

CPS

Corporate & Public Strategy
Advisory Group



EU Corridors

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- **Editorial**

This month's editorial covers the reflections of the crisis between Russia and Georgia on the development of a Common Energy Policy at the EU level and the emergence of the Nabucco Project as a key actor.

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Editorial

ENERGY WAR AND NABUCCO

The crisis between Russia and Georgia underlined once again an issue that is of major importance for the EU: The need for a Common Energy Policy at the EU level. Consequently, Nabucco, the EU's natural gas project, became the focal point of discussions. The key actor in the Nabucco Project is Turkey.

Dependency on Russia

The EU announced, during the September Summit of Heads of States and Governments, that the current partnership and co-operation agreement with Russia has been suspended for now. The aim was to put pressure on Russia to remove its troops from Georgia and to fully respect the peace plan established in August. If Russia fails to respond the EU will need to consider the possibility of imposing economic sanctions. However, the EU's hand is not decisively stronger vis-à-vis Russia. First of all, all 27 Member States will need to sign any decision concerning Russia. Achieving unanimity in the Council, the executive branch of the EU, is rather hard, considering diverging national interests of the Member States. The EU's dependency on Russia for oil and natural gas further complicates the issue. Currently, Russia alone supplies 20% of the EU's oil demand and 40% of the EU's natural gas demand. EU dependency on Russian natural resources is expected to increase to 54% by 2030 if alternative energy sources are not identified soon. These factors cumulatively weaken the EU's Common Foreign Policy towards Russia.

Importance of Nabucco

While the crisis in the Caucasus region inflamed the energy wars, the significance of the Nabucco Project – which is of vital importance for the EU and Turkey - was highlighted. The EU Commission accelerated preparations in the framework of Nabucco, which had already been designated a "priority project" for the EU, to be completed in 2012. Nabucco is expected to reduce energy dependency on Russia. The aim is obvious: Reaching natural gas sources in the Caspian Region by bypassing Russia. The Nabucco Project will supply 40% of Europe's natural gas demand and pass through five transit countries, Turkey hosting the longest portion (1200 km) of the transit pipeline.

In order for Nabucco to be realized, a sufficient amount of natural gas must be secured to fill the capacity of the project. Meanwhile, Russia is increasing the momentum of the South Stream Project, which competes with Nabucco, by trying to win over the supplier countries. So far, only Azerbaijan has promised to supply gas to Europe. The EU is not keen on negotiating with Iran, which is pursuing nuclear energy. Iraq, however, with its 3 trillion cubic meters in reserves, shines as an attractive alternative. Recent discussions have centered on construction of a new pipeline between Turkey and Iraq to carry Iraqi gas to Europe via Nabucco.

Turkmenistan and Kazakhstan are other significant countries for the Nabucco Project. Natural gas cooperation between Turkey and Turkmenistan, which had been impeded by Russia, has recently been gaining momentum. EU Commission Spokesman for Energy, Ferran Tarradellas, said Turkey was a key country for the Nabucco project and added that the significance of Turkey would increase with the new infrastructure projects. Having Georgia as a stable transit country is also crucial for the EU. Consequently, the EU's may be forced to revise its policies regarding the Caucasus and Turkey. Only time will reveal how this state of affairs will affect Turkey's EU Accession Process.

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News

Ankara Expects Opening of Two Chapters During French Presidency

Ankara expects the European Union (EU) to open two new chapters, namely 'Free Movement of Capital' and 'Information Society and Media', during the French Presidency. Turkey's Minister of Foreign Affairs, Ali Babacan, expressed his expectation at the informal meeting of the EU's ministers of foreign affairs in early September. On the other hand, Babacan informed Olli Rehn, Member of the European Commission Responsible for Enlargement, about the third National Programme drafted by Ankara during their bilateral meeting. The National Programme, which is the roadmap of EU reforms, envisages 131 legal arrangements and Constitutional changes concerning political parties, financing of politics and Ombudsman law. If these laws are enacted, considerable progress will have been made with regard to the monitoring of political parties and transparency. Judicial reform, which is currently in the process of being revised, is the most important part of the Program and is to be finalized at the end of this year.

Eurostat: Turkey's Accession Process Increases Foreign Direct Investments

The EU statistics office, Eurostat, said EU foreign direct investment to Turkey has increased significantly. Eurostat published a report called "EU Foreign Direct Investment in Croatia and Turkey," which states that, since the launch of the EU's accession negotiations, the two countries became increasingly attractive for investors. In 2005 the amount of direct foreign investment to Turkey from EU countries increased by 285%. In 2006, this increase continued and reached 10,5 billion Euros. The report demonstrates that during 2003 and 2004, the total amount of investments from EU countries to Turkey was 1 billion Euros. According to the report, among EU Member States, Greece, Germany and Austria made the highest level of investments to Turkey, in the last years. On the other hand, there has been an increase in foreign direct investments from Turkey to the EU and in 2005, the amount of Turkish investment in the EU rose by 137%. The report underlines that Turkey's investments increased notably in Bulgaria, Romania and Malta.

EU Delays Negotiations with Russia

European Leaders, gathered at an emergency European Summit called in response to the crisis in Georgia, decided to delay talks regarding the Strategic Partnership Agreement with Russia until Russia fulfils all conditions of the ceasefire agreement and withdraws its troops from Georgia. In the common declaration, published following the Summit, Russia was condemned because of its recognition of independence of Abkhazia and South Ossetia. Furthermore, the EU has expressed its commitment to providing financial and political support to Georgia. France, which is currently holding the EU Presidency, will try to resolve the crisis through diplomatic channels. The EU will revise its relations with Russia at the Nice Summit in November. The European Commission has provided €6 million in aid to Georgia with contributions from France, Austria and Poland. Other Eastern European countries sent 300 tents, 10.000 sleeping bags, medicine, foods and other emergency supplies.

European Commission Concerned About Aging Population

The European Commission recently declared that the aging population in Europe would put pressure on the economy and public finance in the not too distant future. According Eurostat figures, the EU's statistics institution, low birth rates will become one of the major problems in Europe. Notably, as of 2015, the death rate is expected to exceed the rate of births and after the year 2035 foreign immigration will become insufficient to solve the problem. Finally, in 2060 one European citizen out of three will be above 65. Countries expected to have the biggest problems population slow downs are Bulgaria, Czech Republic, Latvia, Lithuania, Poland, Romania, Slovenia and Slovakia. Denmark, Ireland, Cyprus, Luxembourg and UK, meanwhile, have considerably higher birth rates and immigration figures.

European Commission Launches Public Consultation on Global Warming

The European Commission launched a public consultation on the EU's stance on a global agreement on climate change for post 2012. Stakeholders and the general public are invited to share their views on important issues such as mid-term emission reduction targets, technological cooperation and finance. The results of this questionnaire will be useful for shaping the position of the EU post 2012. Stavros Dimas, Member of the European Commission responsible for Environment, is pushing for the new climate change treaty – for which the negotiations started last year in Bali – to enter into force after 2009.

UK No Longer Favourite Place of Work for Eastern Europeans

According to the latest figures released by the UK, the number of workers from Central and Eastern Countries in the UK decreased to the lowest rate since May 2004, when those countries entered the EU. Together with Sweden and Ireland, UK was one of the three countries that had opened its labour market to ex-communist countries that joined the union four years ago. During the past four years, 875,000 people applied for work in UK. But, due to the loss of the Pound and increasing unemployment rates, in the country, UK has started to become less attractive for foreign workers. The number of applications for working in the country was only 40,000 in the period of April-July.

EU Prepares Serbia for Candidacy

The European Union opens the door to Serbia as a prize of arresting Radovan Karadzic. Jose Manuel Barroso, the President of the European Commission, said that Serbia may obtain the status of candidate country in 2009. Following his bilateral meeting with Serbian President Boris Tadic in Brussels, Barroso gave the green light for Serbia during the press conference. However, the Commission President stressed that his words should not be understood as a commitment. Notably, in order to become a candidate country, Serbia has to fully cooperate with Court of War Crimes on former Yugoslavia in The Hague. On the other hand, the Serbian Government is aiming to gain candidate status by the end of this year. Meanwhile, Olli Rehn, Member of the Commission Responsible for Enlargement, warned Macedonia, which seeks to start membership negotiations, that it must revise its domestic policies in accordance with EU membership goals.

IEA to the EU: Develop a Common Energy Policy

The International Energy Agency (IEA) stated that European countries should strengthen their position towards the energy supplier countries such as Russia. The Executive Director of IEA, Nobuo Tanaka, underlined that many EU countries prefer to be in bilateral relations with energy supplier countries and that this tendency weakens the EU. The International Energy Agency, based in Paris, recommends the EU better coordinate its foreign policy regarding Russia.

EP Presents Candidates for Sakharov Prize

The European Parliament (EP) nominated eight candidates for the 2008 Sakharov Prize, given to defenders of human rights and democracy. Candidates include Ingrid Betancourt, Dalai Lama, European Roma Rights Centre, Hu Jia, Alexander Kozulin, Abbot Apollinaire, Malu Malu, Mikhail Ivanovich Trepashkin and Morgan Tsvangirai. The Sakharov Prize will be given to one of the eight candidates.

Agenda

9 September

- EU-Ukraine Summit
- Meeting of EU Political and Security Committee

10 September

- Joint Parliamentary Meeting with 27 National Parliaments and European Parliament on Europe, Migration and Integration
- COREPER I
- COREPER II

11 September

- COREPER II
- Meeting of e-Government Working Group in Paris under the Presidency of the Council of the European Union by France (www.eu2008.fr)
- 8th "Conference of Cities": from Lisbon to Göteborg, Europe's major cities are gathering in Paris.

12 September

- COREPER I
- Eurogroup Meeting of EU will be held at Nice (France).
- Informal meeting of finance ministers

14 September

- European Seminar on "Local Governance" will be held at Biarritz (France) (between 12-14 September)

15 September

- The General Affairs and External Relations Council (between 15–16 September)
- Meeting in Dunkirk of the Bureau of the Committee of the Regions
- EU - Turkey Ministerial Troika Meeting, Brussels
- Meeting of EU Political and Security Committee

16 September

- European Diplomatic Programme Conference, Paris
- Meeting of EU Political and Security Committee

17 September

- COREPER I
- COREPER II
- 7th European Tourism Forum, Bordeaux (France)

18 September

- Citizens' access to law and justice in Europe, organized by French Bar Association, Brussels
- Informal Meeting of ministers for family affairs, Paris
- 1st EU-Central Asia Ministerial Forum on security issues, OECD

19 September

- Meeting of EU Political and Security Committee
- European conference on "The right to abortion: which issues for women in Europe?", Paris
- COREPER I

20 September

- Third European Think Tank Forum "The Shape of European Policy to 2020", OECD

21 September

- Informal meeting of agriculture ministers, Annecy

22 September

- European Parliament's plenary session, Brussels (between 22–25 September)

23 September

- Meeting of EU Political and Security Committee
- COREPER I
- COREPER II

25 September

- EU Competitiveness Council (between 25–26 September)
- JHA Council of Europe (between 25–26 September)

26 September

- Conference: "Which languages for which Europe?", Sorbonne University
- EU Agriculture and Fisheries Council, Brussels

29 September

- EU – India Summit, Marseille (between 29–30 September)
- Informal Meeting of Development Ministers, Brussels (between 29–30 September)

30 September

- Meeting of EU Political and Security Committee

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The information in this document was compiled from various EU information sources.