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Transatlantic Priorities in a Shifting Global Environment

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Global Security After the Pivot

The Strategic Necessity of a More Integrated Transatlantic Area

Mitch Yoshida

Last year, the Obama Administration embarked on a “pivot” or “rebalancing” toward the Asia-Pacific. Prompted by growing economic interests in the region, an increasingly assertive China, and a deteriorating fiscal outlook, the pivot signifies America’s intent to allocate a larger share of its resources to maintaining Asia-Pacific security. While doing so, it still plans to fulfill its broader repertoire of global security responsibilities in cooperation with allies and partner states.

At first, this strategy is likely to succeed. The U.S. remains the primary guarantor of global security, and its allies – particularly those in Europe – are among the world’s most significant security providers. From counterinsurgency in Afghanistan to countering piracy off the coast of Somalia and promoting stability from Africa to the Pacific, the U.S. and Europe remain politically willing and materially able to maintain the security of states, entire regions and the open seas.

In the next two decades, however, the pivot risks opening a global security gap as America’s growing preoccupation with the Asia-Pacific and several other trends become more pronounced. This includes the rise of new powers, the proliferation of destructive capabilities, tighter constraints on energy and other resources, and rapid population growth in some regions – all of which are set to intensify the demands of the security environment. Within the U.S. and Europe, high levels of debt, aging populations and other trends are on course to undermine political support for necessary levels of defense spending.

Trends and Consequences

One of these trends, the rise of new powers, was a major driver of the pivot. The rapid growth of economies and defense budgets in the Asia-Pacific are projected to continue for the foreseeable future, but territorial disputes and underdeveloped institutional frameworks for resolving differences risk undermining the security of the region and world. This challenge, while formidable on its own,

will be compounded by another: the diffusion of destructive capabilities across a broader set of state and non-state actors. This includes weapons of mass destruction, ballistic and cruise missiles, and cyber espionage and attack technologies.¹ Add to these developments tighter constraints on energy and other critical resources, climate change’s role in exacerbating resource constraints, and rapid population growth in regions projected to be hardest hit by these pressures, and it is clear that the challenges of the future security environment will be greater than they are today.²

Will the U.S. and Europe be willing and able to rise to the challenge? Here too, the picture is bleak. After more than a decade of war, a financial and economic crisis, and stimulus spending, the U.S. has accumulated a debt burden that is larger than it has been in sixty years. Even though interest rates on U.S. borrowing fell to record lows this year, they are set to rise as the economy recovers and would rise further still in the increasingly likely event that the euro and the renminbi increase their share of global currency reserves. Together with an aging population and rising entitlement costs, these trends are on course to steer Congress away from defense spending and toward domestic priorities in the coming decades.

Europe is arguably worse shape. As euro zone members inch toward political union to complete their monetary union, economic growth within the common currency area and the rest of the EU remains anemic. This has led to fiscal belt tightening across the region, and defense budgets have been among the first casualties. While British, French and German defense spending have declined only modestly in recent years, elsewhere in Europe the cuts have been deeper. As the region’s economic troubles drag on and future defense cuts are considered, European states may not even be able to contribute as much to operations on the scale of Libya, where they already relied heavily on the U.S. for adequate intelligence, surveillance and reconnaissance capabilities, and munitions.³ Even when Europe moves beyond its current financial and

economic challenges, high levels of debt and the growing needs of a rapidly aging population are likely to crowd out defense spending for decades to come.

In combination, these trends will force the U.S. and Europe to face a more dangerous threat environment with greater resource constraints. Yet they may not even convey the full magnitude of future security challenges. History has shown us that strategic surprises can disrupt even the best laid plans. The fall of the Soviet Union, the 9/11 attacks, the global financial crisis and political upheaval across the Middle East and North Africa are just a few unanticipated developments that irrevocably altered the global security landscape – in some cases, for the worse. Although the U.S. and Europe did not anticipate these events, they did have the resources needed to address the threats they presented. In the coming decades, this may not be the case.

Mind the Gap

The U.S. pivot to the Asia-Pacific represents a sensible rethink of strategic priorities, but it must be accompanied by policies that minimize the risk of a global security gap. Domestic and foreign policy both have roles to play in generating the material resources and political support needed to revitalize the U.S. and Europe and allow them to adapt to the emerging security environment, as well as the surprises it may bring. In the context of these broader efforts, transatlantic initiatives can have a major impact.

Unleash Transatlantic Trade

At the time of this writing, political momentum behind a transatlantic free trade agreement is building as U.S. and EU officials openly discuss the possibility of a new deal.⁴ The precise impact of an agreement will be unclear until more details are released, but it is expected that it would boost economic growth, innovation and competitiveness on both sides of the Atlantic. By contributing to the economic revitalization of the transatlantic area, the implications of this step would be far-reaching and extend to many policy areas, including defense spending. The success or failure of this initiative rests on the will of leaders on both sides, and its realization will require a deeper and more broad-

based commitment among stakeholders than it has garnered since it first received significant attention in the mid-1990s.

American and European leaders must also strengthen their commitment to freeing the market for defense goods and services within the transatlantic area. The Obama Administration took a decisive step in this direction in 2009 when it initiated a top-level review of U.S. defense export controls and launched a reform program to streamline the export approval process. The EU has

also made progress in reducing defense trade barriers in recent years, although concerns about national autonomy, technology transfers and jobs have limited progress. These concerns have also surfaced at the transatlantic level; the difference now is that success in this regard is becoming a matter of strategic necessity.

The U.S. pivot to the Asia-Pacific represents a sensible rethink of strategic priorities, but it must be accompanied by policies that minimize the risk of a global security gap.

Deepen Transatlantic Defense Cooperation

Freer commercial and defense markets in the transatlantic area would augment economic resources and reduce the cost of defense, but adapting to the emerging security environment will also require a sustained political effort to pool, share, specialize and prioritize defense capabilities. Not only would this reduce duplication and the cost of defense, it would also improve the effectiveness of U.S. and European militaries by focusing them on the most pressing current and future needs. NATO, the EU and other bilateral and multilateral frameworks have pursued these objectives, but have achieved limited success due to concerns about their impact on national autonomy. Given the prospect of a global security gap, however, it is time for American and European leaders to replace piecemeal steps with more substantial progress. NATO's Smart Defense initiative is a step in the right direction, but it must be better coordinated with similar efforts taking place under the umbrella of the EU's Common Security and Defense Policy (CSDP) and other frameworks to maximize their effect.

American and European leaders must also make a long-term commitment to preserving and enhancing the interoperability of their forces in the wake of NATO's withdrawal from Afghanistan in 2014 and the departure of two U.S. brigades from Europe. This entails regular joint exercises, investing in relevant technologies, and standardizing in many different ways – all of which impact the ability of

U.S. and European forces to work together. Again, NATO, EU and other efforts in this area must be better coordinated.

Forge Ahead with Partnerships

Finally, the transatlantic area must renew its commitment to forming partnerships with external states and other organizations to help it address the threats of the future. The value of this approach was demonstrated by NATO in the Balkans, Afghanistan and Libya. In the case of Libya, non-NATO members were among the main drivers and legitimizers of action against the Qadaffi regime. NATO has clearly led the way in this respect, but there are signs that political support for these partnerships is waning.⁵ This is the opposite of what is needed. Faced with a genuine shift in the global security environment, American and European leaders must converge on an outward-looking vision for the alliance and forge ahead in this area.

Conclusion

By deepening transatlantic integration in the aforementioned ways, the U.S. and Europe can

augment and make better use of current and future defense resources. In an era of more constrained defense budgets and rising threats, as well as the persistent risks posed by strategic surprise, these steps would help ensure that the U.S. and European states are materially able and politically willing to prevent the emergence of a global security gap after the pivot – for the sake of their own security, that of the global commons and the international order. For many American and European leaders, this will be a politically daunting task. But the consequences of inaction could be far more difficult to address. As NATO Secretary General Anders Fogh Rasmussen warned last year: “...if you think security is expensive, remember – it’s cheaper than insecurity.”⁶ □

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Transatlantic Cooperation Could Lead to a Worldwide Shale Gas Revolution

Callie Le Renard

Shale gas has been a controversial topic in both the United States and the European Union. While many tout shale gas as an important source of energy independence, others are more concerned about the potential environmental and social impacts that “fracking” – one of the techniques used to bring gas trapped in shale formations deep underground to the surface – could have. In the United States, the shale gas “revolution” is running full steam ahead while EU member states range in opinion from Poland, which is actively exploring for shale gas deposits, to France, which has all but banned fracking throughout the country. Despite environmental concerns, shale gas is a particularly salient issue for many EU member states that currently find themselves uncomfortably dependent on Russian gas. At this time, the EU-27 receives 34% of its gas imports from Russia.¹

Europe’s energy security now depends heavily on just a few suppliers, including Russia, Norway and Algeria. Libya was also an important supplier for some Southern European countries, but the recent turmoil there has reduced output. Because there are so few suppliers, a supply shock in just one of these countries – for instance, the 2006 and 2009 Russia/Ukraine gas crises – can have a significant impact on Europe’s energy security. Domestic sources of natural gas, combined with the completion of the internal market, can help mitigate these shocks. Europe is home to some of America’s most important allies, and it is important that the U.S. work with Europe to increase both regional and global energy security.

It is impossible to predict whether Europe will be able to achieve the same kind of success that the U.S. has experienced with its shale gas industry. Although there is much interest both inside and outside Europe in exploiting domestic shale gas reserves, most European and developing countries have very little experience with oil and gas production. Closer transatlantic cooperation, however, can help overcome this constraint and be a vital element in developing the shale gas industry in Europe and around the world. Leveraging the

transatlantic partnership has other benefits in that it can also help ensure that the global shale gas industry develops in a profitable yet environmentally responsible way.

An American Success Story

Originally developed in the U.S., the techniques used for the extraction of shale gas have been controversial on both sides of the Atlantic. Shale gas is extracted through the use of horizontal drilling and hydraulic fracturing (fracking). Once a well has been drilled to the appropriate depth, drilling is then extended sideways into narrow shale gas deposits. Fracking fluid, which is primarily water but also contains sand and other chemicals, is then pumped into the wellbore at high pressure to break up rock formations which trap gas underground. The freed gas is then pumped up through the well.

Fracking has been controversial due to a variety of environmental concerns associated with the practice. There have been concerns, for instance, that fractures might extend upward into groundwater supplies and contaminate drinking water. Additional concerns include the fear that the casing which surrounds the wellbore will fail, or that the accidental spill of fracking fluid will contaminate surface water supplies. Recently, the U.S. Environmental Protection Agency (EPA) questioned its own preliminary findings in a groundwater contamination investigation in Pavilion WY, and is now working with the U.S. Geological Survey to ensure that the science and sampling practices are sound before drawing conclusions about the impacts of fracking.²

Though fracking has been used in the American energy industry since the 1940s, it has only been applied to shale gas extraction over the last decade. “As late as 2000, shale gas was just 1% of American natural-gas supplies. Today, it is about 25% and could rise to 50% within two decades.”³ In the U.S., the development of shale gas deposits has had a number of beneficial impacts for American and other consumers. For instance, it is responsible for

reversing “the decline in U.S. natural gas production and lowered natural gas prices in the U.S. to \$4 per mcf from as high as \$9 per mcf during 2005-2009.”⁴ Because the U.S. no longer imports large quantities of liquefied natural gas (LNG), supplies have been dumped onto European and other gas markets, reducing spot prices for consumers worldwide.

The U.S. has been successful in developing its shale gas industry partly because it already had a well developed domestic oil and gas industry and possessed the supporting infrastructure which includes “roughly 38,000 miles of gathering pipelines, 85 BCF/d of natural gas processing capacity, 350,000 miles of transmission pipelines and 4.5 TCF of natural gas storage to serve the over 450,000 existing natural gas wells as of 2008.”⁵ The U.S. oil and gas industry also has a long history of working with federal, state and local entities, all of which have some regulatory authority. Finally, U.S. mineral rights belong to land owners rather than the state, providing an economic incentive for land owners to engage in exploration and production activities.

Replicating the Shale Gas Revolution?

Discussions have taken place at the EU level regarding the Union-wide regulation of shale gas extraction and positions among member states vary widely. Though Poland, which has granted over a hundred concessions for exploration to companies such as Chevron, ENI and Exxon, originally supported EU regulation of shale gas, it reversed its position based on the fear that joint regulation would lead to restrictions on fracking.⁶ The UK supports Poland’s position, and has also been actively exploring for shale gas deposits. Bulgaria, by contrast, has called for European level regulation which would protect both the environment and local populations.⁷ Despite the controversy, one thing is certain: EU-wide regulation of shale gas production is inevitable over the long-term. Closer transatlantic cooperation can help ensure that regulation will spur the development of European shale gas deposits in an environmentally sustainable way and pave the way for the responsible development of the industry globally.

Although many countries both within and outside the EU hope to replicate the success that the U.S. has had in reversing the decline of its gas industry,

this will probably not happen in the EU as a whole. At this time, there is no EU-wide regulatory framework and member states are allowed to choose whether or not to explore this option as a part of their national energy mixes. Though under the Lisbon Treaty energy policy is an area of joint competence, member states continue to retain complete sovereignty over their domestic resources and national energy mixes. This means that regulation will also be implemented at the member state level. Regulation is likely to vary significantly between countries, making it difficult for companies

to navigate the regulatory process. Furthermore, some member states either do not possess shale gas deposits, or do not possess deposits that are economically feasible to recover. This may change, though, as gas becomes both scarcer and more profitable.

Europe also faces a number of constraints that differ from those in the U.S. For instance,

the EU does not yet have a fully integrated pipeline or transportation network. This makes getting gas supplies from some parts of the Union to others, particularly in the East, difficult. This will prevent some member states from experiencing the lower costs associated with a European shale gas revolution. If, however, the internal market in gas is completed as called for by the 3rd Energy Liberalization Package, the development of the shale gas industry in just a few member states could have significant benefits in reducing both prices and dependence on Russia. Europe also has a population that is significantly more environmentally conscious than that of the U.S. Climate change has been a more salient issue for Europeans and the EU has been a world leader in this policy area. For this reason, environmental concerns about the impacts of fracking will carry more weight with citizens and member state governments than they have in the U.S. Europe faces a number of other constraints as well, which include a lack of experience with domestic oil and gas production, a lack of supporting industries that produce equipment for exploration and drilling, and mineral rights laws which differ among member states. Other nations seeking to develop their shale gas deposits are also likely to face some, if not all, of these constraints. If the transatlantic partnership can develop policy proposals to overcome these constraints, then this will pave the way for other nations to follow.

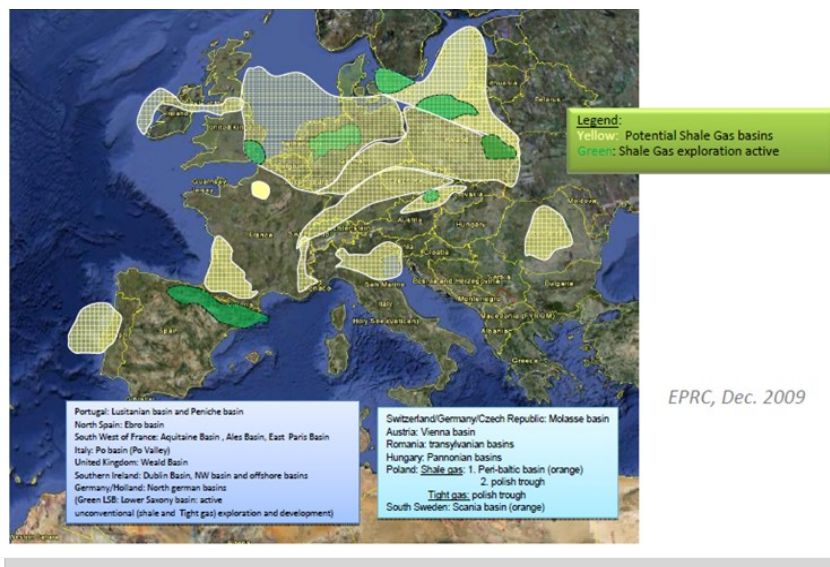
Regardless of these constraints, some member

Closer transatlantic cooperation can help ensure that regulation will spur the development of European shale gas deposits in an environmentally sustainable way and pave the way for the responsible development of the industry globally.

states still hope to initiate their own shale gas revolutions. Right now, Poland and Great Britain are actively involved in exploring for shale gas deposits. In fact, “an area in northwest England may contain 200 trillion cubic feet of shale gas, putting it in the same league as some of the vast shale gas plays that have transformed the U.S. energy industry.”⁸

Poland has also been identified as a country with significant shale gas deposits. Other member states are also exploring for shale gas deposits, including Bulgaria, Sweden, Denmark, Romania and Germany. Figure 2 to the right indicates the location of potential shale gas plays in Europe.

Figure 2: Potential Shale Gas Deposits in Europe⁹



organizing and coordinating working groups which address relevant topics for legislative development, such as environmental protection and industry technological developments.

The U.S. should also partner with member states because regulation in the EU will not just take place at the European

Moving Forward: Policy Proposals for Europe and Beyond

The U.S. has been sharing its expertise in shale gas exploration and production with other nations that hope to develop their own shale gas resources. Both the EU and individual member states are in a prime position to take advantage of this and learn from both U.S. successes and mistakes. In this vein, talks have been taking place at the transatlantic level. The fledgling EU-U.S. Energy Council, a coordination group established in 2009 that is meant to increase cooperation between the transatlantic partners on energy issues, met in November 2011 to discuss this and other important energy policy topics. Though there has been some criticism of this body because it has not addressed the thorny issues surrounding shale gas, there is awareness among the partners that this is an important area for future dialog.¹⁰

According to the Atlantic Council, “the U.S. government and industry is in an excellent position to assist other countries in sorting through the issues and regulations needed to safely and responsibly develop unconventional resources.”¹¹ Despite the differences in opinion among member states, it is inevitable that the European Commission will develop proposals for Directives which regulate the shale gas industry. The

exchange of information via working groups of experts from the U.S. and their counterparts in the EU would be useful in bringing EU policymakers up to speed on regulatory issues that must be addressed to ensure the responsible development of the shale gas industry in the EU. The EU-U.S. Energy Council can play an important role in

level. The U.S. State Department’s Global Shale Gas Initiative (GSGI) was created to bilaterally assist other countries in developing their shale gas industries.¹² Poland is currently participating in this program, which leverages U.S. federal and state government expertise to help partner countries develop their shale gas industries. This program is doubly important because most regulation of shale gas in Europe will be conceived and implemented by member state governments. The U.S. should expand this program to other European countries which are interested in developing their shale gas potential.

Cooperation is also taking place unofficially at the corporate and academic levels, allowing American firms to bring best practices developed over a decade in the U.S. to Europe. This, combined with appropriate regulation, can prevent some of the environmental and public relations problems that shale gas has faced in the U.S. Unofficial cooperation should be coordinated, supported and encouraged by U.S. and EU institutions and, if effective, integrated into formal bilateral and multilateral programs such as the GSGI and the EU-U.S. Energy Council.

American successes have also inspired many countries outside the EU to explore for their own shale gas deposits. As energy costs and global demand continue to increase, the transatlantic

partnership should promote the responsible development of shale gas resources around the world. Countries like China, Argentina, India, Turkey and Ukraine are now in the process of exploring for shale gas reserves. Although production is a decade away, the time is right for the transatlantic partnership to emphasize that shale gas production should be regulated in a way that maximizes production and minimizes environmental damage. Combining American expertise in shale gas production and Europe's environmental regulatory expertise can help ensure that future shale gas development is both profitable and safe.

The U.S. and EU working together as partners will also put more political weight behind global environmental concerns. The EU is now a world leader in dealing with environmental issues like climate change. If the U.S. were to also emphasize the environmental aspects of shale gas extraction, the combined weight of the transatlantic partnership is more likely to influence other nations. Working together will provide additional policy options for the transatlantic partners. These might include making technical or development assistance contingent upon the adoption of a strong regulatory framework.

Conclusion

Transatlantic cooperation can have two major global benefits. First, if Europe is able to successfully develop its shale gas industry it will help increase energy security throughout the EU, not simply in the countries that choose to exploit their gas deposits. If properly developed, shale gas has the potential to be a source of cheap and secure energy which is less carbon intensive than oil or coal and which reduces

Europe's reliance on troublesome foreign suppliers. Cooperation with the U.S. government and the American shale gas industry can help ensure that the development of Europe's shale gas regulatory systems at the EU, member state and local levels is well-balanced and allows extraction to take place responsibly and with as little damage to the environment and public opinion as possible. If Europe tries to do this alone, however, regulation could prove to hinder the industry rather than advance it, closing off shale gas as an important opportunity to improve Europe's energy security.

Additionally, the U.S. and Europe together will be more successful in promoting the responsible development of shale gas deposits worldwide. Though shale gas production will reduce gas prices, this should not come at the expense of the environment. The U.S. and Europe can combine their respective areas of expertise as world leaders in shale gas production and environmental regulation and pass this knowledge on to other countries seeking to develop their domestic resources. □

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Stopping Europe's Next War

Why Nagorno-Karabakh's Quest for Freedom and Self-Determination Must be a Foreign Policy Priority

Mark Dietzen

Amidst doubt over the U.S.-Russia reset and Europe's austerity challenges, the Nagorno-Karabakh Republic's struggle for freedom and self-determination in the South Caucasus has emerged as a rare opportunity for cooperation between the United States, Europe and Russia. For almost two decades, diplomatic talks between Armenians and Azerbaijanis over Nagorno-Karabakh, a predominantly Armenian enclave which freed itself from Azerbaijani control during the eclipse of the Soviet Union, have failed to reach a resolution. Meanwhile, an escalating arms race, precipitated by Azerbaijan's massive defense expenditures and saber-rattling, combined with frequent sniper attacks and skirmishes, make Nagorno-Karabakh the most likely site of Europe's next war. Action must be taken now to prevent this from happening.

The U.S., Europe and Russia must cooperate on making the resolution of the Nagorno-Karabakh conflict a common foreign policy priority. An escalation of the conflict would threaten each party's respective foreign policy goals in the region. Tripolar cooperation on Nagorno-Karabakh therefore represents a unique opportunity to prevent another war in the South Caucasus, the likes of which have not been seen on the continent since World War Two. Recognizing Nagorno-Karabakh's legitimate quest for self-determination is the only way to secure a lasting and peaceful resolution to this oft-ignored, yet critically important conflict.

Trouble on Europe's Frontier: The Dangers of Renewed Warfare over Nagorno-Karabakh

European Energy Insecurity

Though most European policymakers see the South Caucasus as a remote southeastern frontier, the region's geostrategic significance to the continent warrants much greater attention from its capitals. The region has a crucial role as an energy corridor for hydrocarbon resources en route to Europe from the South Caucasus and Central Asia. Three of the

four major pipelines that transport Azerbaijani oil and gas to Europe lie close to the front line positions of Armenian and Azerbaijani forces stationed along both the Line-of-Contact between the de facto Nagorno-Karabakh Republic, Artsakh (hereinafter Nagorno-Karabakh Republic) and Azerbaijan, and along the Armenia-Azerbaijan border. These include the Baku-Supsa oil pipeline, the Baku-Tbilisi-Ceyhan oil pipeline, and the Baku-Tbilisi-Erzurum gas pipeline.¹ In the event of renewed warfare, these pipelines would be early targets for Armenian artillery, stymieing Europe's goal of diversifying its energy supply.

Jeopardizing the Southern Spur of the Northern Distribution Network

Another Nagorno-Karabakh War would also complicate the withdrawal from Afghanistan. The Northern Distribution Network (NDN) plays an important role in transporting supplies out of the country. In November 2011, Pakistan closed NATO supply routes to Afghanistan, following a U.S. air strike that accidentally killed 24 Pakistani troops. Over the next seven months, NATO became almost completely reliant on the NDN, as evidenced by NATO Secretary-General Anders Fogh Rasmussen's June 2012 announcement that the alliance had reached an agreement with Uzbekistan, Kyrgyzstan and Kazakhstan to allow for the withdrawal of equipment through their territories on route to Russia and finally to Latvia.

This arrangement suggested the alliance's increasing doubt that Pakistan would reopen its less expensive routes to Afghanistan, whose costs are roughly 17% of those of the NDN.² However, following U.S. Secretary of State Hillary Clinton's July 3 statement that the U.S. was sorry for the Pakistani military's losses, Islamabad reopened NATO supply routes.³ Despite the restoration of this vital artery, relations between the U.S. and Pakistan remain very poor. There is no guarantee that Pakistan will keep its routes open, which makes it

imperative that the NDN remain viable.

Though the route outlined above will be the NDN's primary conduit for evacuating equipment from Afghanistan, its Southern Spur – extending from Georgia to Afghanistan via Azerbaijan, Kazakhstan and Uzbekistan – is an important alternative. It is the NDN's only route which does not traverse Russian territory. Renewed conflict over Nagorno-Karabakh would undoubtedly disrupt this route significantly and very likely close it altogether. If Pakistan were to once again close its supply routes, and the NDN's southern route were lost, all roads out of Afghanistan would have to pass through Russia.

Certainly, Russia's present cooperation with NATO's withdrawal should be praised; it is a sign that there is still hope for the continuation of a "reset" in relations between Washington and Moscow. However, given the recent return of Vladimir Putin as Russia's president, and the 2012 U.S. presidential election, such cooperation, however desirable, is not guaranteed. One need only to be reminded of Republican Party candidate Mitt Romney's campaign statement that Russia is America's "top geopolitical adversary" to understand the potential for damage in bilateral relations.⁴

War Today Would Be Much Worse than in the Early 1990s

Renewed warfare over Nagorno-Karabakh would be significantly more deadly and destructive than the previous conflict, when Nagorno-Karabakh freed itself from nearly seven decades Soviet-imposed Azerbaijani control. In a 2011 presentation at the Center for Strategic and International Studies, Colonel Jon Chicky of the National War College identified the Nagorno-Karabakh conflict as the most dangerous in the greater Caucasus region, stating that a future conflict there will surpass the lethality of the previous one by orders of magnitude.⁵ Colonel Chicky cited as evidence that, "over the past 5 to 6 years there has

been an increase in numbers and sophistication of regional armaments," including "drones, advanced air and missile defense systems, long range artillery and rocket systems [and] tactical ballistic missiles."⁶ He drew special attention to the dangers posed by long-range multiple rocket launchers, high-altitude and long-range surface to air missile systems, and ballistic missiles.⁷

Colonel Chicky also highlighted the 2008 and 2010 Mardakert skirmishes, the rising number of ceasefire violations since 2009, and the fact that both the Armenians and the Azerbaijanis have weapons which can reach far past the Nagorno-Karabakh Line-of-Contact and its immediate vicinity.⁸ Renewed combat would involve counter-value targeting deep within both Armenia and Azerbaijan.⁹ This would

include major cities (including Baku and Yerevan), oil and gas installations, power plants (such as Armenia's nuclear power station at Metsamor), highways, bridges and airports, among other sites. The capacity for death and destruction is truly frightening.

Spillover Effects: How Nagorno-Karabakh May Spur a Regional Proxy War

If war breaks out again over Nagorno-Karabakh, it will not be limited to the area in and around the enclave itself, as it largely was during the early 1990s. Rather, it promises to be a full-scale war between Armenia, allied with the Nagorno-Karabakh Republic, and Azerbaijan. A renewed war would feature greater roles played by the major regional powers, Russia, Turkey and Iran, than during the last conflagration. Though the Nagorno-Karabakh Republic is not included in Russia's security treaty with Armenia, the pact could be invoked should the conflict spill over onto Armenia's territory, which is a very likely scenario.¹⁰

One would also be remiss to overlook Russia's significant economic interests in Armenia. Should renewed warfare over Nagorno-Karabakh



Source: International Crisis Group

surpass the threshold for economic risk, Russia might be prompted to intervene. Albeit not bound by treaty obligation, Azerbaijan's closest ally, Turkey, would likewise offer Azerbaijan its tacit, even open, support.¹¹

Considering the fractious relations between Iran and Azerbaijan, particularly over the latter's close ties with Israel, Iran would keep its trade routes open with Armenia in the event of another armed conflict, as it did in the 1990s. And direct Iranian support to the Armenians should not be entirely ruled out. Iran may see renewed armed conflict over Nagorno-Karabakh as a convenient way for it to weaken what it sees as a growing overt and covert Israeli presence in Azerbaijan. This has all the makings for a proxy war of epic magnitude.

The Kosovo of the Caucasus: Preventing War and Protecting Freedom in the Nagorno-Karabakh Republic

Despite plentiful warnings of the dangerous consequences of another Nagorno-Karabakh war, comparatively less attention has been devoted to what could be done to avert more fighting. The ensuing section seeks to rectify this by offering pragmatic policy recommendations that the U.S., Europe and Russia can cooperate on in order to prevent Nagorno-Karabakh from becoming Europe's next war.

A Reciprocal Removal of Snipers from the Line-of-Contact Must be a Priority

In 1992, the Conference on Security and Cooperation in Europe (CSCE), the predecessor of the Organization for Security and Cooperation in Europe (OSCE), created the Minsk Group to facilitate a peaceful resolution to the Nagorno-Karabakh conflict.¹² The Minsk Group is co-chaired by France, Russia and the U.S.¹³ Though Armenia, Azerbaijan and the Nagorno-Karabakh Republic signed a ceasefire in 1994, an estimated 30 people on each side of the Line-of-Contact in Nagorno-Karabakh have been killed by sniper fire every year since then.¹⁴ That comes to an unofficial estimate of over 1,000 Armenian and Azerbaijani deaths over the past 18 years. The Minsk Group proposed to Armenia and Azerbaijan that both sides remove their snipers at the OSCE ministerial summit in Helsinki in December 2008. Though Armenia agreed to the removal of snipers, Azerbaijan rejected the proposal, seeing sniping as a means of keeping pressure on the Armenian side and disallowing the maintenance of the status quo.

However, sniping has not achieved its desired aims

for Azerbaijan for almost two decades. Rather, it has made the Armenian-controlled buffer zones which form a security perimeter around the Nagorno-Karabakh Republic look increasingly like a national security necessity rather than a bargaining chip in the event of compromise with Azerbaijan.

Moreover, sniping carries the dangerous risk of triggering domino-effect responses that could reignite all-out warfare.¹⁵ The Minsk Group co-chair countries must increase high-level diplomatic pressure on the Armenians and Azerbaijanis to reciprocally remove their snipers from the Line-of-Contact. The withdrawal of snipers is the most immediate and practical way to prevent further armed conflict.

Stop Ceasefire Violations: The Need for an Incident-Investigation Mechanism

Currently, the Minsk Group's monitoring team tasked with overseeing the conflict has only six representatives to observe events on the ground, and their resources are limited. This contingent needs to be supplemented – both in the number of monitors and the resources at their disposal – to allow it to function more effectively. Furthermore, they need to have the authority to “name and shame” those responsible for the ceasefire violations.¹⁶ Since the ceasefire's signing, the Minsk Group has continually condemned violent incidents between Armenian and Azerbaijan forces. Yet the absence of a mechanism for investigating incidents on the frontlines has prevented it from assigning responsibility for ceasefire violations. This has created an environment where there is little incentive for the party perpetrating the violation to change its behavior.

Armenia is in favor of an incident-investigation mechanism. On June 12, 2012, in a news conference in Yerevan with OSCE Chairperson-in-Office Eamon Gilmore, Armenian Foreign Minister Eduard Nalbandian expressed his country's support for such a mechanism.¹⁷ However, during Gilmore's news conference in Baku two days later, Azerbaijani Foreign Minister Elmar Mammadyarov said that Azerbaijan's support is conditional on Armenian forces withdrawing from the buffer zones around the Nagorno-Karabakh Republic. “This will work only if Armenian forces withdraw from the occupied territories of Azerbaijan,” he stated, adding “if the mechanism is put to work now, it would mean consolidating the status quo, which is unacceptable.”¹⁸ Such a deliberate attempt to tie an OSCE-mandated conflict-management mechanism – meant to save both Azerbaijani and Armenian lives – to

...sniping carries the dangerous risk of triggering domino-effect responses that could reignite all-out warfare.

an unrealistic and maximalist Azerbaijani demand should not be overlooked.

Considering Baku's unwillingness to support an incident-investigation mechanism, the U.S., Europe and Russia should implement such a mechanism on the Armenian side of the Line-of-Contact. Doing so would send a clear signal that they are serious about decreasing tension over Nagorno-Karabakh. This would be especially timely following the recent spate of violence along the Armenian-Azerbaijani border and the Nagorno-Karabakh Line-of-Contact from June 4-6, 2012, which coincided with U.S. Secretary of State Hillary Clinton's visit to the South Caucasus.

The clashes claimed the lives of 4 Armenian and 5 Azerbaijani soldiers. Clinton's subsequent warning against the escalation in violence was echoed by the EU's High Representative for Foreign Affairs and Security Policy, Catherine Ashton, as well as the Russian Foreign Ministry.

New Ideas Needed for Conflict Prevention: Looking for More from the EU, OSCE and the UN

Dr. Walter Kemp recently argued that the Incident Prevention and Response Mechanism currently in place in Georgia – a joint endeavor by the EU Monitoring Mission (EUMM) and the OSCE – might provide a model for the type of mechanism needed for investigating incidents on the Nagorno-Karabakh frontlines.¹⁹ However, in stating its intention to maintain an active sniping policy, Azerbaijan has blocked the Minsk Group from implementing such a mechanism. If the Minsk Group is unable to move forward with this proposal, it is difficult to imagine it having any success in developing a peacekeeping operation in Nagorno-Karabakh as envisioned by its mandate.²⁰ Considering the Minsk Group's inability to implement sorely needed conflict prevention measures, the U.S., Europe and Russia must act now to devise another way of instituting an oversight system for border incidents between Armenian and Azerbaijani forces. We cannot afford to wait any longer.

As an alternative to an OSCE peacekeeping operation, Dr. Kemp suggests that the UN consider a preventive deployment, modeled after the UN Preventive Deployment Force (UNPREDEP) in the Former Yugoslav Republic of Macedonia.²¹ By December 1995, UNPREDEP was administering 24 permanent observation posts along 420 kilometers on the Macedonian side of the border with the Federal

Republic of Yugoslavia and Albania. In addition, it had 33 temporary observation posts, and oversaw nearly 40 border and community patrols every day.²² This mission was successful in increasing stability and decreasing tension between the conflicting parties, and could be replicated along the Nagorno-Karabakh Line-of-Contact, which at 177 kilometers is less than half as long as the one UNPREDEP monitored in the Balkans.²³

**It is high time for the
Nagorno-Karabakh
Republic's development as
a free and democratic state
to be taken more seriously
by the international
community...**

*A Seat at the Table: Time to Take the
Nagorno-Karabakh Republic
Seriously*

When the 1994 ceasefire was signed following Nagorno-Karabakh's six-year struggle to secure its independence from Azerbaijan, it included three signatories: Armenia, Azerbaijan and the Nagorno-Karabakh Republic.²⁴ Until 1997, representatives of the Nagorno-Karabakh Republic participated in the peace talks, until Azerbaijan demanded their exclusion.²⁵ Since 1998, negotiations have been conducted between Azerbaijan and Armenia, with Yerevan speaking on behalf of both Armenia and the Nagorno-Karabakh Republic. This current format has proven to be ineffective: it is time for the Nagorno-Karabakh Republic to return to its seat at the negotiating table.

After all, the Nagorno-Karabakh conflict, in its most recent phase, arose out of the desire of the predominantly ethnic Armenian Nagorno-Karabakh to be free from Azerbaijani rule. The conflict began during the late 1980s as a civil war between the former Soviet Nagorno-Karabakh Autonomous Oblast (AO) and Soviet Azerbaijan.²⁶ This began on February 20, 1988, when the Nagorno-Karabakh AO appealed to Moscow to be reassigned from Soviet Azerbaijan to Soviet Armenia.²⁷

The deadly anti-Armenian pogroms that took place shortly thereafter, from February 27-29, in the Baku suburb of Sumgait, Azerbaijan, sparked inter-ethnic violence between armed Armenian and Azerbaijani militias that had formed in Nagorno-Karabakh.²⁸ Since Nagorno-Karabakh had been disallowed from changing its status from an Autonomous Oblast of Soviet Azerbaijan to an Autonomous Oblast of Soviet Armenia, it took immediate action once Azerbaijan declared independence from the Soviet Union on August 30, 1991. On September 2, Nagorno-Karabakh announced its secession from Azerbaijan, proclaiming itself the Nagorno-Karabakh Republic.²⁹ This was affirmed by a December 10 referendum supporting Nagorno-Karabakh's independence (which Nagorno-

Karabakh's Azerbaijani minority chose to boycott),³⁰ and a January 6, 1992 declaration of independence.³⁰ It is important to recall Nagorno-Karabakh's timeline because it shows consistent efforts at secession from Azerbaijan. Although it ultimately broke away from Azerbaijan through a forceful struggle, it first attempted to do so through the only legal and democratic means available to it at the time.

Over the past two decades, the Nagorno-Karabakh Republic has striven to be taken seriously by the international community as a democracy. It satisfies the traditional criteria for statehood as prescribed by Article 1 of the Montevideo Convention on Rights and Duties of States, which explains that "the state as a person of international law should possess the following qualifications: a) a permanent population; b) a defined territory; c) government; and d) capacity to enter into relations with the other states."³¹ It is high time for the Nagorno-Karabakh Republic's development as a free and democratic state to be taken more seriously by the international community, especially following its 2012 presidential election, which generally adhered to international standards.³² This should begin with France, Russia and the U.S. supporting its return to its seat at the Minsk Group negotiating table.

Recognition of the Nagorno-Karabakh Republic's independence is not only prudent, but necessary, following the recent "Safarov Affair," in which Azerbaijan immediately freed and pardoned convicted axe-murderer Ramil Safarov, an Azerbaijani officer who brutally hacked to death an Armenian officer, Gurgen Margarian, while he slept during a 2004 NATO-sponsored course in Budapest. After spending eight years in jail in Hungary, Safarov was extradited to Azerbaijan on August 31, 2012, after Hungary received written assurance from the Azerbaijani Justice Ministry that he would serve at least 25 years of a life sentence there.³³ Adding insult to injury, upon his return, Azerbaijan also awarded Safarov "a new apartment, eight years of back pay, a promotion to the rank of major and the status of a national hero."³⁴

This incident is ultimate confirmation that any Azerbaijani assurance regarding the "future determination of the final legal status of Nagorno-Karabakh through a legally binding expression of will," as stated in the Minsk Group's Madrid

Principles - the proposed peace settlement to the Nagorno-Karabakh conflict—cannot be trusted.³⁵ The Madrid Document is dead. In gaining the undeserved freedom of a self-admitted murderer, and officially condoning his shameful Armenocidal act, Azerbaijan has solidified its permanent loss of any future claim to Nagorno-Karabakh. Its independence has reached a point of no return.

Conclusion: Transatlantic Action Must be Taken on Nagorno-Karabakh, Or Else

Tripolar action is needed now to effectively address the Nagorno-Karabakh conflict, before it becomes Europe's next war, with all of the nasty and widespread consequences that would entail. This conflict should not be viewed through a Cold War prism: this is not a zero-sum game, in which Nagorno-Karabakh represents the prize in a West-versus-East struggle for South Caucasian dominance. Very much to the contrary, it is a unique opportunity for the U.S., Europe and Russia to step up their cooperative efforts in facilitating the resolution of a conflict which threatens their respective interests in the South Caucasus.

Nagorno-Karabakh could save the U.S.-Russian "reset," and usher in a new era of European-Russian cooperation, or submerge the region into a brutal war with devastating and unpredictable consequences. At the same time, recognizing the Nagorno-Karabakh Republic's justified pursuit of self-determination as a free and independent state is the only way of securing a peaceful and lasting resolution to the conflict. There is little time remaining to stop Europe's next war. The clock is ticking. □

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Framing EU Divergence

Multi-Tiered Rather Than Two-Speed

Thomas Aitchison

The euro zone crisis has led many Europhiles to predict the emergence of a “two-speed” Europe. While a division is a fair deduction, the EU should be wary of using or cultivating such terminology as it does not reflect reality and has damaging consequences. In fact, “multi-tiered” integration is more illustrative of relations within the EU; by chasing a two-speed framework, the EU runs the risk of poisoning relations within the union.

First, this paper initially looks at, and explains, the characteristics of the different forms of differentiated integration, as defined by Alexander Stubb. Second, with a particular focus on the wayward UK, it can be seen that framing the EU as two-speed can be extremely harmful to individual members. This is not to say that a two-speed Europe is unique to British retraction – rather, the UK’s shift is the best example. The UK’s veto in December 2011 that isolated it from the rest of Europe was reported on as the day Europe began to split, or at least when the UK started to become an outsider. Thirdly, the impact of this division on intra-EU relations is vital to understanding the implications of this vision. Finally, the last section analyzes the EU as an example of group and community decision making. By removing the personalities of EU nations, it can be seen that the concept of transnational communities built on consent and negotiation would be jeopardised if nations were forced to fall into two categories.

Using the correct terminology to describe the EU’s structure is crucial for three key reasons. First, it defines how the EU as a community deals with errant nations, and as such it determines the EU’s position between the carrot and the stick, between efficacy and size, and crucially between deepening and widening relations. Second, the different terms have very contrasting visions for the future of the EU. It is crucial to understand whether the EU is a static entity or one that is constantly evolving and whether the problems of integration are inherent or resolvable. Finally, phrasing with regard to EU structure ultimately has an effect on popular opinion in member nations, which in turn affects relations within the EU. Across all three categories, multi-

tiered strikes the best balance for all parties involved, whereas a two-speed alternative is extremely harsh on individual nations and undermines the image of the EU as accommodating. Too often, the media and commentators reach for hyperboles, and in this case a two-speed Europe seems to be just that. In other words, “a split need not be a disaster.”¹

Differentiated Integration Theory

Alexander Stubb, former Finnish Foreign Affairs Minister, MEP and Professor at the College of Europe, defines three different types of integration “multi speed, variable geometry and a la carte...time, space and matter.”²

(1) Multi-speed or two-speed Europe assumes that all participants pursue the same common objectives driven by a core of nations. The core consists of nations which are able and willing to advance at a quicker pace than the reluctant and less able ones. These theorists believe division is only temporary. This can be illustrated by the euro zone; Poland, Hungary, Sweden, the Czech Republic, Lithuania, Latvia, Romania and Bulgaria are all obliged to accede to the euro but lack the will and ability at present to do so. This type of integration also implies that a federal Europe is the inevitable goal. Yet this theory does not match reality; Denmark and the UK, for example, omitted themselves from the European Monetary Union (EMU), signifying that they have no speed at all. Classing Denmark and the UK in this way is not only inaccurate but unfairly attributes the negative inference that they are lagging behind.

(2) Multi-tiered integration also results in a core and a periphery but this theory acknowledges that division can be a permanent state. Unlike the two-speed theory, it argues that common objectives are “ambitious” and somewhat unrealistic and unattainable, and that the union should foster diversity. This allows for integration outside the body of EU law known as the *acquis communautaire*. It argues that the EU should and will always splinter into various foci; that there is no one center. This is evident in the Schengen Agreement on the free

movement of people, which was originally signed outside of the EU framework and only later incorporated. The acceptance that divisions are intrinsic to widening and deepening communities means that a core and periphery should not necessarily be feared but embraced and accepted.

(3) Finally, the *A la Carte* theory, although unrealistic, deserves unpacking. This theory professes that nations pick and choose what policy areas they wish to partake in. It differs from the multi-tiered theory because a nation can completely opt-out of a policy area rather than just decide the extent of involvement. It assumes that there are no common objectives, that integration is a means of advancing national goals, and that all nations possess the resources to refuse integration and *go it alone* – something which is debatable in smaller Eastern countries and increasingly so in larger ones. Very few argue that a pure *a la carte* member exists.

Therefore, the phrase “two-speed Europe” is ill-applied when talking about the fracturing of the EU, especially with reference to the UK. While the UK displays no intention of fully integrating in either the first or third pillar of EU policies, that is not to say it has shown no integration in these areas. Moreover, it is not just the UK; since the financial crisis, Euroscepticism has begun to foster across the Union, especially in eastern nations like Hungary.³ It is wrong to presume that states cannot become stationary peripheral nations.

Instead, the multi-tiered theory more accurately reflects the existing balance between federalism and independence, and if the EU wishes to further expand and/or deepen it will be more beneficial to use tiers rather than speeds. Reality has shown many cases of nations, even core nations, stepping outside the *acquis communautaire*, which demonstrates a fondness of nations to retain that flexibility of multi-tiered integration.

Individual Nations

The multi-tiered approach produces outcomes that are much less damaging to the interests of individual nations. The UK’s relationship with Europe, for example, can be called tentative or rebellious – either way, multi-tiered integration reflects the reality that the UK determines the depth of its integration. The UK is a revealing case due to its political, military and economic weight, as well as its relationship with

the United States.

Financially, London resides at the heart of Europe without being a member of the euro zone. While Europe would like to see its financial transactions move to the continent, achieving this by pushing for a two-speed Europe is dangerous as it runs the risk of forcing the UK out. The UK benefits from the Single Market and has made it clear that it does not want to

integrate monetarily, but London is an incredibly valuable asset of Europe as it “accounts for 36% of the EU financial wholesale market and 61% of the EU’s net exports in financial services.”⁴ The two-speed alternative would force the UK into stricter regulation, which it has made clear it will not permit since London would lose its centrality. It is estimated that without London the “cost of

financial services in the EU would rise 16% and EU GDP” would drop circa €25 billion.⁵ However, “the City’s worst fear is to see its gatekeeper position bypassed in what remains the world’s most important transcontinental financial relationship, between the U.S. and Europe.”⁶ For European leaders, London’s lack of financial regulation and permission to trade euro securities and deposits worries them, but lamenting the UK’s lack of “speed” in this policy area has only driven it away from negotiations; what is needed is a multi-tiered approach that does not present nations with ultimatums.

In terms of defense, the UK is central to Europe. A two-speed Europe assumes that one core is *the* core for all policies, but experience has shown that the economic core of Germany and France is far from the right mix. While Germany commits a large swathe of troops to missions under the EU’s Common Security and Defense Policy, “in detail Germany’s commitment is less obvious... Germany’s risk aversion approach towards military deployment” makes it incredibly hard for the EU to act effectively.⁷ In contrast, the UK possesses the will, expertise and military might to make it indispensable to a European defense core, as acknowledged by both France and Germany. If the UK is pushed out, France knows that it would undoubtedly have to carry the rest of Europe militarily for the foreseeable future as “there is a huge gap between the French and British on the one hand and the rest of the EU on the other.”⁸ Multi-tiered integration allows for the UK to remain “in” where it is needed as “it will be hard for the EU to rise to its potential on the world stage if geopolitically powerful countries such as Britain... are excluded from the core.”⁹

...the multi-tiered theory more accurately reflects the existing balance between federalism and independence, and if the EU wishes to further expand and/or deepen it will be more beneficial to use tiers rather than speeds.

Finally, Britain is America's bridge to Europe. Washington is happy for Britain to remain on the outside if personalities in Berlin and Paris remain the pro-transatlantic characters they have come to be. However, this has not always been the case, especially with France. Conversely, Britain remains the stable tie between the two continents, and "without UK leadership, the other Atlanticist EU countries, mostly new member-states in Central Europe, would have come under tremendous pressure from Germany and France to form a united EU front against the U.S.," especially in the wake of the Iraq war.¹⁰ If a two-speed Europe emerges and pushes the UK away from the core, transatlantic relations could suffer from fluctuations in personalities on the continent.

Intra-EU Relations

A two-speed Europe would also damage relations among states within the EU. By accepting a two-speed approach, EU summits become about ultimatums – a country has to commit to the end goal which is, more often than not, tilted toward federalism. While some EU members share this objective, attempting to coerce others into accepting this goal is counterproductive for the European project. If the core continues to be unyielding in the face of alternatives, it could lead to a precedent of forcing nations to the edge of the EU. Ultimately a nation's decision of whether to remain in the EU is its own; ultimatums are likely to make such a decision less autonomous. This situation is evident with the UK, whose "halfway in" approach to Europe has become increasingly untenable.¹¹

The attitude and relationship between nations is heavily affected when those nations in the core start pulling for a two-speed approach to situations. It is also an attitude which does not become the EU. France has demonstrated its disdain for nations that sit on the sidelines: [to Denmark] "You're an out [Denmark is not a member of the euro zone, although the Krone is pegged to the single currency], a small out, and you're new. We don't want to hear from you."¹² This form of hostility will pressure nations in two ways, either to the outside or further in. Following the UK's veto, the German Newspaper *Die Welt* led with the headline "Beginning of the end of Britain's EU membership," insinuating that a move to the edge could result in the UK leaving the EU.¹³ For some, the UK's veto was exactly what the core had wanted; it meant they could forge ahead with little obstruction. French diplomat Jean-David Levitte

referred to it as a "blessing."¹⁴ If nations approach conferences aiming to alienate nations for efficiency reasons, this could have dire consequences for the EU. Moreover, without the UK, smaller states are helpless in the same situation. Central Europeans are worried that they too can be kicked out just as easily: "...the more excluded [from control over their own affairs] we are, the more difficult we find it to pursue sensible policies, and this in turn gives France more reasons to kick us out altogether."¹⁵ German politician Frank Schäffler is also concerned and argues that "European countries should compete rather than being forced to reform by a central authority."¹⁶ The UK's exclusion could potentially lead to a precedent for how objectors are dealt with, especially in times of crisis or elections. This incredibly antagonistic atmosphere is only present because the two-speed approach demands nations to define themselves as in or out, whereas the multi-tiered approach is more accommodating.

Moreover, multi-tiered integration does not run the risk of the Union losing its ideological objectivity as an institution. The absence of the UK makes the core increasingly fiscally conservative to the detriment of other more liberal nations such as the Netherlands, Ireland and Finland. Merkel had wanted the UK at the

A two-speed Europe would also damage relations among states within the EU.

table but when it came down to the decision of creating a more efficient conservative elite against that of a balanced liberal consensus, she chose the former. Germany is concerned about being lumped with the

burdensome "Club Med" nations while Poland is still trying to be accepted at the top table.¹⁷ German public opinion shows that 43% of nationals would like to see slower integration in Europe, with only 12% proposing a faster integration.¹⁸ It would be unfair to say German integration will remain in the fast lane. Hence, through ultimatums the EU is becoming institutionally ideological. Finally, the EU is making it very difficult for nations on the periphery to be ushered back into the fold with this approach and vision. Nations on the lip of the are EU not only annoyed at the attitude of demanding requisites, but are also disenchanted by notion of lagging behind. UK Eurosceptics seized on the marginalisation of the country in December 2011, not as a success, but as an opportunity for the country to bow out completely. This was echoed by public opinion which shows that 49% of Brits wish to leave the EU compared to the 30% wanting to remain.¹⁹ Yet it is not just the UK; zeal for joining the euro zone has waned considerably in Poland, where frustration at having to ask to sit at the same table at euro zone nations was embarrassing.

Poland was annoyed at the centralisation of power in a core and threatened to not sign the Fiscal Compact, demonstrating how this division can be detrimental to EU efficiency. “The fact that Chancellor Merkel and President Sarkozy have taken the reins is obvious. But this should not become a permanent political monopoly. We can't leave Europe to two capitals.”²⁰ While the UK can be accused of never being truly European, other nations are getting disillusioned with the two-speed vision as it leaves certain nations behind and method of achieving it encourages them to jump.

As much as intra-EU relations have become strained and the UK has been vilified in Europe for allowing such a divergence to prevail, Europe recognizes that it needs the UK economically and militarily. Therefore, for this reason, the rift is unlikely to last. Sarkozy even acknowledged this: “...we need Britain and it would impoverish the EU if they were to leave.”²¹ Although the UK's position is unlikely to change, the recent debacle has given a glimpse of the harm that pursuing a two-speed community throws up.

Transnational Community

The problems the EU is experiencing are indicative of deepening and enlarging transnational communities. Here the methods of integration and the structures of integration are contrasted in the abstract, to demonstrate that multi-tiered compromise is the only viable answer. The problem and thus the solution needs to be viewed as a fault of group cohesion and decision making. Dealing with noncompliance with ultimatums, as shown recently, only exasperates the situation. In the past, the EU has allowed opt-out clauses for individual nations which did not want to buy in, however Sarkozy's strong stance in December demonstrated a new approach of “all or nothing;” one would argue that group cohesion cannot sustain under such integration methods.

Lisbon Treaty architect Jean Claude Piris admits

that the treaty did not deliver what he hoped. He argues that the “one-size-must-fit-all decision making system does not suit a heterogeneous union” and

suggests that the union should instead become a two-speed union, with an avant-garde core.²² Yet surely if he agrees that imposing action and policies on a large scale does not work, why then would imposing universal goals, which the term two-speed implies, be any different? Piris recognizes that the dichotomous ultimatums of Sarkozy do not necessarily work as each nation is different, but to assume that nations are just not presently ready or willing is an overreach as they may never be. As one Slovakian stated with regards to the core pulling rank on the future of the EU,

and discussing it during Paris-Berlin meetings rather than EU summits, “we are being presented with decisions on which we have minimum influence.”²³ European Commission President Barroso and Sarkozy have two very contrasting visions: Sarkozy's two-speed EU, and Barroso's slower but all-inclusive integration. Sarkozy would integrate along with those that are willing and ignore the rest. Barroso, in contrast, believes that such a strategy cannot succeed and integration should be attained through compromise, something which is arguably not compatible.²⁴ Sarkozy advocates that “there will be two European gears: one gear towards more integration in the euro zone and a gear that is more confederal in the European Union.”²⁵ A hybrid of the two theories, as seen in “E” of Table 1, would benefit the EU immensely and is one that should be advocated within all groups and communities. It accepts Sarkozy's notion that not everyone wishes to chase the same aims, but approaches it using Barroso's less ruthless method of seeking compromise to avoid creating a chasm between the core and periphery nations. Sarkozy's method of integration runs a risk, since if “done wrongly, as one fears Mr. Sarkozy would have it, this will be a recipe for breaking up Europe. Not ‘two-speed’ Europe but two separate Europes.”²⁶ While Sarkozy's approach to a two-speed Europe seems ruthless, it is arguably the only method of integration when aiming for a two-speed structure,

	SLOW CONSENSUS --> EFFECTIVE CONSENSUS	
	COMPROMISE	ULTIMATUMS
HIGHLY INTEGRATED	COMPLETE INTEGRATION A BARROSO	X
LOOSELY INTEGRATED	TWO SPEED X	D SARKOZY
	MULTI-TIERED E ** THIS PAPER'S BALANCE **	X
	A LA CARTE X	H NOT POST-LISBON TREATY

Table 1: X – Denotes situations where the method and integration structure do not correspond in the abstract. H – Whilst the *A La Carte* method is only possible by ultimatums in the abstract. In reality this cannot be achieved since the Lisbon Treaty compels nations to follow a certain path to Euro ascension.

as the very nature of this structure is that unforgiving. Two-speed integration cannot be achieved through compromise, which leaves multi-tiered integration achieved through consensus as the most effective and most integrated that the EU can hope for. This clearly shows the difficulties transnational communities have in finding the balance between sluggish voluntary integration against that of ultimatums. The euro crisis demands quick and extensive integration, but at what expense?

Conclusion

A divided Europe is neither something to fear nor something which necessitates remedying. If the multi-tiered approach is pursued then this division should not be shied away from; in fact, it may be the only way a transnational community of the EU's size and depth can hope to continue to expand and deepen. Framing integration as two-speed unnecessarily antagonizes nations and thus weakens the Union. By accepting the multi-tiered theory, one accepts the presence of division, not just temporarily but indefinitely. The multi-tiered approach offers the flexibility required to foster a diverse union. Unity

and diversity in this sense need not be mutually exclusive; the presence of a union does not mean the absence of diversity. It may seem weak but multi-tiered integration satisfies all nations involved. A two-speed Europe is an impatient response to a crisis which if applied could have lasting damage. Europe should not sacrifice its objectivity and values to satisfy panic. The UK is content with this integration: "...we are comfortable with an EU operating on different levels along alternative pathways."²⁷ If nations can partake without being forced into a vision and pathway that they are domestically adverse to, surely it will make for a happier union. □

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The European Union

The Key to Cypriot Reunification

Christopher Mantas

When the Republic of Cyprus (RoC) began its rotating presidency of the European Union in July of this year, the focus of the 27-nation bloc remained on the delicate fiscal crises which have gripped much of Europe over the past few years. By chairing the EU, however, the RoC is in an advantageous position to bring the continued division of Cyprus and its potentially dire implications to the forefront of the European agenda. As the last several years of failed negotiations fostered by the United Nations have demonstrated, the UN's conservative mediation style and inability to offer political and economic incentives in exchange for reconciliation are unlikely to facilitate compromise.¹ The EU, which offers a similarly broad structure, alongside the ability to offer innovative mediation techniques and considerable incentives which the UN cannot, should be harnessed.

On the night of the RoC's accession to the EU in 2004, Cypriot President Tassos Papadopolous delivered an emotional speech concerning the Turkish Cypriot community which reverberated throughout the divided island:

Our great joy for our accession to the European Union is overshadowed by our grief because we could not celebrate this moment together with our Turkish Cypriot compatriots and our great disappointment at the absence of a solution to our national problem... We are expecting them. Their place is here with us, so that we can embark, hand in hand, on the new course commencing today in the interest of all of us, for the benefit of our common country. A reunited homeland.²

Since accession, the Greek south has hardened its position, which has substantially reduced the scope for compromise with the Turkish Republic of Northern Cyprus (TRNC). This was not an inevitable outcome of accession, however, as the EU has not attempted to harness its considerable influence to press for compromise. In this regard, the popular view that the accession of the RoC complicated reunification efforts can be turned on its

head if the EU provides the vehicle to reconciliation.³ This paper advocates a more substantive, primary role for the EU as the intermediary body seeking reconciliation between both ethnic communities, while highlighting the inadequacies of past attempts at reconciliation. To facilitate such a robust diplomatic role, the EU should commit to four main proposals:

Mandate bi-communal cooperation in exchange for European Investment Bank assistance packages - This mechanism can facilitate joint development through collaboration and bear the financial burden for Cyprus' reunification process.⁴

Increase funding to EU-financed civil society projects - The European Commission's financial assistance package is a natural vehicle for bi-communal cooperation and should be reinvigorated.⁵

Integrate ideas from successful national identity building programs - An initiative similar to the EU Program for Peace and Reconciliation in Northern Ireland should be established to forge a unifying national identity.

Effectively utilize the Initiative for Peacebuilding (IfP) - The IfP, an affiliated network of NGOs funded by the European Commission, is an invaluable asset that should be used to bring about a compromise.

The domestic stability of an EU member state must be a priority for a body which was founded on and continues to espouse a doctrine which promotes integration as a means of preventing conflict and promoting economic development. Therefore, circumstances in one member state necessarily impact the reputation and condition of the whole enterprise. If a compromise in Cyprus cannot be reached and the economic disparity between the two sides are exacerbated, social, political, economic and military instability could mandate a larger scale intervention down the road. This gaping disparity

and the EU's reluctance to act also fuels longstanding suspicions in Turkey that religious distinctiveness plays a role in its own accession negotiations, as both Turkey and northern Cyprus are majority Muslim territories.⁶ This could spur Turkey to adopt anti-western policies and undermine its relationship with the EU. These grave possibilities can be averted if the EU utilizes its aforementioned internal mechanisms and employs innovative approaches to facilitate a compromise.

European Investment Bank

A key feature of the EU framework, which has the potential to dramatically alter the Cypriot political and economic landscape, is the ability to offer nations assistance packages as an incentive for working toward an agreed upon goal, through the European Investment Bank (EIB). The EIB, the EU's financing institution, is tasked with supporting EU policy objectives in a host of areas. Most relevant to Cyprus are the Small and Medium-sized Enterprises (SMEs) initiative, meant to stimulate investment by small businesses, and the EIB's cohesion and convergence program which addresses economic and social imbalances in disadvantaged regions.⁷ Since 2004, the EIB has awarded Cyprus almost €1.5 billion in loans for a variety of public and private sector projects, several focusing on lines of credit for SMEs to support internal development.⁸ The EIB bolsters convergence through several Cohesion Policy Joint Initiatives which are meant to aid new member states in economic development. One such program which Cyprus is participating in is the Joint Assistance to Support Projects in European Regions, which was developed to provide technical assistance to implement cohesion policy.

Although these funds have aided the development of Cyprus, they have provided little incentive for cooperation between the north and south. In fact, by granting assistance packages to the RoC and TRNC separately, the artificial barrier which divides the island is being perpetuated, as a growing sense of independence and self-sustainability mitigates the

chances for reconciliation based on economic incentive. Through allocating resources to Cyprus on the condition of bi-communal cooperation on domestic projects, the EU would incentivize reconciliation. Therefore the focus of future EIB loans to Cyprus should revolve around internal cohesion rather than external European convergence, through instilling provisions which mandate bi-communal cooperation on future projects.

The CIVICUS Civil Society Index project undertaken in 2005 highlighted some critical barriers to societal integration in Cyprus, including the "high levels of intolerance that permeate the entire fabric of social life."⁹ In the study, a glaring area of concern was the lack of citizen participation in bi-communal events, as more than three-quarters of those surveyed said they had not participated in any sort of bi-communal event in the past year.¹⁰ For EIB loans to fulfill the intent of building societal cohesion, future funds should be allocated and monitored jointly. For instance, the MEDA loan program funded by the EIB to finance infrastructural development in the environment, transport and communications sectors should be expanded to

include northern Cyprus, whereby a prolonged collaborative effort may gradually forge better relations. By enforcing this provision, the EU would demonstrate its commitment to settlement.

The EU should also make it clear that the cost of reunification would be financed by the EIB. Although the RoC maintains a

relatively high-income economy, no financial disincentives to compromise should exist which could be manipulated as a political tool to advocate for the status quo by either side. Already, the unwillingness to disavow inflexible goals has resulted in protracted negotiations; an obvious financial hindrance to settlement would provide an unwarranted deterrent which would be difficult to overcome. Any sustainable settlement process must develop an initiative to reconcile two distinct national characters into one unitary national identity. The EIB is a valuable tool in facilitating reconciliation through economic incentives, however its full potential has yet to be realized.



Source: U.S. Central Intelligence Agency

EU-Financed Civil Society Projects

Other EU financial instruments which fund civil-society projects enhance the propensity for bi-communal settlement should be revitalized to encourage Cypriot reunification. In March 1995, the EU General Affairs Council determined that it would be in the best interest of both parties to incorporate Cyprus into several EU programs. The programs which Cyprus participates in has expanded since its accession to the EU and are aimed at accomplishing four key goals: closer relations of Cyprus with the EU in all economic sectors; the attainment of valuable experience; the harmonization of laws and institutional arrangements with the EU; and the modernization of the Cyprus economy.¹¹

An explicit intent of these civil society projects is to instill a sense of communal responsibility between the north and south. On February 27, 2006, the Council of the European Union established an instrument of financial support for the Turkish Cypriot community aimed at facilitating reunification:

The Community shall provide assistance to facilitate the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community with particular emphasis on the economic integration of the island, on improving contacts between the two communities and with the EU, and on preparation for the *acquis communautaire*.¹²

The World Bank reported that the annual per capita GDP of the Turkish north at the time of accession was one-third that of the Greek south, \$7,680:\$22,330.¹³ Prolonged disparities led to the establishment of the EU Infopoint program, started in 2009, aimed at familiarizing the north with the benefits of being an EU member state, in the event of, and with the intent to, facilitate reconciliation. The program highlights information to Turkish Cypriots (general public, companies, civil society organizations, media, and academia) on the European Union's political and legal order, as well as its main policies and activities.¹⁴ Five programs are currently under negotiation between Cyprus and the EU which would benefit the whole island, including Media II, an audio/video program; Third Multiyear Program, for small-medium enterprises;

Fifth Framework Program, for research and technological development; Karolous, encouraging homogenous *acquis* implementation; and Fiscalis, a tax-based initiative.¹⁵ Cypriot participation in other EU-financed initiatives in the future is likely in various sectors including public health, energy saving, culture and justice, and internal affairs.

Although stark economic inequalities persist in the northern regions of Cyprus, existing EU programs have made a difference in developing bi-communal cooperation on far-reaching topics and have provided valuable support for infrastructure development.

However, far more needs to be done to facilitate an agreement predicated on mutual compromise, rather than underscoring the potential benefits of accession. The notion that the TRNC would be incentivized to accept a settlement arrangement which it deemed incompatible with its longstanding goals, simply as a means of benefitting economically from accession, has been proven naive. The waiting game has not worked. Civil-society projects should be designed to transcend the artificial boundary which divides the nation, emphasizing the importance of bi-communal cooperation. By accelerating the materialization of innovative EU-financed initiatives, particularly in the realms of culture and justice and internal affairs, the EU would aid domestic civil-society organizations in building cohesion, a necessary precursor to sustainable peace. Many civil-society organizations, including entities attached to the IfP, could be utilized to this end.

National Identity Building Programs

Transforming Greek Cypriot and Turkish Cypriot identities is key to sustainable peace and may invoke an air of compromise that would facilitate EU accession. The vast support which the Annan Plan received within the Turkish-Cypriot community marked a substantial shift in the process of social and political transformation within the TRNC; however, the immense rejection of the plan by Greek Cypriots highlighted the deep-rooted resentment which precludes the south from participating in a “unifying political project.”¹⁶ Prior to the referenda, the international community ascribed blame for the Cypriot deadlock on meddling Turkish influence. Post-referenda, for the first time the world questioned whether Greek Cypriots were sincere about the settlement

process.¹⁷ If distinctiveness of language, religion and culture continue to be emphasized over the host of shared values which have the potential to unite the communities, deadlock will continue. Perhaps a rallying point could be European integration, especially if the EU helps facilitate real change.

A special EU structural funds program, similar to the Program for Peace and Reconciliation (PEACE) initiative, which lasted from 1994-2006 and helped transform identities in Northern Ireland, should be established to forge a unifying national identity in Cyprus. The PEACE initiative in Northern Ireland was allocated over €1.2 billion to accomplish a wide scope of internal affairs, including programs dedicated to social inclusion, economic development and employment, urban and rural regeneration, and cross border cooperation.¹⁸ PEACE was successful in combating the root causes of conflict and addressing the special needs of the peace process. Such an initiative, tailored to Cyprus, may be exactly what the stagnated process needs. This infusion of resources would demonstrate to Greek Cypriots that the EU will not allow terms of reconciliation to be dictated by one party, while illustrating to Turkish Cypriots that TRNC integration remains a priority of the EU.

Initiative for Peacebuilding

The EU can generate a new round of enthusiasm by employing measures which are already integrated in its framework, including the Initiative for Peacebuilding (IfP). The IfP, a consortium of civil society organizations funded by the European Commission, is tasked to “develop and harness international knowledge and expertise in the field of conflict prevention and peacebuilding to ensure that all stakeholders, including EU institutions, can access strong independent analysis in order to facilitate better informed and more evidence-based policy decisions.”¹⁹ The IfP can be employed in a variety of geographic and thematic areas by drawing on mechanisms such as the Instrument for Stability and the European Instrument for Democracy and Human Rights and its civilian, diplomatic, and military capabilities in the context of the Common Foreign and Security Policy (CFSP)/Common Security and Defense Policy (CSDP).²⁰ The Commission has the potential to contribute to the settlement process in Cyprus through tasking the IfP to mediate an agreement predicated on constructive discourse, increasing the capacity of the EU to deal

with the lingering negotiations. In 2008, a report published by the mediation cluster of the IfP stated “international peace mediation is a professional tool and instrument of conflict resolution that has not yet entered the consciousness of the EU.”²¹ EU intervention in Cyprus provides an ideal opportunity to change this.

The EU can also utilize other existing internal mechanisms to more effectively mediate. Cooperation between the EU and private actors could provide additional leverage to bridge the impasse. Additionally, while foreign policy is viewed as part of a member state’s sovereignty, the Commission controls the budgets for the EU’s aid programs which serve as catalysts for peace.²²

Existing political instruments at the disposal of the EU include EU special representatives and envoys, the Policy Planning and Early Warning Unit within the Council Secretariat, Commission Delegations, Troika visits to foreign nations and various funding mechanisms under the auspices of the Directorate-

General for External Relations - previously the Rapid Response Mechanism.²³ Combined, these tools offer a promising mechanism to drive reunification efforts on the world stage as well as domestically.

As outlined in a 2008 IfP report, three approaches to international mediation can inform EU mediation efforts: power-based (deal brokering) mediation, interest-based (problem-solving) mediation, and transformative (long-term) mediation.²⁴ By permitting the accession of Cyprus prior to reunification, the EU forfeited its opportunity to use the power-based approach, which relies on punishment and rewards as incentives to broker an agreement between conflicting parties. The EU is unlikely to reprimand a member state by any meaningful measure over a dispute which it has done little to resolve. For the past few decades, the UN used the interest-based approach to no avail. Through utilizing a more facilitative style, whereby conflicting parties were meant to take ownership of the process, little progress was made. The ingrained animosity and contentious history characterizing the Cypriot dispute necessitates a third party to be much more than a facilitator between sides. The key to promoting a sustainable solution is found in the transformative option.

Transformative mediation entails mediators interacting with conflicting parties at different levels with the aim of changing the relationship between

The EU can generate a new round of enthusiasm by employing measures which are already integrated in its framework...

and perceptions of themselves and the other party.²⁵ Only a total recalibration of perspectives which gradually molds a unitary national identity will provide the empowerment mechanism to drive long term conflict resolution. The EU is capable of supporting such efforts through the use of internal funding mechanisms such as the European Instrument for Democracy and Human Rights (EIDHR).

Potential for Change

It is clear that the EU possesses instruments for change within its framework, which if utilized correctly could facilitate a sustainable compromise in Cyprus. What remains to be seen however, is the willingness of the EU to move beyond some of its traditional roles and play a direct part in assisting in bi-communal settlement. The political, social and economic reconciliation of an EU member state may seem an obvious priority for the European Commission, but the lack of attention paid to the process since the accession of the RoC has been

staggering. The failure of the Greek Cypriots to pass the referenda in 2004 was followed by a prolonged state of complacency by all parties. Yet European nations have a direct interest in the future stability of Cyprus, as an EU member and its role as a gateway to the Middle East. The implications of nonintervention by the EU could include domestic instability in Cyprus, prolonged economic hardship for the Turkish Cypriot community and a growing anti-Western bent in Turkey's foreign policy.²⁶ Given the potential outcomes, the EU cannot permit the stalemate to continue indefinitely and must play a more active role in shaping the next stage of negotiations. With the rotating presidency of the EU at hand, the RoC can prioritize such substantive steps towards reconciliation. □

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Environmental Politics

Peaking the Clouds

Vridhhi Sujan

Over the past two decades, beginning with the United Nations Framework Convention on Climate Change (UNFCCC) in 1992, the European Union has established its position as *the* leader of global efforts to combat climate change. The EU has arguably surpassed the United States in this regard, and through its persistent efforts it established the legitimacy to pilot further initiatives to combat climate change effectively and efficiently. Yet the EU continues to face international opposition on this issue, and is currently experiencing difficulties with the implementation of its most recent scheme to reduce the carbon emissions of the aviation sector. The controversy lies in the immortal issue of infringement on state sovereignty, which usually presents enough of a red flag to override just about anything. The EU is walking a fine line between upholding its commitment to combat climate change and overstepping sovereign boundaries. It can, however, use its leverage in this area to achieve its goals and address mounting opposition.

EU Leadership in Climate Change

The UNFCCC, signed in 1992, set the precedent for future attempts to minimize greenhouse gas (GHG) emissions as developed countries agreed to reduce GHG emissions to 1990 levels by the year 2000. While the UNFCCC failed to meet its target, the stage was set for the Kyoto Protocol that was negotiated in 1997, which called on 37 industrialized countries and the European Community to reduce GHG emissions by approximately 5% against 1990 levels during the period 2008-2012. The EU took this one step further and agreed to cut its aggregate GHG emissions by 8%.¹

Following the Kyoto Protocol, there began a series of talks on implementation measures to meet the targeted goals, and it was during this period that the EU emerged as a global leader of counter-climate change initiatives. Furthermore, any speculation that the U.S. would attempt to reenter the game died out with President Bush's

denunciation of the Protocol as "fatally flawed," and his subsequent withdrawal of the U.S. from any further involvement with it. Thus, the Protocol was now completely in the hands of Europe to implement, and this signified, as EU Environmental Commissioner at the time Margot Wallström, commented, "...a change in the balance of power between the U.S. and the EU."²

The EU was also the first to initiate a discussion on commitments beyond the 2012 expiry date of the Protocol, and in 2007 it launched the 20-20-20 by 2020 plan which committed it to reducing its emissions, increasing its share of renewable energy and improving energy efficiency by 20%, by the year 2020. The EU's stringent regulations and dedication to mitigating climate change have arguably legitimized it as a world leader in environmental politics.³

In 2005, the EU introduced its Emissions Trading System (ETS) to help fulfill its Kyoto obligations. The ETS now operates in 30 countries as the largest international scheme for curbing greenhouse gas emissions. It functions on the "cap and trade" principle, which gives factories, power plants and other installations in the system a "cap" on the amount of GHGs they are permitted to emit. Each company can then trade emission allowances with each other, depending on their needs. By reducing the number of allowances over time, the scheme seeks to fulfill the EU's 2007 commitments by reducing emissions 21% by 2020. If companies exceed this amount in output, heavy fines are imposed, encouraging them to budget their emissions and trade emission allowances when necessary. The EU envisions a future in which similar trading schemes in other regions will link with the ETS.⁴

The EU has also launched other initiatives aimed at countering climate change. The European Climate Change Program, for example, was established in June 2000 with the primary goal of identifying and developing all the necessary elements of an EU strategy to implement the Kyoto Protocol. The EU has also been active in supporting the development

of carbon capture and storage technologies to trap and store carbon dioxide emitted by major industrial installations and in establishing binding targets to reduce overall carbon dioxide emissions from new cars and vans.⁵

Carbon Scheme in Aviation

On January 1, 2012, the ETS introduced a measure that will require all airlines operating to and from European airports to purchase allowances for their carbon dioxide emissions, beginning in the spring of 2013.⁶

This aviation law is an extension of the ETS scheme and is intended to give airlines an incentive to invest in more modern, fuel-efficient technology to minimize pollution. In the beginning, the EU will provide airlines with 85% of the allowances for free and require them to purchase the remaining 15%. The number of free allowances granted by the EU will reduce gradually over time. The idea is that airlines will pass the cost of emissions to consumers through ticket prices, and as they do not have to buy 85% of the permits from the EU just yet, use the profit they make to improve their technology. A similar scheme was adopted for several European industries in 2005.⁷

It is about time that the ETS extended cap and trade to airlines, as aviation alone contributes 2-3% of global carbon dioxide emissions. While this is a modest contribution to aggregate global carbon emissions, the success of the scheme could pave the way for action on other sources that contribute heavily to GHG emissions.

According to a study by the World Resources Institute, the transportation and electricity & heat industries contribute 14.3% and 24.9%, respectively to global carbon emissions.⁸ If the EU is successful in lowering emissions from air transportation, it could eventually extend its scheme to other sectors of the transportation industry that are factored into the overall 14.3% of emissions. Transportation is the only sector where emissions are still rising and projections show that by the year 2050 transport emissions would overtake all other GHG emissions combined, which would make it impossible for the EU and other countries to meet their commitments to reducing GHG emissions.⁹

Opposition to the Scheme

The ETS' extension, however, has been met with adamant opposition by 17 countries that met in

Washington at the end of July 2012 to discuss an alternate global solution to address the issue. The main point of contention is over sovereignty, as airlines are required to purchase permits to cover emissions for the entirety of flights and not just for the period spent in European airspace.¹⁰ There is further disagreement about airlines profiting from

the aviation law. A report by the Center for American Progress found that airlines would increase profits by 20-30% per year, gaining them between \$380 million and \$570 million. In 2009, moreover, an American trade association launched a lawsuit to dispute the legality of the ETS

initiative; however, in 2011 the European Court of Justice overruled the concern as invalid.¹¹

Weeks after the ETS introduced the new measure, China's government banned all Chinese airlines from purchasing permits or compensating for it to abide by the European legislation. It views the system as a disguised trade barrier that runs contrary to the UN Convention on International Civil Aviation (1944), which regulates the freedom of airspace. A U.S. Senate committee approved a bill at the beginning of August 2012 that would similarly forbid all U.S. airlines from participating in the scheme. Airlines in the U.S., China and other countries that opt out could find themselves banned from all EU airports. Non-EU countries that are looking at alternate options to reduce carbon emissions would be forced to impose comparable measures against European airlines, thus triggering an unnecessary trade war.¹² In fact, India has already warned Brussels about banning European airlines from its airspace if the EU pursues the policy. In a time of globalization and economic uncertainty, such changes would be counterproductive.¹³

The only alternative the EU has agreed to thus far is for the UN's International Civil Aviation Organization (ICAO) to propose a comparable way to decrease carbon emissions from the aviation industry. After facing resistance from countries for months, the EU suspended the enforcement of the aviation law for a year to allow non-EU countries to formulate an alternate solution.¹⁴ The opposing countries are keen to collaborate with ICAO to address the issue but they have not yet settled on anything concrete.¹⁵ The pressure is now on ICAO as both sides push for a solution. Given the depth of divisions over the issue, it is questionable whether it will be able to satisfy everyone before airlines start being charged for allowances during or after the fall

**...the success of the scheme
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of 2013.

Credibility Gap?

One could argue that the adamant resistance to the ETS carbon scheme is due to a credibility gap. According to Charles Parker and Christer Karlsson's assessment of the EU's leadership initiatives to counter climate change, the EU depends on three types of credibility:

- The ability to exert structural leadership, or at least perceived as having the tools and political will to do so;
- Reliability as a provider of knowledge and innovation; and,
- Delivery on commitments in a feasible manner.

The EU has thus far had little issue in upholding its credibility in terms of innovation and delivering on its commitments, however its ability to consistently exert structural leadership has been questioned.¹⁶

A major setback for the EU's credibility came about with the fiasco of the Copenhagen summit in December 2009. The meeting that was supposed to bring to life the proposals laid out in the Danish draft barely managed to come to a consensus on one clause alone. In addition to this, developing countries were left irked as the EU failed to meet its promise of fleshing out the details of its proposed "top-down" approach, in which developed countries would provide \$100 billion to developing countries in financing to "enable and support advanced action on mitigation, including substantial finance to reduce emissions from deforestation and forest degradation, adaptation, technology development and transfer and capacity building."¹⁷ The specifics of such a transfer were left ambiguous.

The Copenhagen summit was the first time the EU faced a serious threat to its leadership in the arena of climate change, when the U.S. along with Brazil, South Africa, India and China sidelined the EU with a different approach as it became evident that the summit would fail to meet the aspirations set for its agenda. The most pervasive explanation for why this occurred is that the EU was unsuccessful at presenting itself as a unified front, thus allowing other actors to intervene with alternate solutions that would suit their own national interests. This became a significant setback for the credibility of the Union

in this area.

Furthermore, in addition to strong leadership, climate change requires global cooperation and collective action – this was seemingly not present in Copenhagen, where each actor had a different agenda. The U.S. advocated a system in which countries independently verified emissions reductions and colluded with China. It was similarly apprehensive about an EU scheme designed to monitor such reductions. With this in mind, some experts commented that the Copenhagen climate summit marked "the dawn of a new multi-polar world order where large developing countries and the U.S. dominate any future post-Kyoto agreement."¹⁸ As such, it undermined much of the EU's legitimacy in climate change politics that the EU has strived to establish over the past two decades.

The attempt to implement the ETS' carbon scheme in the aviation industry has also provoked negative reactions by non-EU countries, namely the U.S. and China. It has become clear that countering climate change does indeed require a unified effort, and the absence of this will likely result in an unfavorable outcome, where ultimately nothing is achieved and all suffer.

Future Challenges

The EU's struggle to implement its carbon scheme in the aviation industry is representative of a larger issue it faces. The withdrawal of the United States from the Kyoto Protocol during the Bush

administration strengthened the EU's position as a leader in countering climate change. While the Obama Administration followed suit in rejecting the Kyoto Protocol, President Obama has made significant efforts since his election in 2008 to shift the focus in the global equation of climate change back to the United States.¹⁹ U.S. involvement in the Copenhagen

summit is the first major way that President Obama attempted to reengage the U.S. in global climate change talks. Despite its failure, it signified President Obama's pledge to place the U.S. back at the forefront of countering climate change, which is unlikely to change any time soon with his recent reelection.

It is clear that the EU and the U.S. hold divergent approaches to combating climate change. The EU favors a top-down approach that is offered by the

The EU has thus far had little issue in upholding its credibility in terms of innovation and delivering on its commitments, however its ability to consistently exert structural leadership has been questioned.

Kyoto Protocol in which developed countries such as the United States and EU member states take the initial lead in adopting measures and gradually assist developing countries in the process. The U.S. on the other hand, is opposed to any approach (including Kyoto) that does not include developing countries as part of the solution. Furthermore, while the EU supports binding commitments, the U.S. is opposed to such an approach. Finally, the EU believes that climate change can be effectively countered through direct government intervention in industrial activity. Here is one of the main points of contention that the U.S. has with the ETS scheme. It has promoted domestic strategies of technological research and development to adapt industries rather than help them mitigate the problem. This approach, does not, however, offer any international architecture to address the global dangers posed by climate change.²⁰

Recommendations

The EU's robust strategy for reducing GHG emissions seems to be the most effective one presented so far. But it cannot be implemented more broadly without the support of the U.S. and other key international actors. It is apparent that the EU holds the capacity to counter climate change but falls short in coordinating its approach internationally. Alexander Ochs and Detlef Sprinz argue in a paper that a "transatlantic rapprochement" is in order if the EU would like to remain a global leader of counter-climate change initiatives.²¹

One element of *rapprochement* with regard to the aviation scheme is that the EU should continue to work with non-EU countries to find an alternate method of reducing carbon emissions in the aviation sector. For example, instead of requiring non-EU airlines to purchase allowances for their carbon emissions for the entire flight, the EU could alter the scheme to only account for flight time within European airspace. While this will significantly lower the impact of the scheme, it is a potential alternative that would likely gain more international support. Furthermore, by reducing the scale of the operation, the EU would be able to test the effectiveness of the scheme and assess its implications on future policy initiatives in the entire transportation sector and other industries.

Second, the EU should engage more with the U.S. regarding its technology policy. As stated by Ochs and Sprinz, "the idea of a choice between a target-based regime or a technology-based policy is a false

dichotomy." The notion here is that the two approaches should not be viewed as substitutes, as an investment in technology without clear targets will not work efficiently, in the same way that targets could be more easily achieved and improved with the support of technology programs. The U.S. should in turn recognize the importance of a binding commitment scheme in achieving its goals. This recommendation requires active engagement from both sides regarding the development of climate change policies.

Finally, if the EU is serious about pursuing its agenda as a leader of counter-climate change initiatives, several experts deem it crucial for the EU to accommodate the needs of developing countries. Having said

this, however, the ETS scheme does not seem to put developing states at any economic disadvantage. In fact, the European Commission has argued that the principle of Common but Differentiated Responsibilities and Respective Capabilities (CBDRRC) does not apply to the ETS scheme at all. The CBDRRC principle came about with the UNFCCC and established a common responsibility among all states for climate change, recognizing the limitations of developing countries and their greatly lessened contributions to initial global greenhouse emissions. As the Commission has argued, the ETS aviation scheme only applies to businesses active in the EU market and not to states, thus not conflicting with the principle of CBDRRC.²²

Conclusion

The European Commission insists on implementing the scheme to mitigate the long-term environmental impact of emissions, regardless of the negative repercussions it would have on a number of sectors in an already struggling global economy, and despite opposition to it. Yet if the EU goes ahead with the plan and does not take non-EU countries' concerns into account, it would likely result in a series of overlapping measures that would not only further politicize the issue, but would also be unnecessarily messy and difficult to effectively implement. This raises the question of whether those countries disputing the ETS' extension to airlines have legitimate reason to do so, or if they can put aside their differences to address the more critical issue at hand.

With the reemergence of the U.S. in the global climate change arena, countries are divided between those that support EU climate change initiatives and those that do not. The countries that are against the EU

The EU's robust strategy for reducing GHG emissions...cannot be implemented more broadly without the support of the U.S. and other key international actors.

in this regard tend to look to the U.S. as the obvious alternate leader in finding solutions. The presence of such a bipolar system is proving to be detrimental to combating climate change and *rapprochement* between both sides will be necessary to change this.

Regarding the belief that the scheme's infringes on national sovereignty: if we want to move toward a unified, effective approach to climate change, such action is necessary. Climate change is a collective challenge that requires unified rather than divided action. It is impossible for states to maintain complete autonomy if they want to successfully decrease their

GHG emissions, especially in a highly globalized industry like aviation. States will need to address this issue if they want to reach their 2020 targets, and drawing up individual regional schemes with minute nuances that mirror the ETS would be redundant. □

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