of Snake island and the continental shelf with Romania, and border delimitation with Belarus and Moldova. However, the problem of adequate border management is far from being resolved. In the cases of the Russian-Ukrainian and Byelorussian-Ukrainian borders, the border regime is not supported by sufficient infrastructure and maintenance.

Controlling such a vast area and interacting with seven separate governments are burdens that pose a threat to Ukrainian, European, and possibly global security. The United States and the member states of the EU are deeply concerned that Ukraine will be used as a transit point for instruments of terror, including weapons of mass destruction (WMD) and chemical and biological weapons (CBW). Ukraine's illicit transit routes make it an ideal transit point for human trafficking, drug trafficking, small arms trafficking, and smuggling.

Potentially, Ukraine could reinforce efforts in anti-trafficking cooperation with neighboring states—Poland, Hungary, and Slovakia, as well as Moldova and Belarus—

#### Box 2: Trafficking and Corruption

Allegations have been brought against top Montenegrin government officials for their complicity in networks involved in forced prostitution. Six high-ranking government officials and the country's Deputy State Prosecutor were arrested in December 2002. Although the government has given assurances that the case would be fully investigated, all the detained officials have been released from custody.

Reports of official complicity in human trafficking for purposes of sexual exploitation have been continuing in Russia. In 2003, the government reported one anti-corruption action targeting an organized crime group in the Ministry of the Interior suspected of, among other things, protecting prostitution networks.

*Sources:* World Revolution (global activist social movement for progressive social change), "Sex Trafficking: Facts & Figures," available at [www.worldrevolution.org/Projects/Webguide/GuideArticle.asp?ID=1430](http://www.worldrevolution.org/Projects/Webguide/GuideArticle.asp?ID=1430). U.S. Department of State, *Trafficking in Persons Report* 2004; available at <http://www.state.gov/g/tip/rls/tiprpt/2004/33192.htm>.

<sup>11</sup> See United States of America vs. Ludwig Fainberg, Case Number 97-054, U.S. District Court, Southern District of Florida, discussed in L. Shelley, "Trafficking and Smuggling in Human Beings," presentation at the conference *Corruption Within Security Forces: A Threat To National Security*, George C. Marshall European Center for Security Studies, 14-18 May 2001, Garmisch-Partenkirchen, Germany.

<sup>12</sup> See W. Parchomenko, "Prospects for Genuine Reform in Ukraine's Security Forces," *Armed Forces & Society* 28:2 (Winter 2002): 279-308.

using its experience of trans-border cooperation under the umbrella of the EU programs. Ukraine has also declared regional cooperation within the framework of the Black Sea Economic Cooperation (BSEC) and GUUAM to be a priority. At present, six *oblasts* of Ukraine—Odeska, Zakarpatska, Lvivska, Ivano-Frankivska, Chernovitska, and Volynska—cooperate with border regions of Poland, Hungary, and Slovakia as well as with two WNIS countries, Moldova and Belarus. Three so-called economic, “euroregions” have been established in the region—Lower Danube, Bug, and Karpatian—with a total population of nearly twenty-four million people. This (primarily economic) mode of cooperation, including joint ventures, cross-border trade, and investments, is far from being fully institutionalized. However, experience in communication and knowledge of the border region might prove advantageous for the development of joint counter-trafficking operations. To be effective in combating all sorts of illegal activities in the region, the capacity of the established regional organizations should be used by means of appropriate structures within the framework of existing organizations. Attempts to reinforce visa regimes from the EU side could lead to opposite results, however. Such reinforcement would decrease the potential for legal business in the region and create conditions for the growth of criminal networks involving smugglers and traffickers.

The Ukrainian government declared the priorities of Ukraine’s integration into NATO and EU. The first attempts to combat corruption in the state’s customs agency structures have been made through the adoption of a governmental anti-corruption program. The promise to abolish visa requirements for all citizens of the EU states and the U.S. has been made as a gesture of good will.

The importance of these steps should not be underestimated. However, any initiatives intended to change the international climate around Ukraine have to be supplemented by comprehensive reform programs in all spheres, and most importantly in the security sector.

To ensure effectiveness in counter-trafficking operations, a zero tolerance policy toward TIP was included in the NATO-Ukraine Target Action Plan for 2005. The measures for this reinforced level of cooperation were added to the EU-Ukraine Action Plan within the framework of a specific EU Action Plan on Justice and Home Affairs (JHA) with Ukraine of 10 December 2001. The EU Action Plan on JHA with Ukraine set up a Scoreboard as a tool for the implementation, monitoring, evaluation, and definition of annual priorities. It is defined that the Neighborhood Policy will be based on this EU Action Plan on Justice and Home Affairs with Ukraine and its implementing Scoreboard. The priorities for cooperation in the field of Justice and Home Affairs will be defined on an annual basis by the EU-Ukraine JHA Ministerial Troika meeting.

The first EU-Ukraine JHA Ministerial Troika of November 2002 assigned priority in cooperation on JHA to readmission and migration, border management, money laundering, trafficking in human beings, and drugs as well as corruption, preventing and fighting sexual exploitation of women and children, and child pornography. In follow-up efforts to the Action Plan, a JHA group has been established in Kiev, consisting of JHA-attachés, Liaison Officers, and consular staff representing the member states and the commission in the JHA area.

The EU-Ukraine Action Plan under the European Neighborhood Policy, which was formally endorsed by the EU-Ukraine Cooperation Council on 21 February 2005, emphasizes that a constructive dialogue on visa facilitation regimes between the EU and Ukraine

will be established, with a view to preparing for future negotiations on a visa facilitation agreement, taking into account the need for progress on the ongoing negotiations for an EC-Ukraine readmission agreement.<sup>13</sup> According to the JHA Action Plan, the EU Council was to review the operation of this plan towards the end of 2007, and may decide to carry out further reviews in relation to this matter. Based upon such reviews and developments in Ukraine, new objectives and actions could be added to the Action Plan with Ukraine in the context of the European Neighborhood Policy.

Finally, the conclusion can be made that a new approach to combating human trafficking in the region is needed. Such an approach has to consider three key elements:

- Regional alterations in TIP patterns
- Experience of fighting TIP in SEE countries
- Political changes in the WNIS region.

The previous strategies, which aimed to fight the crime of human trafficking in source, transit, and destination countries separately, have provided insufficient ground for the development of transnational cooperation in this field. Partial reforms in the security sector, inadequate measures to reduce corruption in governmental bodies, and delayed plans to implement comprehensive political and economic reforms have hindered regional transformation. Apparently, raising awareness alone is not an adequate measure to stop trafficking when poverty and the lack of opportunities continue to be the driving forces behind the phenomenon. Combating trafficking effectively means channeling security sector reform efforts in unison with Western standards and with the help of the international community.

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<sup>13</sup> Ukraine and the EC launched joint work on the project Readmission Agreement during consultations held in Brussels in March 2002.



Table 1. CEE, SEE, and NIS: Corruption rating as defined by Transparency International Corruption Perceptions Index (TI CPI), Compliance with the U.S. Trafficking Victims Protection Act (TVPA), and Source, Transit, and Destination Flows, 2004–07<sup>14</sup>

COUNTRY	TI CPI rating		Tier I <sup>15</sup>	Tier II	Watch List	Source	Transit	Destination	Internal trafficking
	2004	2007							
<b>Estonia</b>	32	28		+	+	Finland, Sweden, Norway, Germany	n/s	n/s	+
<b>Slovenia</b>	33	27			+	Italy, Germany, Greece, Portugal, Spain, Netherlands	Eastern Europe and the Balkans	n/a	
<b>Hungary</b>	42	39				Western Europe, U.S.	Russia, Romania, Ukraine, Moldova, Bulgaria, the Balkans, Iraq, Pakistan, Bangladesh, Afghanistan	Russia, Romania, Ukraine, Moldova, Bulgaria, the Balkans	
<b>Lithuania</b>	44	51	+			Germany, Spain, Denmark, Norway, Netherlands, U.K., France, Poland	Germany, Spain, Denmark, Norway, Netherlands, U.K., France, Poland	Ukraine, Russia, Belarus	+
<b>Czech Republic</b>	50	41	+			Western Europe, U.S., Japan, Mexico	Russia, Belarus, Ukraine, Moldova, the Balkans, Asia	Russia, Belarus, Ukraine, Moldova, the Balkans, Asia	
<b>Bulgaria</b>	54	54		+		Western, Southern, and Eastern Europe	Ukraine, Romania, Moldova, Russia, Uzbekistan	n/s	
<b>Latvia</b>	57	51		+		U.K., Poland, Spain, Germany, Italy	n/s	n/s	+

<sup>14</sup> *Source, Transit, and Destination Flows* indicates routes of trafficking in persons from, through, and to destinations for each country of the region.

<sup>15</sup> Tier 1: countries that fully comply with the TVPA minimum standards for the elimination of trafficking. Tier 2: countries that do not fully comply with the minimum standards but are making significant efforts to bring themselves into compliance. Tier 2 Watch List: countries with Tier 2 status requiring special scrutiny because of a high or significantly increasing number of victims; failure to provide evidence of increasing efforts to combat trafficking in persons; or an assessment of Tier 2 status based on commitments to take action over the next year.

<b>Slovakia</b>	58	49			Austria, Netherlands, France, Spain, Switzerland, Italy, Greece, Slovenia, Czech Republic, Japan	The Balkans, FSU states	n/s	
<b>Croatia</b>	67	64	+	+	Germany, Italy	Ukraine, Moldova, Romania, Hungary, Bulgaria, BiH, Slovakia	BiH	
<b>Poland</b>	69	61	+		Germany, Italy, Belgium, France, Netherlands, Japan, Israel	Ukraine, Bulgaria, Romania, Belarus, Moldova, Russia	n/s	+
<b>Belarus</b>	74	150	+		Western, Central, and Southern Europe; Russia, Baltic states, Japan, Israel, Syria, Lebanon, U.A.E.	n/s	n/a	
<b>Armenia</b>	82	99	+		U.A.E., Turkey, Russia, Greece	Uzbekistan	n/a	+
<b>Bosnia and Herzegovina</b>	83	84	+	+	Western Europe	Moldova, Ukraine, Romania, Russia, Belarus, SaM	Moldova, Ukraine, Romania	+
<b>Romania</b>	89	69			Spain, Portugal, Italy, Netherlands, Austria, France, Germany, U.K., Hungary	Moldova, Ukraine, Russia	n/s	
<b>Russia</b>	95	143	+	+	Worldwide	Moldova, Ukraine, Belarus, Georgia, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan	Moldova, Ukraine, Belarus, Georgia, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan	
<b>FYR Macedonia</b>	99	84	+		Western Europe	Ukraine, Moldova, Romania, Bulgaria, Albania, SaM, Kosovo, Western Europe	Ukraine, Moldova, Romania, Bulgaria	
<b>Serbia and Montenegro*</b>	101	79/ 84	+	+	Italy, Germany	Kosovo, Bosnia, Croatia, Albania, Italy, Germany	Moldova, Ukraine, Russia, Romania, Bulgaria	+
<b>Albania</b>	108	105	+		Greece, Italy, U.K., France, Netherlands	Greece, Italy, U.K., France, Netherlands, Spain	Moldova, Ukraine, Russia, Belarus	

<b>Moldova</b>	117	111	+		BiH, Macedonia, Albania, SaM, Kosovo, Italy, France, Portugal, Germany, Romania, Bulgaria, Hungary, Slovakia, Czech Republic, Poland, Greece, Cyprus, Russia, Turkey, Lebanon, Israel, U.A.E., Syria, Pakistan, Afghanistan	Ukraine	n/a	
<b>Uzbekistan</b>	119	175	+	+	U.A.E., Kuwait, Bahrain, India, Malaysia, South Korea, Japan, Thailand, Kazakhstan, Russia, Western Europe	Central Asia, Russia, Ukraine	n/a	+
<b>Kazakhstan</b>	124	150	+	+	Russia, U.A.E., Turkey, Israel, Greece, South Korea, Syria	Russia, U.A.E., Turkey, Israel, Greece, South Korea, Czech Republic, Romania, Syria, Germany, Spain, Italy, Cyprus, Netherlands, Portugal, Ireland	Kyrgyzstan, Uzbekistan, Tajikistan	+
<b>Kyrgyzstan</b>	125	150			Kazakhstan, Russia	Kazakhstan, Russia, U.A.E., South Korea, China	n/a	+
<b>Ukraine</b>	128	118	+		Worldwide	Moldova, Russia, Central Asia	n/a	
<b>Georgia</b>	136	79	+	+	Russia, Ukraine, Greece, Israel, Turkey, Western Europe	Russia, Greece, Israel, Turkey, Western Europe		
<b>Tajikistan</b>	138	150	+	+	Russia, Central Asia, Gulf States	Central Asia States	n/a	
<b>Azerbaijan</b>	140	150	+	+	U.A.E, Turkey, Pakistan	Russia, Central Asia States	n/a	+

\* Serbia and Montenegro corresponds to the name of the country in 2004. For 2007, the CPI index evaluates Serbia and Montenegro separately.

Sources: U.S. Department of State, Office to Monitor and Combat Trafficking in Persons, *Trafficking in Persons Report* 2004 (14 June 2004); *Trafficking in Persons Interim Assessment Report* of the progress made by countries on the September 2007 Special Watch List to combat trafficking in persons since the June 2004 annual report; Transparency International Corruption Perceptions Index, 2007.